

OSFC IN ITS STRIFE FOR EXCELLENCE

OSFC Comes Up With a Flexible Loan Policy for the MSME Sector

Good old OSFC. More than 5 decades of dedicated service to the MSME sector. Creating a seed bed of first generation entrepreneurs and many successful entrepreneurs of today. Transforming Orissa into a developing industrial economy. Credit disbursal of Rs.1305 crore to 28209 micro, small and medium enterprises generating direct employment for more than 2 lakh people in the state. A vibrant OSFC, playing a pivotal role in the industrialization of the State.

The wave of globalization, economic liberalization and financial sector reforms swept the Country as well as the State and the business environment became intensely competitive. Many industries in the MSME sector failed to compete and became sick, thereby impacting the financial health of OSFC adversely. The financial health of the Corporation steadily deteriorated due to poor recovery, rising NPAs and growing provisions as per provisioning norms. The Corporation reached a stage of no return with a huge debt burden and liquidity crisis.

OSFC was in dire straits and the State Government took a strategic decision to restructure and revive OSFC. It provided OSFC a big push by extending financial support of Rs.254 crore during January 2005 to July 2008 which enabled the Corporation to settle the SLR Bond dues amounting to Rs.334.49 crore with additional contribution of Rs.80.49 crore from the Corporation. The financial restructuring of the Corporation is complete. Manpower has been substantially downsized. The

State Government has ensured professional management at the top. The middle and lower management structure has been revamped and reorganized for delivering good performance in the lines of sound business principles and best banking practices. The policies, procedures and practices have been revisited and firmed up consolidating good governance. The Policies of the Corporation are customer-centric, focused on customers' satisfaction.

The Corporation has been regular in payment of all the restructured dues and making profit on year to year basis after observing due prudential norms of RBI/SIDBI. No budgetary support has been provided by the Government for any expenses after restructuring. Sincere and consistent effort of the staff and officers of the Corporation for recovery of dues from the NPA accounts has resulted in substantial reduction of NPA level.

Since a large chunk of its resources are locked up in over dues, steps are being taken to reduce the level of NPAs by introducing One Time Settlement (OTS) Schemes, vigorous recovery effort including the recourse to Section 29 of SFCs Act as and when required. A detailed analysis of each NPA A/c. is being done and appropriate recovery action is initiated to improve the position.

With the lifting of embargo on fresh lending by the State Government, the Corporation has gone ahead with fresh lending with effect from March 2010 adopting a very cautious risk-based approach, despite difficulties and challenges to penetrate the market within a very

short period, and being away from the business of lending for nearly 7 years. The Corporation has already sanctioned around Rs.4.86 crore of loans to eight projects and identified more than 100 entrepreneurs to explore business opportunity. A new Lending Policy has been formulated widening the business canvas imparting flexibility to accommodate credit worthy proposals and also attract good customers. With a view to make the credit delivery process smooth and faster, the existing procedures, forms, statements and documentation procedures have been modified and simplified.

The Credit Appraisal and Rating Tool (CART) application software of SIDBI is being used to shorten the processing time of credit proposals. Moreover, steps have been taken to jointly finance with SIDBI for the loan components more than Rs.2 crore. Efforts are being made to have similar arrangement with the Banks like Union Bank of India and IDBI Bank etc. OSFC has adopted a risk based interest structure (12.75% to 14.50%) which is competitive in the prevailing marketing scenario along with provision of rebate of 0.50% to encourage loanees for prompt payment. Internal control and monitoring mechanism has also been strengthened with formulation of staff accountability policy. It has also taken up the challenge of expanding business to sustain itself with renewed vigour.

The Corporation is firm and resolute in its avowed mission for the growth of MSME sector and is committed to fulfill the expectations of Govt. of Orissa and other stake holders.