



Susanta Kanrar

M.Com, M.Phil, MBA, FCMA

Asst. Professor, Seacom Engineering College, Howrah

Disparity in Institutional Financing in the Development of MSME in West Bengal: A Case Study on West Bengal Financial Corporation

I. Introduction:

The MSME sector plays a pivotal role in the Indian economy in terms of its contribution towards Industrial production, Exports, Employment generation and the creation of entrepreneurial base. These sectors are disposed all over the country and are generally set up to satisfy the local demand for goods, which may later cater to the overall economic and global needs. MSME play a vital role in the overall economic development of our country. A small unit can be established with relatively less capital investment and offers more employment opportunities to those who are skilled, semi skilled and unskilled. Its contributions are clear from the following. Total production from this sector in the year of 2000-01 was Rs. 261297 crores and in 2009-10 it is Rs.982919 crores. So within 10 years increase of production is 194.84%. Similarly employment in the year of 2000-01 was 236.73 lakh persons and in 2009-10 it is 695.38 lakh persons, so increase in 10 years period is 191.28%. Similarly increase in export in this 10-year period is 189.45% and increase in total number of MSME in this period is more than 194%.

From the above it is clear that MSME sector play a remarkable role for economic development. One of main objective of every economy is to developed balanced regional development so that every part of the country can economically sound. Every five years plan specially emphasised on proper regional development, specifically six five years plan clearly specified it. Industrial development and regional development are closely linked. Institutional financing play vital role for industrial development by providing financial assistanc. Some of the institution developed at national level for providing financial assistance at national level and some of institution developed at state level for providing financial assistance at stae level. National level

institutions includes Commercial Banks, Regional Rural Bank, Cooperative Banks, Refinancing Institutions it includes Small industries Development Bank of India (SIDBI), National Bank for Agriculture and Rural Development (NABARD) and National Housing Bank (NHB) and others institutions like Khadi and Vilege Industries Commission (KVIC), National Small Industries Corporation (NSIC) and North Eastern Development Finance Corporation Ltd.(NEDFi) .State Level Financial institutions includes State Financial Corporation (SFCs), State Industrial Development Corporation(SIDCs), The State Small Industries Development Corporations (SSIDCs) . At state level SFC ply very crucial role for providing financial assistance to MSME sector.

The West Bengal Financial Corporation (WBFC) was established in 1954. WBFC is committed to help genuine entrepreneurs in the micro, small, and medium sector enterprises in achieving their goals in setting up new manufacturing and service industries or modernizing and or/expanding their existing units, by providing timely financial inputs at reasonable interest rates. It also helps such entrepreneurs to receive assistance from other departments of the central and state governments in obtaining allied services for realization of their dreams, and is also committed in continually improving its internal processes and systems. In spite of this, in West Bengal there are high disparities in institutional financing among the various regions of the state. Regional imbalances in institutional financing are more serious problem in west Bengal.

II. Brief profile of West Bengal:

West Bengal is a state in eastern India, stretches from the Himalayas in the north to the Bay of Bengal in the south. On 1st May 1960 West Bengal was given the status of a separate state in the Indian union, purely on linguistic basis. It is bordered by Nepal

and Bangladesh and the states of Orissa, Jharkhand, Bihar, Sikkim, Assam, and Meghalaya in different directions. West Bengal occupies only 3% of the total land area covered by India. Total area of West Bengal is 88,752 km and population is 80,176,197 as per 2001 census. It is a highly populated region of India and one of the fastest growing states of the country. The state comprises of 19 districts and Kolkata serves as its capital. The land is mostly plain except the northern region, which comes under the Himalayan mountain range. West Bengal is a prosperous state with more than two third of the population depending on agriculture. In the more recent time, there is tremendous reformation going on at various sectors viz. economy, education, transport and tourism etc. The state is very rich in natural resources. The forests, rivers, mines, hills are all essential physical entities for human activities. Basically dense forests found in the foothills of the Himalayas are sources of medicinal plants and other products useful for rural livelihood. The Ganges is the only perennial river in West Bengal that divides in to two – one branch enters Bangladesh in the name of Padma and the other branch flows in the state in the name of river Bhagirathi and river Hooghly. Of the important mineral resources, the state has a large deposit of coal and iron ore. The coal mining at Raniganj coalfield was the first mining operation in the country. This coalfield also has a large source of iron ore. Other important minerals of the state include dolomite, limestone, Rock Phosphate, granite and china clay.

The services sector is the largest contributor to the GDP, contributing 51% of the state domestic product. Agriculture is the second major player in the economy of West Bengal, contributing 27% to the state's domestic product and the contribution from industry sector comes the remaining 22%. Industrial growth in the state has picked up pace in the recent times. Important industries include engineering products, electronics, electrical equipment, cables, steel, leather, textiles, jewellery, frigates, automobiles, railway coaches, and wagons.

III. Objectives of Study:

In the backdrop, the present paper attempt to find the extent and magnitude of regional disparity in institutional financing to MSME sector by the West Bengal Financial Corporation. The study will be for thirteen years period starting from 1999-2000 and ending to 2011-2012.

IV. Research Methodology:

Paper is based on secondary data and various data are collected from various secondary sources. Various annual report of WBFC are used to analysis

this disparity. Data from official website of SIDBI, RBI, MSME enterprises, prime minister task force are also used. Different research paper, article, doctoral thesis have been also used to prepare the paper. Simple statistical tools and techniques have been used to analysis the data. The data for the study also directly collected from WBFC's head offices of Kolkata.

V. Hypothesis of Study:

Hypothesis of study are:

1. Development of MSME sector in backward district is much slower than non-backward district.
2. There is massive disparity in financial assistance by WBFC comparing to backward and non-backward district.

VI. WBFC'S Assistance to MSME sector in Backward and Non-Backward Districts:

West Bengal is well known for its position among one of the leading industrialized states of India. The state's share of total industrial output in India was 9.8% in 1980-81, declining to 5% by 1997-98. However, the service sector has grown at a rate higher than the national rate. At present there are nineteen districts in West Bengal and industrial development among the districts are widely varied from district to district. State industries are mostly localized in the Kolkata region. Few districts are highly industrially developed and many are totally industrially underdeveloped. Out of nineteen districts ten districts are treated as industrially backward district as per Central Government's specification of industrially backward districts of Category 'A' and Category 'B'. A list of industrially backward and Non-Backward Districts are given below.

Backward and Non-Backward Districts of West Bengal

Backward Districts	Non-Backward Districts
Malda	North Twenty Four Parganas
West Dinajpur	South Twenty Four Parganas
Murshidabad	Bardhaman
Coach Behar	Hoogli
Bankura	Nadia
Jalpaiguri	Howrah
Purulia	Kolkata
Birbhum	Uttar Dinajpur
Paschim Medinipur	Darjiling
Purba Medinipur	

More or less in every five years plan emphasis is given on removal of regional disparity and it is also applicable for state level plan. So it is expectable that more emphasis is given on backward district in every aspect whether infrastructure or finance so that backward district can remove all hurdle and turned to non backward district. WBFC is a state level financial institution and West Bengal

Government hold more than 90% share of the corporation. So it is totally state government owned financial corporation and it is expectable that it always pursue government's objectives, policies and other norms. In table - 01, 02, 03, 04 and 05 financial assistance by WBFC to backward and non backward districts are shown below.

Table 01 Loan Sanction (In Number) to Backward and Non-Backward Districts

Year	Backward Districts			Non - Backward Districts		
	Number	% In total	Trend	Number	%In total	Trend
1999-00	238	48.18	100.00	256	51.82	100.00
2000-01	242	36.28	101.68	425	63.72	166.02
2001-02	343	45.79	144.12	406	54.21	158.59
2002-03	292	49.08	122.69	303	50.92	118.36
2003-04	169	50.00	71.01	169	50.00	66.02
2004-05	177	46.94	74.37	200	53.06	78.125
2005-06	152	40.00	63.87	228	60.00	89.06
2006-07	101	37.41	42.44	169	62.59	66.02
2007-08	107	39.05	44.96	167	60.95	65.23
2008-09	103	42.39	43.28	140	57.61	54.69
2009-10	113	36.22	47.48	199	63.78	77.73
2010-11	95	31.88	39.92	203	68.12	79.30
2011-12	77	30.43	26.47	176	69.57	68.25
Average	170	41.05	-----	234	58.95	---

Source: Different Annual Reports of WBFC

As we analyse the table-01, we find an amusing situation. The loan sanctioned (in number) to non-backward districts has been maintained in respect of percentage of total loan and also in respect of number. In the year of 2000-01, 2005-06, 2006-07, 2007-08, 2009-10, 2010-11 and 2011-12 this figure is very much encouraging. On the other

hand, the situation for backward districts is totally different. From the year of 1999-00 to 2011-12 in all thirteen year number of loan sanctioned to backward districts is always below than non-backward districts and average number of loan sanctioned (in units) in back-ward districts is only 170 where it is 234 for non-backward districts.

Table 02 Loan Sanction (In Amount) to Backward and Non-Backward Districts

Year	Backward Districts			Non-Backward Districts		
	Amount (In Lakhs)	% In total	Trend	Amount(In Lakhs)	%In total	Trend
1999-00	2878.48	36.00	100.00	5117.95	64.00	100.00

COVER THEME

2000-01	2922.87	30.79	101.54	6569.14	69.21	128.35
2001-02	3205.10	22.26	111.35	11,194.90	77.74	218.74
2002-03	3801.00	26.82	132.05	10,369	73.18	202.60
2003-04	3051.16	25.91	105.99	8727.08	74.09	170.52
2004-05	5393.78	30.30	187.38	12,408.85	69.70	242.46
2005-06	4251.35	21.21	147.69	15,793.35	78.79	308.59
2006-07	4124.60	25.19	143.29	12,247.75	74.81	239.31
2007-08	6633.03	30.06	230.43	15,429.20	69.94	301.47
2008-09	4706.16	24.87	163.49	14,219.58	75.13	277.84
2009-10	8041.50	33.80	279.37	15,750.87	66.20	307.76
2010-11	3984.06	19.60	138.41	18,657.41	82.40	364.55
2011-12	7423.53	23.15	257.89	23,429.36	75.94	457.79
Average	4647.43	26.99%	—	13,070.34	73.01%	—

Source: Different Annual Reports of WBFC

Also we observed similar situation from table no-02 in case of loan sanctioned in backward and non-backward districts in amount. The loan sanctioned to non-backward districts has been more or less maintained in study period. It is in respect of percentage of total loan of WBFC and also in respect of trend of loan. In the year of 2001-02, 2002-03, 2003-04, 2005-06, 2006-07, 2008-09, 2010-11 and 2011-12 this figure is very cheering. But the situation for backward districts for the same period is totally different and amount of loan has gone down drastically from the year of 1999-00 to 2011-

12. In the year of 1999-00 the share of total loan to backward districts was 36% and it going decreasing year by year and finally it was only 23.15% in the year of 2011-12. Average loan to backward districts in study periods is only 26.99% whereas it is 73.01% for non-backward districts. But here it is maintainable that total number of backward districts is ten and non-backward districts is nine. From the above it is clear that attention to non-backward districts is properly maintained, whereas backward districts are neglected during our study period.

Table 03 Loan Disbursed (In Amount) to Backward and Non-Backward Districts

Year	Backward Districts			Non - Backward Districts		
	Amount(In Lakhs)	% In total	Trend	Amount(In Lakhs)	%In total	Trend
1999-00	1585.76	28.72	100.00	3936.24	71.28	100.00
2000-01	2020.07	29.36	127.39	4859.13	70.64	123.45
2001-02	2551.51	26.62	160.90	7034.01	73.38	178.69
2002-03	2644.00	24.94	166.73	7956.00	75.06	202.12
2003-04	2810.12	27.72	177.21	7327.18	72.28	186.15
2004-05	3531.14	31.82	222.68	7567.01	68.18	192.24
2005-06	2829.60	24.66	178.44	8643.11	75.34	219.58
2006-07	3163.22	27.57	199.48	10,361.56	72.43	263.23

2007-08	5339.21	36.73	336.69	9197.42	63.27	233.66
2008-09	4870.98	29.22	307.17	11,796.71	70.78	299.69
2009-10	4202.84	22.49	265.04	14,485.62	77.51	368.00
2010-11	3545.84	17.71	223.61	16,476.50	82.29	418.58
2011-12	3875.56	19.30	231.79	16,206.90	80.70	411.73
Average	3305.38	26.65	-----	9680.56	73.35	-----

Source: Different Annual Reports of WBFC

In the table-03, the situation we observe is not different from table-02. The actual disbursement of loan to backward districts has decreased year after year. It was 28.72% of total disbursement in 1999-00, but from 2000-01 onwards, the proportion declined (except few years) and it reached to 17.71% in the year of 2010-11. On the other hand the position of non-backwards districts is entirely different and their loan disbursement was always

more than 70%, except year 2004-05 and year 2007-08. Trend of loan disbursed is also very satisfactory for non-backward districts. Average loan disbursement for non-backward districts is 73.35%, whereas it is only 26.65% for backward districts. Loan disbursement was always below 30% in case of backward districts (except year 2004-05). From table-03 again it is clear that non-backward districts are given much attention comparing to backward districts.

Table 04 Quotients of Sanction of loan by WBFC in Backward and Non-Backward District

Year	Backward Districts			Non - Backward Districts		
	Sanctions (In Lakhs)	Disbursed (In Lakhs)	Quotients	Sanctions (In Lakhs)	Disbursed (In Lakhs)	Quotients
1999-00	2878.48	1585.76	0.55	5117.95	3936.24	0.77
2000-01	2922.87	2020.07	0.69	6569.14	4859.13	0.74
2001-02	3205.10	2551.51	0.80	11,194.90	7034.01	0.63
2002-03	3801.00	2644.00	0.70	10,369.00	7956.00	0.77
2003-04	3051.16	2810.12	0.92	8727.08	7327.18	0.83
2004-05	5393.78	3531.14	0.65	12,408.85	7567.01	0.61
2005-06	4251.35	2829.60	0.67	15,793.35	8643.11	0.55
2006-07	4124.60	3163.22	0.77	12,247.75	10,361.56	0.85
2007-08	6633.03	5339.21	0.80	15,429.20	9197.42	0.60
2008-09	4706.16	4870.98	1.04	14,219.58	11,796.71	0.83
2009-10	8041.50	4202.84	0.52	15,750.87	14,485.62	0.92
2010-11	3984.06	3545.84	0.89	18,657.41	16,476.50	0.88
2011-12	7423.53	3875.56	0.51	23,429.36	16,206.30	0.69
Average	4647.43	3305.38	0.71	13,070.34	9680.56	0.74

Source: Different Annual Reports of WBFC

The quotients for loan disbursement and loan sanctioned have been computed for the backward and non-backward districts in relation to the share

of population of backward and non-backward districts. The share of population of 10 backward districts was 44.37% as against 55.63% in nine

non-backward districts (Source -- Census of India-2011). From quotients it is evident that even in the year of 2009-10 the backward districts did not get their legitimate share despite the higher rate of growth of sanction. Average loan sanction for backward districts was Rs. 4647.43 lakhs but it was Rs.13,070.34 lakhs for Non-Backward Districts, i.e 2.81 times and average loan disbursement for

backward districts was Rs.3305.38 lakhs comparing to non- backward districts of Rs. 9,680.56 lakhs i.e 2.93 times of backward districts. Again it was higher in case of average quotient for non- backward district (0.74) comparing to backward districts (0.71). A detail of loan sanction and disbursement in backward and non- backward districts are shown in table- 05.

Table 05 Cumulative position of loan sanction in backward and Non-backward districts, as on 31.03.2012 (Rs. in Lakhs)

Backward Districts				Non-Backward Districts			
Districts		Total amount Rs.	% share of the district	Districts		Total amount Rs.	% share of the district
01.	Malda	3275.21	1.28%	01.	North Twenty Four Parganas	20135.76	7.87%
02.	West Dinajpur	222.65	0.09%	02.	South Twenty Four Parganas	17627.14	6.89%
03.	Murshidabad	4135.05	1.62%	03.	Barddhaman	48615.00	19.01%
04.	Coach Behar	2149.11	0.84%	04.	Hoogli	18347.53	7.17%
05.	Bankura	16005.58	6.26%	05.	Nadia	4970.90	1.94%
06.	Jalpaiguri	6489.35	2.54%	06.	Howrah	35010.02	13.69%
07.	Purulia	7751.31	3.03%	07.	Kolkata	30414.07	11.89%
08.	Birbhum	4060.41	1.59%	08.	Uttar Dinajpur	2358.91	0.92%
09.	Paschim Medinipur	1473.60	0.58%	09.	Darjiling	8426.02	3.29%
10.	Purba Medinipur	24277.42	9.49%	-----	-----	-----	-----
Total		69,617.00	27.32%	Total		1,85,905.35	72.68%

Source: Different Annual Reports of WBFC

VII. Testing of Hypothesis:

We have examined the following hypothesis as mentioned earlier in our study:

1. Development of MSME sector in backward district is much slower than non -backward district:

This hypothesis has been examined after taking into account the total number units assisted

in backward and non-backward districts, total assistance sanctioned and disbursement to MSME sectors in different districts (i.e backward and non-backward districts) and also the quotients of disbursement and loan sanctioned. In our study, we found that for backward districts, the assisted number of units was always lower and loan sanction percentage in backward districts was always lower than non-

backward districts. In 1999-00 it was 36% and gradually decreasing one and finally it was only 23.15% in 2001-12. Similar picture was also observed in case of loan disbursement. Average loan disbursement to backward districts was only 26.65%. The average quotient value for backward districts was 0.71, though it was not bad, but the picture of non-backward districts for the same period was completely different and much better than backward districts. Therefore, this hypothesis holds good.

2. There is massive disparity in financial assistance by WBFC comparing to backward and non-backward district:

This hypothesis has been examined after taking into account the total assistance sanctioned by the WBFC to backward and non-backward districts since its inception. Backward districts share was only 27.32 per cent in total amount of loan sanction since its inception and average backward district wise sanction was only 2.732 per cent of total loan sanction whereas the picture is totally different in case of non-backward districts. Non-backwards districts share was 72.68%. District wise loan sanction in case of backward districts was only Rs.6961.7 lakhs whereas it was Rs. 20,656.15 lakhs in case of non-backward districts. So there was huge disparity in financial assistance between backward and non-backward districts. Therefore, this hypothesis also holds good.

VIII. Conclusion:

Above study exhibit that WBFC are playing an active role in the development of state MSME sector and year after year their assistance are more or less in increasing trend. But their assistance mostly around developed districts i,e assistance to Non-Backward Districts . More attention should give on backward districts where industrial growth is very slow and where more assistance is needed. Few districts share in cumulative total assistance since WBFC's inception are highly remarkable like Kolkata (11.89%), Howrah (13.69%) and Baddhaman(19.01%) and at the same time few districts are totally neglected to get assistance like West Dinajpur (0.09%), Coach behar (0.84%), Paschim Medinpur (0.58%), Uttar Dinajpur (0.92%). So this may leads a regional misbalance in the growth of MSME sector. State financial corporation recognized as the leader in state level for providing assistance to MSME sector. So if there assistance not properly reached to every corner of the state it may have strong negative impact on the development of state industry as

well as in creation of job destination. So proper care should take by WBFC so that their assistance reached particularly to backward districts otherwise it will lead high regional disparity in financial assistance by the corporation. Therefore it is suggested to corporation to open special branches in backward districts for MSME sector to ensure increased flow of credit, particularly in deficit districts. However in long run flow of credit depends upon favourable infrastructure and support system available to MSME sector. Therefore, it is essential to consider these aspects into account while framing plans and programme to augment the flow of credit and reducing disparity in financial assistance between backward and non-backward districts.

IX. Reference:

1. Patel, G. S (1996), Role of Commercial Banks' Lending to Priority Sector in Gujarat - An Evaluation, "Finance India" vol. x no. 2, June 1996".
2. Uma, S (2001), " Problems and Prospects of Priority Sector Lending by Commercial Banks", Ph.d Thesis, Mysore University.
3. Srinivas. Y (2005), Bank Finance to the SME Sector- Issues and Perspectives, "The Chartered Accountant September 2005".
4. Mohd, Saud Ilahi (2007), "Non Monetary Support for Development of Entrepreneurship in Small Scale Industry of Delhi state", Ph.d Thesis , Jamia Millia Islamia University.
5. Sana & Kanrar (2009), "Role of State Financial Corporation in the Development of Micro, Small and Medium Enterprises: A Study with Special Reference to West Bengal Financial Corporation", "Business Studies, Vol.XXX."
6. Chakrabarty, K. C . (2010), Bank credit to Micro, Small and Medium Enterprises (MSMEs) – Present Status and Way Forward, "Institute of Small Enterprises and Development (ISED)", Kochi, 21 May 2010
7. Inigo, R.M (2008), "Bank's financing of Small Scale Industries in Tamilnadu With Special Reference to Sivaganga District", Ph.d Thesis , Alagappa University.
8. Aggarwal & Mittal (2012), Globalization and Small-Scale Industries: The Indian Perspective, "International Journal of Research in Commerce, Economics & Management", Volume no. 2 (2012), Issue no. 3 (March).
9. Kaliyamoorthy & Parithi (2012), Micro, Small and Medium Enterprises in India- An Analysis, "International Journal of Research in Commerce, Economics & Management", Volume no. 2 (2012), issue no. 8 (August).
10. Kanrar. S (2012), Micro, Small and medium (MSMEs) Enterprises and Indian Economy: An Empirical Study on Role of MSMEs, "International Journal of Research in Computer application and Management", May, 2012.