Comparative Analysis
COMPARATIVE ANALYSIS

The SIDCs constitute an important financial instrument for the development of entrepreneurs and hence development of industries in the country. In one sense, operations of this institution are no different from others, being characterised by either lending or investment or both. However, in another sense, development financing institution is created to fulfill a vitally different need. Its raison d'être is to further cause of development. Under the priority sector policy of the government, commercial banks have been financing in a big way the working capital requirements of the industries, particularly small scale industrial units. The SIDCs aim at meeting the fixed capital requirements of industries. And hence, it needs to study the extent of performance achieved by their counterparts viz., All Financial Institutions (AFIs), All India Financial Institutions (AIFIs), State Financial Corporations (SFCs). This attempt would help to find out the reasons for or the causes of constraints, if any, in sources of funds as well

1. Ruikarni, P.V., op.cited., p.969.
as their deployment by the SIDCs in comparison to other institutions rendering services with the provision of capital for industrial development. In other words, the purpose of this chapter is to examine the trends in term-lending by the SIDCs with those of other financial institutions. The attempts, in this chapter, are related to a. source of funds, b. assistance sanctioned and disbursed, c. deployment of funds - sector-wise, component-wise, industry-wise and state-wise; and d. refinance facility of i. AFIIs ii. AIFIs and iii. SFCs. Their achievements studied through the statistical techniques like Location Quotient, Elasticity Coefficient, Regression, component growth rate, 't' test, and 'F' test are presented in this chapter.

Sources of Funds

The sources of funds can be described as inputs to the financial institutions. In the words of experts, sources of funds are inputs of institution of which its effective functioning hinges on. Diagnoses of the sources of funds of the financial institutions and relative data of different types of institutions are presented in Table 4.1 and Appendix I, II, and III respectively.
### TABLE 4.1

**Sources of Funds (Compound Growth Rate)**

<table>
<thead>
<tr>
<th>SOURCES OF FUNDS</th>
<th>SIDCs</th>
<th>AFIs</th>
<th>AIFIs</th>
<th>SFCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Capital</td>
<td>13.09</td>
<td>14.35</td>
<td>9.27</td>
<td>18.13</td>
</tr>
<tr>
<td>Borrowings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) by way of loans</td>
<td>19.97</td>
<td>0.70</td>
<td>(-) 2.81</td>
<td>14.20</td>
</tr>
<tr>
<td>(b) bonds</td>
<td>14.40</td>
<td>19.75</td>
<td>18.40</td>
<td>26.63</td>
</tr>
<tr>
<td>Deposits</td>
<td>185.85</td>
<td>119.42</td>
<td>14.49</td>
<td>(-) 10.66</td>
</tr>
<tr>
<td>External Funds A</td>
<td>19.98</td>
<td>16.42</td>
<td>15.39</td>
<td>17.21</td>
</tr>
<tr>
<td>Sale of Investments in Shares &amp; Debentures</td>
<td>21.60</td>
<td>10.31</td>
<td>3.64</td>
<td>(-) 10.91</td>
</tr>
<tr>
<td>Recoveries</td>
<td>14.29</td>
<td>24.10</td>
<td>36.15</td>
<td>20.07</td>
</tr>
<tr>
<td>Cash</td>
<td>13.51</td>
<td>26.31</td>
<td>32.92</td>
<td>12.57</td>
</tr>
<tr>
<td>Internal Funds B</td>
<td>16.18</td>
<td>24.49</td>
<td>24.54</td>
<td>19.72</td>
</tr>
<tr>
<td>TOTAL (A + B)</td>
<td>17.47</td>
<td>20.78</td>
<td>21.38</td>
<td>18.31</td>
</tr>
</tbody>
</table>

Source: Appendix I, II, & III.
Table 4.1 clearly shows that the performance of the SIDCs in external funds i.e., mobilisation of funds can be considered as impressive while in respect of retained earnings the progress of the APIIs recorded a better performance. In other words, the growth rate of sources of funds and retained earnings of the APIIs accounted for 16.44 per cent and 24.49 per cent whereas the progress of the components of sources of funds and retained earnings of the SIDCs are 18.98 per cent and 16.18 per cent.

The SFCs performance in mobilisation of funds, accounted for an annual growth rate of 18.31 per cent which is less in comparison to the APIIs and ALFIs but was higher by 1.04 per cent than that of SIDCs. This shows that the State sponsored institutions i.e., SIDCs and SFCs, have achieved the same quantum of progress, but less as compared to the national level institutions.

From the above facts it becomes obvious that the performance of APIIs is better than that of SIDCs followed by AIPIIs and SFCs. The visible reasons for the above state of affairs are that,

1. The AIPIIs which are part of the APIIs are heavily funded by the Central Government.
ii. the SIDCs are sponsored by the provincial Governments.

iii. the long existence of SIDCs in the channel of Industrial finance made them to attain a sound financial position while the SIDCs existence is of a decade or a little more and hence could not retain more and more earnings as source of funds. Again the reason for this is exogenous as well as endogenous disturbances.

Deployment of Funds

Assistance Sanctioned and disbursed

Intensification and diversification of industrial units made financial institutions ever growing and diversified their activities, which have come to occupy an eminent position with reference to the provision of credit for industrial development in the country. On the basis of the evaluation of the project appraisal reports by an expert committee the financial institutions made provision for credit sanctions. In other words, sanction of financial assistance is directly related to the feasibility and viability of the project. If the entire amount sanctioned is disbursed at a time, there is every possibility and scope for misutilization of funds
by the entrepreneur; hence, a portion of the amount becomes 'dead capital'; as a result the entrepreneur has to pay interest for that amount for nothing.

Secondly, if any sanctioned amount is misutilised by the entrepreneur, it causes hardship to the financial institutions including commercial banks. It is suggested that the financial institutions should undertake systematic external appraisal of management practices even in the healthy units in order to get advance information of problems to come. Because of these reasons, the financial institutions adopt disbursement in instalments. If the financial institution is satisfied with the utilisation of the disbursed amount, then only it releases the subsequent instalments. If the entrepreneur does not utilize the amount for the purpose for which the amount is sanctioned, but for some unproductive activity, which is not in consonance with the national goals it will affect the nation in general and both the financial institution and the entrepreneur in particular. Having admitted this view as the prime aspect, an assessment is made regarding the assistance sanctioned and disbursed by the financial institutions, and the percentage of disbursement to sanctions are presented in Appendix IV and table 4.2 respectively.
<table>
<thead>
<tr>
<th>YEAR</th>
<th>SIDCs</th>
<th>AFIIs</th>
<th>AIFIs</th>
<th>SFCS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>57.56</td>
<td>63.53</td>
<td>69.55</td>
<td>66.92</td>
</tr>
<tr>
<td>1981-82</td>
<td>63.79</td>
<td>75.51</td>
<td>77.15</td>
<td>62.35</td>
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<tr>
<td>1982-83</td>
<td>70.12</td>
<td>73.37</td>
<td>74.03</td>
<td>65.06</td>
</tr>
<tr>
<td>1983-84</td>
<td>64.85</td>
<td>71.33</td>
<td>72.21</td>
<td>67.53</td>
</tr>
<tr>
<td>1984-85</td>
<td>62.26</td>
<td>62.01</td>
<td>61.82</td>
<td>66.98</td>
</tr>
<tr>
<td>1985-86</td>
<td>68.41</td>
<td>74.38</td>
<td>73.86</td>
<td>60.20</td>
</tr>
<tr>
<td>Cumulative (as on 1986)</td>
<td>65.28</td>
<td>73.84</td>
<td>72.85</td>
<td>69.66</td>
</tr>
<tr>
<td>1980-86</td>
<td>64.99</td>
<td>69.92</td>
<td>70.78</td>
<td>87.17</td>
</tr>
</tbody>
</table>

\[
F = 1.29 \\
(3, 20)
\]

Table Value at 0.05% = 3.10

Result - No significant difference

Source: Appendix IV.
Table 4.2 reveals that the performance of SIDCs with regard to disbursements to sanctions was 64.99 per cent during the period of six years commencing from 1980-81. The performance in this regard by APIIs was 69.92 per cent and it accounted for 70.78 per cent by AIFIs. The Institutions sponsored by the states i.e., SFCs performance in this regard was 87.77 per cent.

The year-wise analysis of disbursement to sanctions of the financial institutions is as follows.
The SIDCs performance in 1980-81 was 57.56 per cent which went up to 68.41 per cent thereby showing a rise of 10.85 per cent. The APIIs disbursement to sanctions was 63.53 per cent in 1980-81 which increased to 74.38 per cent in 1985-86. Between 1981-86 there was an increase of 10.85 per cent. The AIFIs achievement was 73.86 per cent in 1985-86 which was 4.31 per cent more than the performance in 1980-81. The SFCs performance regarding disbursement to sanctions was 66.92 per cent in 1980-81 and 60.20 per cent in 1985-86 thus registering a decrease of 6.72 per cent. The above facts convincingly reveal that the performance of the SIDCs was better during 1980-86, though their yearly achievements were comparatively less than that of other financial
institutions. Though the amount disbursed by the AIFIs is figuratively greater than that of the SIDCs, the difference is statistically insignificant reflecting equi-potential performance. In other words, the achievements regarding disbursements to sanctions among the institutions i.e. the SIDCs, the AIFIs, the AIFIs and the SFCs during 1980-86 do not have a significant difference in the sense that their performance is less inconsistent. This fact has been studied by using ANOVA. The results of ANOVA correctly disclosed the above fact in achievement of disbursement to sanctions among the institutions, which is further supported by 't' test.

Disbursement - Component-wise

The primary function of the financial institutions is lending finance to meet the capital requirements to the industries. However, the successful completion of the project and starting of commercial production very much hinge upon the services such as imported technology etc., that are arranged by the financial institutions. The effective functioning of the financial institutions can be identified on the type of services that are extended by them in the
form of assistance such as rupee loans, share capital, foreign currency loans etc. Adoption of various modes of assistance, such as stated above, would make the entrepreneurs to effectively utilize the assistance which results in high production with hope and will. The performance in terms of component-wise disbursements (of the AFIs, the AIFIs and the SFCs) is presented in table 4.3A, 4.3B and 4.3C respectively.

Table 4.3 discloses that the performance of AFIs in rupee loans was 89.95 per cent in 1980-81 which decreased to 74.84 per cent in 1985-86, thus the negative trend was to the tune of 15.11 per cent. As far as foreign currency loans is concerned it was 5.09 per cent in 1980-81 which went up to 6.50 per cent. The rise thus accounted for 1.41 per cent but figuratively it was Rs.235.32 crores. The rupee loan and foreign currency loan components are of vital importance in the process of beginning the production. The share capital is more relevant before the industry goes into commercial production. This component accounted for 2.02 per cent in 1980-81 and in 1985-86 it was 1.26 per cent. The performance statistically doubled in 1985-86 in comparison to the position of 1980-81, but
<table>
<thead>
<tr>
<th>Year/Component</th>
<th>Rupee Loans</th>
<th>Foreign Currency Borrowing</th>
<th>Equity &amp; Preference Shares</th>
<th>Debentures</th>
<th>Guarantees</th>
<th>Total</th>
<th>Cumulative As on March end</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>1441.73(229.25)</td>
<td>81.64(5.09)</td>
<td>32.36(2.02)</td>
<td>46.39(2.90)</td>
<td>0.66(0.04)</td>
<td>1602.76(299.25)</td>
<td>19220.70(3692.68)</td>
</tr>
<tr>
<td>1981-82</td>
<td>1810.86(360.66)</td>
<td>122.58(5.95)</td>
<td>50.35(2.44)</td>
<td>72.41(3.51)</td>
<td>4.04(0.20)</td>
<td>2060.24(360.66)</td>
<td>1944.24</td>
</tr>
<tr>
<td>1982-83</td>
<td>2042.14(454.41)</td>
<td>128.15(5.43)</td>
<td>93.59(3.97)</td>
<td>90.30(3.83)</td>
<td>4.18(0.18)</td>
<td>2358.36(454.41)</td>
<td>1001.45</td>
</tr>
<tr>
<td>1983-84</td>
<td>2468.19(467.41)</td>
<td>135.29(4.68)</td>
<td>57.46(1.99)</td>
<td>230.83(7.97)</td>
<td>1.49(0.05)</td>
<td>2893.26(467.41)</td>
<td>1437.37</td>
</tr>
<tr>
<td>1984-85</td>
<td>2886.89(708.23)</td>
<td>173.70(4.96)</td>
<td>66.14(1.89)</td>
<td>368.42(10.53)</td>
<td>6.63(0.18)</td>
<td>3501.78(708.23)</td>
<td>256.73</td>
</tr>
<tr>
<td>1985-86</td>
<td>3682.02(809.42)</td>
<td>319.96(6.50)</td>
<td>62.14(1.26)</td>
<td>680.60(13.84)</td>
<td>174.89(3.56)</td>
<td>4919.61(809.42)</td>
<td>23860.49</td>
</tr>
<tr>
<td>Variation in 1985-86 over 1980-81 (in percentage)</td>
<td>14331.83(82.67)</td>
<td>961.32(5.55)</td>
<td>362.04(2.09)</td>
<td>1488.95(8.59)</td>
<td>191.89(1.10)</td>
<td>17336.03(100.00)</td>
<td>47720.98</td>
</tr>
<tr>
<td>Compound Growth rate</td>
<td>16.91</td>
<td>25.56</td>
<td>11.49</td>
<td>56.46</td>
<td>153.44</td>
<td>20.55</td>
<td>3.67</td>
</tr>
<tr>
<td>Compound Growth rate-SIDCs</td>
<td>1992</td>
<td>13.36</td>
<td></td>
<td></td>
<td></td>
<td>50.79</td>
<td>19.38</td>
</tr>
</tbody>
</table>

Source: Reports on 'Development Banking' in India of IDBI.

Note: Figures in brackets indicate percentage to row total.
IDBI data exclude refinance to SFCs and SIDCs. Subscription to shares and bonds of financial institutions and seed capital, through SFCs and SIDCs to avoid double counting and has been shown separately within brackets.
COMPONENT-WISE DISBURSEMENT: AFIs

[Diagram depicting component-wise disbursement with sections for Rupee Loans, Disbursements, Foreign Currency Loans, Equity Preference, and Guarantees.

EXHIBIT 4.1]
<table>
<thead>
<tr>
<th>Year/Component</th>
<th>Rupee Loans</th>
<th>Borelgn Currency Loans</th>
<th>Equity &amp; Preference</th>
<th>Debentures Guaranties</th>
<th>Total $(Rs. in Crores)$</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>1306.60</td>
<td>81.64</td>
<td>64.31</td>
<td>13.91</td>
<td>133.10</td>
</tr>
<tr>
<td></td>
<td>(81.68)</td>
<td>(5.10)</td>
<td>(4.02)</td>
<td>(0.88)</td>
<td>(8.32)</td>
</tr>
<tr>
<td>1981-82</td>
<td>1583.94</td>
<td>122.58</td>
<td>96.40</td>
<td>19.04</td>
<td>4.24</td>
</tr>
<tr>
<td></td>
<td>(86.73)</td>
<td>(6.71)</td>
<td>(5.29)</td>
<td>(1.04)</td>
<td>(0.23)</td>
</tr>
<tr>
<td>1982-83</td>
<td>1835.68</td>
<td>128.15</td>
<td>159.42</td>
<td>28.77</td>
<td>0.18</td>
</tr>
<tr>
<td></td>
<td>(85.29)</td>
<td>(5.95)</td>
<td>(7.41)</td>
<td>(1.34)</td>
<td>(0.01)</td>
</tr>
<tr>
<td>1983-84</td>
<td>2248.42</td>
<td>135.25</td>
<td>263.94</td>
<td>38.81</td>
<td>0.88</td>
</tr>
<tr>
<td></td>
<td>(83.67)</td>
<td>(5.03)</td>
<td>(9.83)</td>
<td>(1.44)</td>
<td>(0.03)</td>
</tr>
<tr>
<td>1984-85</td>
<td>2574.12</td>
<td>173.70</td>
<td>395.64</td>
<td>33.93</td>
<td>2.73</td>
</tr>
<tr>
<td></td>
<td>(80.94)</td>
<td>(5.46)</td>
<td>(12.44)</td>
<td>(1.07)</td>
<td>(0.09)</td>
</tr>
<tr>
<td>1985-86</td>
<td>3302.08</td>
<td>319.96</td>
<td>712.61</td>
<td>47.14</td>
<td>171.07</td>
</tr>
<tr>
<td></td>
<td>(72.53)</td>
<td>(7.03)</td>
<td>(15.65)</td>
<td>(1.04)</td>
<td>(3.75)</td>
</tr>
</tbody>
</table>

Variation in 1985-86 over 1980-81 (in percentage)

|                      | (-) 9.15    | 1.93                   | 11.63               | 0.16                  | (-) 4.57                | -                      |

1980-86

|                      | 12850.84    | 961.28                 | 1692.32             | 181.60                | 312.20                  | 15998.24 $(100.00)$    |
|                      | (80.33)     | (6.01)                 | (10.58)             | (1.14)                | (1.94)                  |                        |

Compound Growth Rate

|                      | 16.71       | 25.56                  | 49.31               | 22.55                 | 4.27                    | 19.05                  |

Compound Growth rate- SIDCs

|                      | 19.92       | -                      | 13.36               | -                     | 50.79                   | 19.38                  |

Cumulative as on 1986

|                      | 16996.37    | 1944.24                | 2171.81             | 234.73                | 209.19                  | 21556.34 $(100.00)$    |
|                      | (76.85)     | (9.02)                 | (10.08)             | (1.08)                | (0.97)                  |                        |

Source: Reports on 'Development Banking' in India of IDBI.

Note: Figures in brackets indicate percentage to row total.

* Data relates to IDBI only.
<table>
<thead>
<tr>
<th>Year/Component</th>
<th>Rupee Loans</th>
<th>Foreign Currency</th>
<th>Equity &amp; Debentures</th>
<th>Guarantees</th>
<th>Total (Rs.in Crores)</th>
<th>Cumulative up to end March (Rs.in Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>247.60</td>
<td>-</td>
<td>0.19</td>
<td></td>
<td>0.17</td>
<td>247.96</td>
</tr>
<tr>
<td></td>
<td>(99.85)</td>
<td>(0.08)</td>
<td>(0.07)</td>
<td>(100.00)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1981-82</td>
<td>314.91</td>
<td>-</td>
<td>0.06</td>
<td></td>
<td>0.51</td>
<td>315.38</td>
</tr>
<tr>
<td></td>
<td>(99.82)</td>
<td>(0.02)</td>
<td>(0.16)</td>
<td>(100.00)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1982-83</td>
<td>403.86</td>
<td>-</td>
<td>0.08</td>
<td></td>
<td>0.05</td>
<td>403.99</td>
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<tr>
<td></td>
<td>(99.97)</td>
<td>(0.02)</td>
<td>(0.01)</td>
<td>(100.00)</td>
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<td></td>
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<tr>
<td>1983-84</td>
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<td>0.08</td>
<td></td>
<td>0.28</td>
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<td>(99.91)</td>
<td>(0.01)</td>
<td>(0.06)</td>
<td>(100.00)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1984-85</td>
<td>497.58</td>
<td>-</td>
<td>0.06</td>
<td></td>
<td>0.10</td>
<td>497.74</td>
</tr>
<tr>
<td></td>
<td>(99.97)</td>
<td>(0.06)</td>
<td>(0.02)</td>
<td>(100.00)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1985-86</td>
<td>607.19</td>
<td>-</td>
<td>0.10</td>
<td></td>
<td>-</td>
<td>607.29</td>
</tr>
<tr>
<td></td>
<td>(99.99)</td>
<td>(0.02)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Variation in 1985-86 over 1980-81 (in percentage)</td>
<td>0.03</td>
<td>-</td>
<td>(-0.06)</td>
<td></td>
<td>(-0.05)</td>
<td></td>
</tr>
<tr>
<td>1980-86</td>
<td>2506.12</td>
<td>0.04</td>
<td>0.57</td>
<td></td>
<td>1.11</td>
<td>2507.84</td>
</tr>
<tr>
<td></td>
<td>(99.94)</td>
<td>(negligible) (0.02)</td>
<td></td>
<td></td>
<td>(0.04)</td>
<td></td>
</tr>
<tr>
<td>Compound Growth rate</td>
<td>16.13</td>
<td>-</td>
<td>(-10.15)</td>
<td></td>
<td>(-8.46)</td>
<td>16.10</td>
</tr>
<tr>
<td>Compound Growth rate-SIDCs</td>
<td>19.92</td>
<td>-</td>
<td>13.36</td>
<td></td>
<td>50.79</td>
<td>19.38</td>
</tr>
</tbody>
</table>

Source: Reports on 'Development Banking' in India of IDBI.

Notes: Figures in brackets indicate percentage to row total.
COMPONENT DISBURSEMENT: SFCS

EXHIBIT 4.3
it was reversed in relative performance. Debt capital as well as loans against guarantees may be used for expansion as well as diversification. The loan component towards this and provided by the AIFIs was only Rs.47.05 crores in 1980-81 which increased to Rs.855.49 crores, which respectively accounted for 2.93 per cent and 17.39 per cent. The rise in this component was 14.46 per cent more during 1980-86.

In brief, the progress of AIFIs is satisfactory which is supported by annual compound growth rate. The annual compound growth rate for rupee accounted for 16.91 per cent foreign currency loans for 25.56 per cent, share capital for 11.46 per cent, debt capital for 56.46 per cent and loans against guarantee for 153.44 per cent. The annual compound growth rate of the SIDCs was 19.92 per cent, 13.36 per cent, 50.79 per cent for rupee loans, share capital and loans against guarantees respectively. And no financial aid was provided by the SIDCs in the form of foreign currency and debt capital, during the study period.

The component-wise performance of the AIFIs is satisfactory. The progress of these institutions through providing foreign currency loans, share capital
debt capital and loans against guarantees has accounted for 1.93 per cent, 11.63 per cent, 0.16 per cent, and 4.75 per cent higher in 1985-86 than that of 1980-81. Whereas in rupee loans a negative trend of 9.15 per cent occurred in 1985-86 compared to 1980-81 position. On the whole, in the span of six years i.e., 1980-86, the performance was positive which accounted for an annual compound growth rate of 16.71 per cent in rupee loans, 25.56 per cent in foreign currency loans, 41.31 per cent in share capital, 22.55 per cent in debt capital and 4.27 per cent in loans against guarantees. A comparative analysis of SIDCs performance with that of AIFIs measured by annual compound growth rate shows an encouraging trend for the SIDCs. This fact is highlighted by the annual compound growth rate of total disbursements of SIDCs and AIFIs.

The SIDCs disbursements of assistance in the form of rupee loans was Rs.247.60 crores in 1980-81 which went up to Rs.607.19 crores in 1985-86, thus showing an increase of Rs.359.59 crores. This increasing trend in rupee loan component has remained in the same position relatively. In terms of share capital, and loans against guarantees the
performance of the SFCs shows a negative trend and is not satisfactory. The SFCs were able to provide only Rs.0.04 crores in 1983-84 and remained outside the provision of this component. The main reason for the unsatisfactory performance with respect to share capital and loans against guarantee is that the SFCs mainly concentrate on rupee loan component which is one of their specified objectives.

From the above analysis it is learnt that the SIDCs performance is far more satisfactory in disbursement of loans, and loan components for which they were constituted. The primary function of the SIDCs is promotion through means of diversification; and expansion of industries and the provision of loans is secondary. However, the holdings of financial institutions in industrial securities are increasing by newer acquisition from the market or by the addition of bonus shares. Interestingly, except UTI, none of the other financial institutions such as LIC, GIC, and its subsidiaries sell their holdings in the market periodically. It is true that some times development financial institutions such as IDBI, ICICI, IFCI, and other
state level financial institutions off-load their holdings, but here again they are normally sold in block to other investment institutions.\textsuperscript{2}

Assistance to Backward Areas

The financial institutions have emerged as important and promotional agencies for industrial sector. India ushered in an era of rapid financial development of the country in the post independece period with the bringing into existence of SIDCs whose objective is to promote the medium scale industries for expanding the economy. In this context, development of backward areas is considered an important promotional activity where the commercial banking considerations assume less important role. The performance of financial institutions including SIDCs in promotion and development of backward areas and in projecting their role so as to make the empirical analysis more comprehensive is analysed in the following paragraphs. The data relating to disbursement of financial assistance to backward areas are presented in table 4.4A, 4.4B, and 4.4C.

**TABLE 4.4A**

FLOW OF ASSISTANCE TO PROJECTS IN BACKWARD AREAS-AFID

<table>
<thead>
<tr>
<th>Year</th>
<th>Sanctions Backward Total</th>
<th>Sanctions Total</th>
<th>Utilisation Backward</th>
<th>Utilisation Total</th>
<th>Percentage of Col.4 to Col.2</th>
<th>Percentage of Col.5 to Col.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>973.83 (42.27)</td>
<td></td>
<td>627.91</td>
<td>1580.87(39.72)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1981-82</td>
<td>1193.84 (42.73)</td>
<td></td>
<td>834.54</td>
<td>2056.19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1982-83</td>
<td>1190.70 (37.43)</td>
<td></td>
<td>1073.38</td>
<td>2355.26</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1983-84</td>
<td>1096.34 (42.57)</td>
<td>3984.48*</td>
<td>1232.94</td>
<td>2885.59*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1984-85</td>
<td>2496.85 (46.84)</td>
<td>5330.67</td>
<td>1414.18</td>
<td>3442.58</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1985-86</td>
<td>2657.21 (41.46)</td>
<td>6409.76</td>
<td>1888.66</td>
<td>4652.87</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>10208.77 (45.53)</td>
<td>24003.70</td>
<td>7071.16</td>
<td>16973.16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative as on 1986</td>
<td>13192.33 (41.88)</td>
<td>31503.47**</td>
<td>9611.22</td>
<td>23380.86@@</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Critical Value at 5% level of significance - 4.84.**
**Calculated Value - 2.07**
**Result - Not significant difference.**

**Source:** Reports on 'Development Banking in India' of IDBI.

**Note:**
- Including assistance of Rs.25 lakhs sanctioned by IDBI to Bhutan in 1980-81 and 1983-84 respectively.
- Including assistance of Rs.37 lakhs sanctioned by IDBI to Bhutan.
- Including assistance of Rs.20 lakhs and Rs.9 lakhs disbursed by IDBI to Bhutan in 1980-81 and 1983-84 respectively.
- Including assistance of Rs.29 lakhs disbursed by IDBI to Bhutan.

Figures in brackets indicate percentage to total.
PERCENTAGE OF UTILISATION TO SANCTIONS - APIs

EXHIBIT 4.4


Years
<table>
<thead>
<tr>
<th>Year</th>
<th>Sanctions Backward (Rs. in Crores)</th>
<th>Sanctions Total (Rs. in Crores)</th>
<th>Utilisation Backward (Rs. in Crores)</th>
<th>Utilisation Total (Rs. in Crores)</th>
<th>Percentage of Col. 4 to Col. 2</th>
<th>Percentage of Col. 5 to Col. 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>830.38</td>
<td>2059.52*</td>
<td>557.64</td>
<td>1429.37*</td>
<td>67.15</td>
<td>69.40</td>
</tr>
<tr>
<td></td>
<td>(40.32)</td>
<td></td>
<td>(39.01)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1981-82</td>
<td>1011.02</td>
<td>2399.04</td>
<td>722.96</td>
<td>1801.88</td>
<td>71.51</td>
<td>75.11</td>
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<tr>
<td></td>
<td>(42.14)</td>
<td></td>
<td>(40.12)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1982-83</td>
<td>1147.57</td>
<td>2826.32</td>
<td>918.79</td>
<td>2108.57</td>
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<tr>
<td></td>
<td>(37.06)</td>
<td></td>
<td>(43.57)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1983-84</td>
<td>1466.79</td>
<td>3542.33*</td>
<td>1065.42</td>
<td>2601.06*</td>
<td>72.64</td>
<td>73.43</td>
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<tr>
<td></td>
<td>(41.41)</td>
<td></td>
<td>(40.96)</td>
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<td>56.47</td>
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<tr>
<td></td>
<td>(45.85)</td>
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<td>(40.10)</td>
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<tr>
<td>1985-86</td>
<td>2364.57</td>
<td>5900.21</td>
<td>1673.92</td>
<td>4239.20</td>
<td>70.79</td>
<td>71.85</td>
</tr>
<tr>
<td></td>
<td>(40.08)</td>
<td></td>
<td>(39.49)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Total</td>
<td>8911.88</td>
<td>21366.85</td>
<td>6176.28</td>
<td>15266.29</td>
<td>60.30</td>
<td>70.98</td>
</tr>
<tr>
<td></td>
<td>(41.44)</td>
<td></td>
<td>(40.46)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative as on 1986</td>
<td>11492.82</td>
<td>28503.61**</td>
<td>8310.56</td>
<td>20850.12**</td>
<td>72.31</td>
<td>73.15</td>
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<tr>
<td></td>
<td>(40.32)</td>
<td></td>
<td>(39.86)</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**Compound Growth rate:** 19.04 19.17 20.11 19.86 - -

**Compound Growth rate-SIDCs:** 18.05 15.99 18.85 19.38 - -

---

**Critical Value at 5% significance**
Level - 4.34
Calculated value - 2.07
Result - Not significant difference.

**Source:** Reports on 'Development Banking in India' of IDBI.

**Note:** Figures in brackets indicate percentage to row total.
* Including assistance of Rs.25 lakhs and Rs.12 lakhs sanctioned by IDBI to Bhutan in 1980-81 and 1983-84 respectively.
* Including assistance of Rs.37 lakhs sanctioned by IDBI to Bhutan.
* Including assistance of Rs.20 lakhs and Rs.9 lakhs disbursed by IDBI to Bhutan in 1980-81 and 1983-84 respectively.
* Including assistance of Rs.29 lakhs disbursed by IDBI to Bhutan.
<table>
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<tr>
<th>Year</th>
<th>Sanctions</th>
<th>Utilisation</th>
<th>Percentage of</th>
<th>Percentage of</th>
</tr>
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<td>Backward</td>
<td>Total</td>
<td>Backward</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>(Rs. in Crores)</td>
<td>(Rs. in Crores)</td>
<td>(Rs. in Crores)</td>
<td>(Rs. in Crores)</td>
</tr>
<tr>
<td>1980-81</td>
<td>193.81</td>
<td>370.54</td>
<td>124.22</td>
<td>470.50</td>
</tr>
<tr>
<td>1981-82</td>
<td>232.60</td>
<td>509.56</td>
<td>150.92</td>
<td>479.60</td>
</tr>
<tr>
<td>1982-83</td>
<td>278.71</td>
<td>611.57</td>
<td>189.07</td>
<td>493.98</td>
</tr>
<tr>
<td>1983-84</td>
<td>322.15</td>
<td>644.91</td>
<td>211.57</td>
<td>497.49</td>
</tr>
<tr>
<td>1984-85</td>
<td>407.37</td>
<td>734.12</td>
<td>255.18</td>
<td>508.74</td>
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<tr>
<td>1985-86</td>
<td>542.92</td>
<td>1008.77</td>
<td>316.07</td>
<td>614.19</td>
</tr>
<tr>
<td>Total</td>
<td>1977.56</td>
<td>3888.47</td>
<td>1252.03</td>
<td>2510.19</td>
</tr>
<tr>
<td>Cumulative as on 1986</td>
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<td>5135.03</td>
<td>1727.63</td>
<td>3577.27</td>
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<tr>
<td>Compound Growth rate</td>
<td>18.73</td>
<td>18.17</td>
<td>16.96</td>
<td>16.10</td>
</tr>
<tr>
<td>Compound Growth rate-SIDC</td>
<td>18.05</td>
<td>15.99</td>
<td>18.85</td>
<td>19.38</td>
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</tbody>
</table>

Critical Value at 5% Significance = 4.84
Calculated Value = 2.06
Result = Not Significant difference.
Source: Reports on 'Development Banking in India' of IDBI
Note: Figures in brackets indicate percentage to row total.
PERCENTAGE OF UTILISATION TO SANCTIONS - SFCs

Exhibit 4.6
ASSISTANCE TO BACKWARD AREAS

GRAPH 4.2
Table 4.4A shows that during 1985-86 the percentage of disbursement to sanctions in backward areas by AIFIs was 72.86 per cent whereas utilization to sanctions as a whole by AIFIs during the same period was 74.23 per cent. This fact reveals that the performance of disbursements to sanctions in backward areas by AIFIs was less by 1.36 per cent. As far as year-wise performance of AIFIs is concerned the disbursements to sanctions in backward areas seems to vary from 56.64 per cent in 1985-86 to 90.15 per cent in 1982-83; and disbursement to sanctions as a whole was 64.58 per cent in 1984-85, 74.03 per cent in 1982-83. In other words, 33.51 per cent of variation between maximum and minimum was found in disbursements to sanctions in backward areas and 9.45 per cent in disbursement to sanctions as a whole by the AIFIs. The results of ANOVA, which has been applied to the disbursements to sanctions in backward areas and India as a whole for 1980-86, revealed that there is no significant difference between disbursement to sanctions in backward areas and disbursements to sanctions as a whole by AIFIs.

The analysis of assistance to industrial concerns in backward areas by AIFIs given in table 4.4B clearly reveals that sanctions to backward areas and sanctions
to India as a whole accounted for an average of 40.32 per cent during 1985-86. The picture with regard to disbursements to sanctions in backward areas is also the same with a less variation i.e., 0.46 per cent. The performance of AIFIs with regard to disbursements to sanctions in backward areas was 67.15 per cent in 1980-81 which went up to 70.79 per cent in 1985-86, thus registering 3.64 per cent increase in 1985-86 than that of 1980-81. With reference to disbursements to sanctions as a whole it was 71.85 per cent in 1985-86 which was 2.45 per cent more than the position in 1980-81. The analysis is further supported by 'ANOVA' which reveals that there is no significant difference in disbursement to sanctions in backward areas as well as in the country as a whole for 1985-86.

From the data given in table 4.4C it is gauged that the disbursement to sanctions in backward areas by the SFCs seemed to be better compared to disbursement to sanctions as a whole for the country. The disbursements were Rs.124.22 crores in 1980-81 to backward areas which increased to Rs.318.07 crores in 1985-86. The disbursements in these two periods accounted for
50.10 per cent and 52.38 per cent. The percentage of disbursement to backward areas for the period 1980-86 by the SFCs was 49.88 per cent, while, since their existence the achievement was 48.29 per cent. With reference to sanctions to the industrial units in backward areas it can be gauged that the same observation can be made regarding disbursements.

The disbursements to sanctions in backward areas worked out to 64.09 per cent in 1980-81 which decreased to 58.59 per cent in 1985-86. And the performance of SFCs in total disbursement to total sanctions worked out to 66.92 per cent in 1980-81 which decreased to 60.20 per cent. The performance of SFCs regarding disbursements to sanctions in backward areas and total disbursements to total sanctions reduced by 5.50 per cent and 6.72 per cent in 1985-86 over 1980-81. From the above points it is noticed that the SFCs' performance with reference to sanctions as well as disbursements is not satisfactory during the study period but it has maintained a uniform rate which is disclosed by ANOVA.

From the analysis of data given in table 4.4A, 4.4B and 4.4C it is identified that the performance
of SIDCs in disbursements to sanctions in backward areas is better than that of their counterparts (SFCs), and in comparison to national level financial institutions, their performance ranks second. The SIDCs performance in flow of assistance to backward areas in proportion to total sanctions is above the performance of SFCs and below that of the national level financial institutions. The application of ANOVA to the data of disbursements to sanctions in backward areas by the SIDCs, APDs, and SFCs shows clearly that there is not much variation among these institutions. The relevant data and the result of ANOVA are presented in table 4.5.

Deployment and Recovery

Recovery of loan is as important as providing loan itself to any financial institutions. Poor recovery affects adversely the future planning programme of the financial institutions and thereby their responsibilities. And it also chokes the credit plan which in turn may impede the deployment programme of industries. In the words of Reddy, C.R., "proper recovery of loan is a must for qualitative improvement of loan operations". 3

<table>
<thead>
<tr>
<th>Year</th>
<th>SIDCs</th>
<th>AIFIs</th>
<th>AIFIs</th>
<th>SFCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>74.85</td>
<td>627.91</td>
<td>557.64</td>
<td>124.22</td>
</tr>
<tr>
<td>1981-82</td>
<td>107.86</td>
<td>834.54</td>
<td>722.96</td>
<td>150.92</td>
</tr>
<tr>
<td>1982-83</td>
<td>126.21</td>
<td>1073.38</td>
<td>918.79</td>
<td>189.07</td>
</tr>
<tr>
<td>1983-84</td>
<td>134.28</td>
<td>1232.94</td>
<td>1065.42</td>
<td>211.57</td>
</tr>
<tr>
<td>1984-85</td>
<td>171.72</td>
<td>1414.18</td>
<td>1237.55</td>
<td>258.18</td>
</tr>
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<td>1985-86</td>
<td>210.97</td>
<td>1888.66</td>
<td>1673.92</td>
<td>318.07</td>
</tr>
<tr>
<td>Compound Growth Rate</td>
<td>18.85</td>
<td>20.15</td>
<td>20.11</td>
<td>16.97</td>
</tr>
</tbody>
</table>

Calculated Value \( F \) = 1.322  
Table Value at 0.05 = 3.10  
Result - Not significant difference.

Source: Reports on 'Development Banking in India' of IDBI.
Therefore, prompt recovery of loans is one of the essential factors for the success of operations of the financial institutions. The appraisal of deployment of credit and its recovery, is very interesting and also a debatable characteristic. The detailed data regarding deployment of funds by AIFIs, AIFIs and SFCs are shown in Appendices V, VI, and VII. The relevant data are presented in Table 4.6.

Table 4.6 reveals that the recovery performance of the SIDCs as 31.25 per cent, 25.93 per cent, 25.25 per cent, 29.16 per cent, 31.85 per cent and 28.54 per cent of deployment of credit from 1980-86. While the recovery performance of their counterparts (SFCs) was 28.91 per cent, 28.44 per cent, 28.43 per cent, 34.20 per cent, 33.27 per cent, and 33.99 per cent during the above periods. The national level institutions like AIFIs recovered loan to the tune of 31.66 per cent in 1980-81, 32.21 per cent in 1981-82, 38.55 per cent in 1982-83, 79.69 per cent, in 1983-84, 77.20 per cent in 1984-85, and 75.84 per cent in 1985-86. All these institutions combinedly could recover loans to the extent of 59.24 per cent, in 1980-81, 60.73 per cent in 1981-82, 66.80 per cent in 1982-83, 76.22 per cent
### Table 4.6

**Deployment and Recovery Funds**

<table>
<thead>
<tr>
<th>Year/Institutions</th>
<th>Deployment</th>
<th>Recovery</th>
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</thead>
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<tr>
<td></td>
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<td>AIFIs</td>
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<tr>
<td>1980-81</td>
<td>138.85</td>
<td>1449.47</td>
</tr>
<tr>
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<td>(59.24)</td>
</tr>
<tr>
<td>1981-82</td>
<td>190.52</td>
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<td></td>
<td>(28.54)</td>
<td>(80.23)</td>
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<td>1311.38</td>
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<tr>
<td></td>
<td>(28.80)</td>
<td>(73.87)</td>
</tr>
<tr>
<td>Compound Growth rate</td>
<td>16.03</td>
<td>17.99</td>
</tr>
<tr>
<td></td>
<td>36.15</td>
<td>20.07</td>
</tr>
</tbody>
</table>

**Source:** Reports on 'Development Banking in India' of IDBI

**Note:** Figures in brackets indicate percentage to Deployment of Funds.
in 1983-84, 83.93 per cent in 1984-85, 80.23 per cent in 1985-86. The above facts reveal that the recovery performance of the SIDCs is not satisfactory and not in tune with the other financial institutions like SFCs and AIFIs. The annual compound growth rate of recovery performance of the SFCs, AIFIs, and APIIs are 20.07 per cent, 36.15 per cent and 24.13 per cent, respectively while their growth rates in deployment of credit are 16.21 per cent, 17.91 per cent, 17.99 per cent respectively. The annual compound growth rates of the SIDCs are 14.29 per cent, and 16.03 per cent in recovery and deployment of credit respectively. These facts also support the conclusion drawn as above i.e., the recovery performance of the SIDCs is not satisfactory. The analysis of the data in table 4.6 is confined to yearly achievements. The progress of an institution i.e., how much it could achieve from one period to another can also be studied. This measure is equally important in drawing conclusions about the functioning of an institution. The progress of the SIDCs, SFCs, AIFIs, and APIIs can be visualised by the study of 'Elasticity coefficient' and the results are given in table 4.7.
<table>
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<tr>
<th>Year</th>
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</tr>
<tr>
<td>1982-83</td>
<td>0.74</td>
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<td>0.74</td>
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<td>0.74</td>
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<tr>
<td>1983-84</td>
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<td>1984-85</td>
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</table>

Source: Appendix V, VI, VII
De = Disbursement Elasticity
Re = Repayment Elasticity
It (table 4.7) depicts that, the performance of the SIDCs in deployment of credit is measured by 'Elasticity coefficient', which accounted for 1.06 in 1980-81, 1.80 in 1981-82, and 1.48 in 1985-86 which means the marginal increase in deployment of credit is more than the average increase in sources of funds. In the years 1982-84 and 1984-85 the marginal increase in deployment of credit is less than the average increase in sources of funds which is identified by Elasticity coefficient, which accounted for 0.19, 0.99 and 0.58 respectively for the above periods. As far as recovery performance is concerned, the SIDCs could recover more than the repayment i.e., the 'Re' is 2.51 in 1981-82; and the same can be observed in 1983-84, and in 1985-86 also. In the years 1980-81 and 1984-85 the recoveries were less than the repayments; and in 1982-83 the repayments were more despite less improvement in recovery than that of 1980-81. This resulted in negative repayment Elasticity coefficient which accounted for 2.42.

The 'Elasticity coefficient' shows that the SFCs performance in recovery and in deployment of credit are inversely proportional, which means that, where
marginal increase in deployment of credit is more than the average increase in source of funds, there arises less marginal increase in recovery than the average increase in repayment. With reference to AIFIs the performance in deployment of credit and recovery is not very much impressive. The same is the case with regard to the AFIs. From the above facts, it is found that the average performance of the SIDCs in deployment of credit in proportion to the available funds, is better than that of other institutions, but the SIDCs occupy the second place in 'increase in recoveries' when compared to 'increase in repayments.'

Inter-regional Assistance to Backward Areas

Any banking institution, whether it is commercial or development, aims at a rapid expansion of its services for the development of economic activity, especially in backward areas, so that the inter-regional and inter-state hiatus in terms of availability of services including credit requirements is reduced. This approach could no more be a bottleneck in 'balanced development'. Emphasising the need to rectify the existing inter-regional, inter-state and inter-sectoral imbalances in the country's credit structure at the time of bank
nationalisation the then Prime minister, Mrs. Indira Ghandi said in the parliament, "our sole consideration has been to accelerate development and thus make a significant impact on the problems of poverty and unemployment and to bring about progressive reduction of disparities between the rich and poor sections of our people and between the relatively advanced and backward areas of our country."

Flow of financial assistance, ignoring economically significant sectors of backward areas, may aggravate the economic malaise, especially the problems of imbalance. To arrest the aggravation of the economic malaise, the development banks like the SIDCs have to take initiative in mitigating the imbalances through the provision of assistance along with the needed services for the development of industries in backward areas. The SIDCs have to follow the dictum that where 'potentiality leads, finance follows', and give up the dictum that 'finance follows where enterprise leads'. As a result, it could decelerate

the concentration of economic power as well as development of business monopolies. Therefore, a huge responsibility is laid on the financial institutions like the SIDCs to achieve the national goal of 'balanced development'.

Keeping in view the above objective, an attempt is made to study the performance of the SIDCs in granting financial assistance to the industries of backward areas and to make a comparison of their performance with that of other financial institutions. The relevant data are given in Appendices, VIII, IX and X. And the financial institutions' performance is studied in compound growth rate which is exhibited in Table 4.8.

Table 4.8 reveals that the performance of the SIDCs has achieved the annual compound growth rates of 46.61 per cent, 29.43 per cent, 17.91 per cent, 14.79 per cent, 14.58 per cent, 13.10 per cent in the Regions of North Eastern, Central, Eastern, Western, Southern and Northern respectively while the financial assistance of these institutions as a whole for the country accounted for 46.61 per cent, 26.73 per cent, 12.78 per cent, 12.99 per cent, 27.89 per cent and 11.13 per cent
### TABLE 4.8

**COMPUND GROWTH RATES OF FINANCIAL ASSISTANCE TO BACKWARD AREAS (1980-86)**

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<tr>
<th>Region/State</th>
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<th>AIPS</th>
<th>AIFIS</th>
<th>SFCA</th>
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<td>2.64</td>
<td>3.03</td>
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<td>13.83</td>
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<td>22.96</td>
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<td>Union Territories</td>
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<tr>
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<td>18.85</td>
<td>20.15</td>
<td>20.11</td>
<td>16.96</td>
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*Source: Appendix VIII, IX & X.*
in the regions stated above respectively. The Northern Region, Eastern Region, Central Region and Western Region have achieved higher compound growth rates of 1.79 per cent, 5.13 per cent, 8.70 per cent, and 1.80 per cent respectively. The achievement of North-Eastern region, in terms of compound growth rate, in providing financial assistance to the backward areas is the same as that of all industries in the country. The Southern Region is lagging behind by 13.31 per cent in providing financial assistance to the industries of backward areas in comparison to that of all industries in the country.

The SFCs achievement in providing assistance to the backward areas accounted for 33.62 per cent in North-Eastern region, 26.91 per cent in Central Region, 19.40 per cent in Southern Region, 17.72 per cent in Eastern Region, 11.79 per cent in Northern Region and 6.45 per cent in Western Region, while for the country as a whole the figures are 22.72 per cent, 23.77 percent, 19.54 per cent, 18.35 per cent, 10.99 per cent, and 7.41 per cent in the above Regions respectively. Except the Eastern Region and the Southern Region, all other Regions got better financial assistance
for the development of backward areas compared to the financial assistance to all industries for the country as revealed through the growth rates.

The progress of the AIFIs regarding financial assistance provided to the backward areas accounted for 14.14 in Northern Region, 45.53 in North-Eastern Region, 19.34 in Eastern Region, 37.09 in Central Region, 18.41 in Western Region and 14.80 in Southern Region in terms of compound growth rates while for all industries in the country the percentages are 16.03, 38.27, 17.73, 29.02, 17.10 and 19.95 respectively. The two Regions viz., Northern and Southern got 1.59 per cent and 5.15 per cent less assistance respectively. From the performance of the SIDCs, SFCs, and AIFIs for the development of industries in backward areas which is measured in growth rates, it is gauged that the Southern Region got less assistance from the SIDCs, SFCs and AIFIs in comparison to the financial assistance to all industries in the country. The North-Eastern Region, the Eastern Region and the Northern Region got less assistance from SIDCs, SFCs and AIFIs respectively.

The combined performance of all institutions (AIFIs) reveals that the North-Eastern, Central, Eastern, Western,
Southern and Northern Regions got 44.46 per cent, 37.74 per cent, 20.36 per cent, 17.81 per cent, 14.72 per cent and 13.84 per cent assistance for the backward areas respectively, whereas for all industries of the country the figures are 13.40 per cent, 28.53 per cent, 15.84 per cent, 16.94 per cent, 20.59 per cent and 15.36 per cent in the above Regions respectively. This shows that the North-Eastern, Eastern, Central and Western regions got 5.26 percent, 4.52 percent, 9.21 percent and 0.87 percent more financial assistance respectively; and the remaining regions viz., Northern and Southern got 1.72 percent and 5.87 percent less assistance respectively. From the above discussions it is learnt that the financial assistance provided by the SIDCs, SFCs, AIFIs, and AIFs to the backward areas in Southern region is less. The Northern Region got less assistance from AIFIs as well as AIFs. But, the two regions viz., North-Eastern, and Eastern got less assistance from the SIDCs and the SFCs respectively, for the development of backward areas. However, they got more assistance if the three categories of institutions viz., SIDCs, SFCs and AIFIs are combined into one category called AIFs. The reason that can be attributed for lower growth
rate in the development of industries in the backward areas of Southern region is that the Region could get more than proportionate amount by 1980-81 itself and continued to get more or less the same proportion in the years to come. With respect to the North-Eastern Region the SIDCs have to provide more financial assistance for industrial development particularly in backward areas.

The study of intra-regional analysis highlights the position of financial assistance received within the region or among the States. The analysis reveals that the following States viz., Orissa (60.92 per cent), Meghalaya (42.33 per cent), Kerala (40.51 per cent), Jammu & Kashmir (40.19 per cent), Uttar Pradesh (39.26 per cent), Sikkim (35.81 per cent), Himachal Pradesh (35.34 per cent), Bihar (33.29 per cent), Haryana (20.94 per cent), Gujarat (19.39 per cent), Madhya Pradesh (19.20 per cent), and Nagaland (19.01 per cent) got more assistance compared to all India average of 18.85 per cent, while the remaining States viz., Tamil Nadu (16.69 per cent), Karnataka (11.13 per cent), West Bengal (9.22 per cent), Maharastra (8.27 per cent), and Rajasthan (7.78 per cent) got less than all India average. An interesting point that could be observed
from the compound growth rate is that Punjab and Andhra Pradesh showed negative trend which accounted for 12.33 per cent and 2.56 per cent respectively. The financial assistance provided by the SIDCs seems to follow a positive and productive approach in consonance with the national policy.

For the development of industries in backward areas the SFICs financial assistance which is measured in growth rates is more than the national average (16.96 per cent) in the following States viz., Assam (33.62 per cent), Madhya Pradesh (32.26 per cent), Himachal Pradesh (28.79 per cent), Karnataka (25.27 per cent), West Bengal (24.94 per cent), Uttar Pradesh (23.66 per cent), Andhra Pradesh (20.44 per cent), Maryana (19.17 per cent), Orissa (18.28 per cent), Jammu and Kashmir (17.26 per cent), and Kerala (17.03 per cent). The States of Bihar (14.44 per cent), Tamil Nadu (11.27 per cent), Gujarat (10.61 per cent), Rajasthan (6.63 per cent), Punjab (1.55 per cent), and Maharashtra (0.02 per cent), are below the all India average growth rate.

The national level institutions performance with regard to financial assistance is less than the national
average (20.11 per cent) in the states viz.,
Gujarat (18.51 per cent), Maharashtra (18.29 per cent),
Kerala (18.22 per cent), Bihar (15.16 per cent),
Rajasthan (13.83 per cent), Haryana (13.27 per cent),
Tamil Nadu (12.79 per cent), Jammu & Kashmir (12.27 per cent), Union Territories (12.24 per cent), West Bengal (11.88 per cent), Karnataka (5.75 per cent),
and Punjab (3.03 per cent). The other States viz.,
Assam (57.01 per cent), Nagaland (47.03 per cent),
Sikkim (46.98 per cent), Meghalaya (45.35 per cent),
Madhya Pradesh (42.50 per cent), Himachal Pradesh (39.05 per cent), Uttar Pradesh (34.59 per cent),
Manipur (34.54 per cent), and Andhra Pradesh (22.96 per cent), show more than the national average.

The combined performance of all financial
institutions under one category with reference to
financial assistance to backward areas in the State
viz., Kerala (19.97 per cent), Gujarat (18.06 per
cent), Maharashtra (17.54 per cent), Bihar (17.44 per
cent), Jammu & Kashmir (14.04 per cent), West Bengal (13.84 per cent), Union Territories (13.61 per cent), Haryana (13.48 per cent), Sikkim (12.71 per cent), Tamil Nadu (12.34 per cent), Karnataka
(7.13 per cent), and Rajasthan (2.64 per cent), is less compound to the national average to 20.15 per cent, and the State viz., Assam (56.50 per cent), Meghalaya (43.83 per cent) Madhya Pradesh (40.47 per cent), Uttar Pradesh (35.86 per cent), Nagaland (34.86 per cent), Manipur (30.37 per cent), Orissa (28.28 per cent), and Andhra Pradesh (21.57 per cent) show a higher growth rate than the national average.

From the above discussions it is observed that

a. during 1980-86 the Southern region got less financial assistance for the development of backward areas compared to all India average from three categories of institutions viz., SIDCs SFCs and AIFIs

b. the Northern Region and the Eastern Region got less financial assistance from the SIDCs and the SFCs respectively compared to all India average during 1980-86.

c. the Northern and the Southern Regions got less assistance from the combined group of financial institutions i.e., APIAs.

d. with reference to State-wise assistance for the development of backward areas, the SIDCs role
seems to be satisfactory and better compared to other institutions.

However, the role of SIDCs with regard to flow of financial assistance for the development of backward area is negative in Andhra Pradesh and Punjab. Considering the fact that both Andhra Pradesh and Punjab are developed states, the adverse trend seems to be justifiable. However, this trend is not desirable. If these two states are to continue their growth pattern, more financial assistance should be accorded to them. Continued negligence may have its consequences.

The above conclusion, that the SIDCs are comparatively better, is further supported by rank correlation, which is presented in table 4.9.

<p>| TABLE 4.9 |</p>
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<td>API</td>
</tr>
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<td>AIFI</td>
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<td>SPCs</td>
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Degree of Variations

The study of variations is of great help for making decisions pertaining to development 'on balanced approach'. The imbalances have been estimated on the basis of 'Location Quotient' and 'Elasticity Coefficient'. The results of 'Location Quotient' and Elasticity Coefficient' are presented in table 4.10 and table 4.12 respectively.

Table 4.10 indicates that in 1980-81 in availing financial assistance from the SIDCs the Eastern region and Western region fell under the category of below the national average. And the remaining four - North-Eastern, Central and Southern Regions were above the national average. In the former category the 'Location Quotient' varies between 0.73 and 0.78 and in the latter it ranges between 1.18 and 1.66.

As far as SFCs are concerned the three regions vis., Eastern, Western and Southern are below the national average and range between 0.83 and 0.93. In the Northern, North-Eastern, and Central regions, the 'Location Quotient' ranges between 1.26 and 1.16. The 'Location Quotient' with reference to AIFIs is the
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<th>APIA</th>
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<td>1.00</td>
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same as that of SIDCs, but the variation between the highest and the lowest is more in both the categories of 'below and above' the national average performance.

The 'Location Quotient' in 1985-86 with reference to SIDCs, improved by 0.17 in Northern region, 0.05 in North-Eastern region, 0.26 in Eastern region, 0.21 in Central region and 0.10 in Western region, while in Southern region 'Location Quotient' decreased by 0.55. The SFCs position is negative in Eastern region by 0.06, in Western 0.08, and in Southern Region 0.04, while in the Northern, North-Eastern and Central regions it increased by 0.01, 0.71 and 0.13 respectively.

The AIFI position is in reverse trend in Northern Region by 0.19, and in Southern Region by 0.28, and in the remaining Regions viz., North-Eastern, Eastern, Central and Western it increased by 0.64, 0.05, 0.04 respectively.

From the above facts it has been observed that the improvement which is due to the active participation of SIDCs in providing assistance to backward areas in the Eastern, and Western regions which were below the
national average, increased by 33.33 per cent, and 13.70 per cent respectively. The Northern Region, North-Eastern region and Central Region which were above the national average in 1980-81 have secured almost the same position in 1985-86, but with marginal improvement of 1.39 per cent, 3.01 per cent, and 17.07 per cent respectively. In Southern Region the 'Location Quotient' is in reverse trend with 46.61 per cent.

The performance of the SFCs in providing the financial assistance to Northern, North-Eastern and Central regions which were above the national average in 1980-81 secured the same position in 1985-86. While the first two Regions showed an improvement of 0.79 per cent and 60.17 per cent respectively, the third Region showed reduction of 6.45 per cent. The Regions which were below the national average were Eastern at 0.93, Western at 0.83 and Southern at 0.93. They further reduced to 0.87, 0.75, and 0.89 which accounted for 12.21 per cent, 9.64 per cent and 4.38 per cent respectively. The 'Location Quotient' of the AIFIs in Northern, North-Eastern, Central and Southern regions was 1.58, 1.85, 1.02 and 1.17 respectively in 1980-81. Of the four, North-Eastern and Central regions increased to 2.49 and 1.51 in 1985-86 and the Northern and Southern
Regions decreased to 1.44 and 0.89 respectively. The increase and decrease for the above Regions accounted for 31.33 per cent, 48.04 per cent, 8.86 per cent and 23.93 per cent respectively. The 'Location Quotient' of the Eastern, and the Western regions was 0.85 and 0.63 which increased to 7.09 per cent and 6.33 per cent respectively. From the above analysis it is learnt that, in reducing disparities among the regions in the development of backward areas, the participation of SIDCs has been more effective than the SPCs and AIFIs.

In the reduction of imbalances among the States, the SIDCs have been occupying the prime place. This is supported by rank correlation coefficient which is presented in table 4.11.

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Elasticity Co-efficient

The results of 'Elasticity Co-efficient' are presented in table 4.12.
<table>
<thead>
<tr>
<th>Year</th>
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<th>EASTERN REGION</th>
<th>CENTRAL REGION</th>
<th>WESTERN REGION</th>
<th>SOUTHERN REGION</th>
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<th>INDIA</th>
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<td>1.00475</td>
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The 'Coefficient of Elasticity' means rate of change. The Elasticity Coefficient is 0.81, 0.81, 0.83, and 0.81 for the SIDCs, SFCs, AIFIs and AIFs respectively in Northern Region. The 'Elasticity Coefficient', which is less than 'one' in Northern Region for all the institutions, means that the marginal increase in assistance to backward areas is less than the average increase in flow of assistance to industries in that region. This same observation could also be made with reference to the Western Region as well as the Southern Region except for the SFCs in Southern Region, where the marginal increase in flow of assistance to backward areas is more than the average increase. For the North-Eastern, Central and Eastern regions the marginal increase in flow of assistance to backward areas is more than the average increase in flow of assistance to the industries from SIDCs, SFCs AIFIs and AIFs.

From the above facts, it can be inferred that the role of SIDCs in provision of financial assistance to backward areas is better in the North-Eastern, Western and Central regions. This progress is mainly due to the SIDCs promotional function and their expertise in the field of promoting industries. Further, an inference could also be drawn that the functioning
of the SIDCs is supplementary but does not supplant, in that both the SIDCs and the SFCs are State sponsored financial institutions working in a complementary way for industrial growth and development.

Inter Region/State Distribution of Assistance

The volume of business operations of the SIDCs has an impressive result which has been achieved by their experience and expertise in the arena of industrial finance. They have close proximity with policy planning bodies of respective State Governments and close linking with IDBI and other developmental agencies both at the National and the State level. In fact, the SIDCs in the true spirit of development banking have come out with such an impressive performance in 'enterprise-creation'. For the effective functioning of the SIDCs to bring about an acceleration in the process of development of industrial economy, an efficient and effective management is very much needed.

In the organisational pattern of the SIDCs, whose business operations are confined to the area of medium scale sector, financing is secondary and promotion is primary. The operational performance of the SIDCs in comparison to that of other financial institutions is
worth studying since the operations of both the former and the latter are complementary to each other.

Keeping in view the objective of the study i.e., the inter-region, and inter-state distribution of assistance by the SIDCs in comparison with that of other financial institutions viz., AIFIs, AFIs and SFCs, it is intended to examine whether the Region/State enjoying significant position in availing of financial assistance have lost their position, and, if so whether the Region/State with relatively less significant position have gained over the period of six years ending 1986. For this purpose, the statistical measure 'Regression Coefficient' (b) is studied by a linear regression model.5

5. The model is on the basis of the methodology adopted by the following authors in their studies.
The formula to find out 'Regression Coefficient' can be written as,

\[ b = \frac{\sum xy}{\sum x^2} \]

If 'Xi' is the percentage share of the region/state, 'I' in the initial year 'X', while 'Yi' is the percentage share of the Region/State in 'I' terminal year 'Y'. The 'regression coefficient' (b) of year 'Y' on year 'X' can be obtained taking Xi and Yi as deviations from their respective arithmetic means. The derived values are substituted in the above formula. The value of 'b' is more than 'one' or less than one, which would respectively mean that the Region/State enjoying lesser share in the initial year gained its position in the terminal year and the Region/State's enjoying larger share in the initial year lost its position in the terminal year. If the value of 'b' is 'one' it would mean that the position of the Region/State's remained unchanged in the terminal year to that of initial year.

For example, if the value of 'b' is less than one say 0.65, it should be interpreted that the Regions enjoying larger share in the initial year lost on an average about 35 per cent of their share. When the
value of 'b' is greater than 'one', say 1.20, then
the regions enjoying larger share increased by about
20 per cent. The analysis can be further extended
to determine whether the loss of share by the Region/
State enjoying larger share in the initial year has
been to other Region/States with larger share or to
Region/States having insignificant small share in 1980-81.  

6. Regression coefficient \( b = r \frac{\sigma_y}{\sigma_x} \) where 'r' is the
correlation of the shares of region/states in the
two years and \( \sigma_y \) and \( \sigma_x \) are the standard deviations
of the shares in the terminal and initial years
respectively.

\( \frac{\sigma_y}{\sigma_x} \) approximates \( \sqrt{c(HY)} \) and \( c(HI) \) can be defined
as \( c(HI) = \frac{(HY)^2}{(HY)^2} \) where \( HI = \text{algebraic sum of squares}
of relative shares. Therefore, 'b' approximately would
be equal to \( b = r \sqrt{c(HI)} \) with 'r' high and \( \sqrt{c(HI)} \)
low, it means that the region/states with large
shares did not lose shares to each other, but tended
to lose shares as a group to small (or new) region/
states. When 'r' and \( \sqrt{c(HI)} \) are low, it means that
the region/state with significant share lost shares
both to each other and to small (or new) region/states.

Quoted from,

Ramakrishna Sharma, K., "Financial Institutions And
Regional Development in India", Chugh Publications,
Allahabad, 1986, p.95.
<table>
<thead>
<tr>
<th>Region/Year</th>
<th>Institution</th>
<th>S I D Cs</th>
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<th>S P Cs</th>
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<td>Backward Areas</td>
<td>Total</td>
</tr>
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<td>0.96</td>
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<tr>
<td>$\sqrt{\frac{C}{HI}}$ θ</td>
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<td>0.97</td>
<td>0.77</td>
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</table>
Region-wise Distribution of Assistance

Table 4.13 reveals that the 'Coefficient of Correlation' for different Regions with regard to assistance to backward areas in 1980-81 and 1985-86 works out to 0.57, 0.74, 0.71 and 0.82 of SIDCs, AIFIs, APIIs and SFCS respectively. Whereas for the total share of assistance by these institutions the 'Coefficient of correlation' are accounted for 0.71, 0.96, 0.95 and 0.86 respectively. The 'regression coefficient 'b' of the respective institutions to backward areas are worked out to 0.43, 0.57 & 0.55 and 0.82, whereas for total assistance the 'regression coefficient' are 0.69, 0.87, 0.89 and 0.96 respectively for the above institutions.

The interpretation is that the Regions enjoying significant position (in terms of share being above average) in the backward areas by the SIDCs, AIFIs, and SFCS have lost an average of 37 per cent, 43 per cent, 45 per cent and 10 per cent of their share by 1985-86 respectively, whereas the total assistance disbursed to different Regions by these institutions lost an average of 31 per cent, 13 per cent, 11 per cent and 14 per cent respectively.
Since the value of \( r \) is higher than the value of \( \sqrt{C(HI)} \), in case of AIFIs and AFIs, it can be interpreted that the Regions having larger share in 1980-81 have not lost shares to each other but tended to lose shares as a group to small Regions. Whereas for the financial institutions viz., SIDCs and SFCs, \( r \) value is less than \( \sqrt{C(HI)} \), it can be interpreted that the Regions having larger share in the initial year 1980-81 have lost shares to each other but tended to gain shares as a group to small Regions.

State-wise Distribution of Assistance

The 'Coefficient of Correlation' between the shares of States assistance to backward areas in 1980-81 and 1985-86 by the SIDCs, AIFIs, AFIs and SFCs are 0.50, 0.77, 0.75 and 0.70, whereas for the 'total distribution of assistance the 'coefficient of correlation' of these institutions are 0.75, 0.95, 0.95 and 0.77 respectively. The 'regression coefficient' worked out for 'backward areas assistance as well as for 'total' assistance disbursed, are 0.50, and 0.64 for SIDCs; 0.81 and 0.84 for AIFIs; 0.79 and 0.85 for AFIs; 0.72 and 0.70 for SFCs respectively. From the above analysis, it can be interpreted that the States enjoying significant position
(in terms of shares being above average) in the 'backward areas' by the SIDCs, AIFIs, APIIs and SFCs have lost an average of 50 per cent, 19 per cent, 21 per cent and 28 per cent respectively, whereas the 'total' assistance disbursed to different states, by the above mentioned financial institutions have lost an average of 36 per cent, 16 per cent, 15 per cent and 30 per cent of their share by 1985-86 respectively.

Since the value of 'r' is higher than the value of $\sqrt{C(HI)}$ in case of AIFIs and APIIs, it can be interpreted that the States having larger share in the initial year i.e., 1980-81 have not lost shares to each other but tended to lose share as a group to small States. For the State sponsored financial institutions like SIDCs and SFCs the value of 'Coefficient of correlation' is less than the value of $\sqrt{C(HI)}$, and it can be interpreted that the States having larger share in 1980-81 have lost shares to each other but tended to gain share as a group to small States. From the above analysis we can conclude that the performance of the SIDCs both in the case of 'backward areas' assistance as well as 'total area' disbursement, shows no significant variation during the six year study period.
TABLE 4.14(a)

INTER-STATE FLOW OF ASSISTANCE DISBURSED-SIDCUs

<table>
<thead>
<tr>
<th>States</th>
<th>Backward Areas</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% share of assistance</td>
<td>$1980-81$</td>
</tr>
<tr>
<td>Haryana</td>
<td>1.24</td>
<td>1.45</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>2.40</td>
<td>5.50</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td>1.04</td>
<td>2.95</td>
</tr>
<tr>
<td>Punjab</td>
<td>8.27</td>
<td>1.40</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>9.18</td>
<td>5.36</td>
</tr>
<tr>
<td>Sikkim</td>
<td>0.39</td>
<td>0.91</td>
</tr>
<tr>
<td>Assam</td>
<td>0.88</td>
<td>3.32</td>
</tr>
<tr>
<td>Arunachal Pradesh</td>
<td>-</td>
<td>0.43</td>
</tr>
<tr>
<td>Meghalaya</td>
<td>0.72</td>
<td>2.23</td>
</tr>
<tr>
<td>Mizoram</td>
<td>-</td>
<td>1.30</td>
</tr>
<tr>
<td>Nagaland</td>
<td>0.55</td>
<td>0.58</td>
</tr>
<tr>
<td>Tripura</td>
<td>-</td>
<td>0.09</td>
</tr>
<tr>
<td>Bihar</td>
<td>0.62</td>
<td>0.09</td>
</tr>
<tr>
<td>Orissa</td>
<td>0.55</td>
<td>1.26</td>
</tr>
<tr>
<td>West Bengal</td>
<td>9.94</td>
<td>3.58</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>9.03</td>
<td>6.29</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>6.39</td>
<td>9.65</td>
</tr>
<tr>
<td>Goa</td>
<td>2.35</td>
<td>17.35</td>
</tr>
<tr>
<td>Gujarat</td>
<td>9.90</td>
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</tr>
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<td>Maharashtra</td>
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<td>10.68</td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>9.65</td>
<td>6.79</td>
</tr>
<tr>
<td>Karnataka</td>
<td>6.74</td>
<td>3.08</td>
</tr>
<tr>
<td>Kerala</td>
<td>0.88</td>
<td>4.73</td>
</tr>
<tr>
<td>Tamilnadu</td>
<td>7.95</td>
<td>2.33</td>
</tr>
<tr>
<td>Pondicherry</td>
<td>-</td>
<td>2.50</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Standard Deviation $\sigma = 3.768$  $3.806$  $4.471$  $3.810$

Correlation $r = 0.50$  $0.75$

Regression Coefficient $\beta = 0.50$  $0.64$

$\frac{\sqrt{C(HI)}}{\sqrt{\mu}} = 1.01$  $0.85$
### TABLE 4.14(b)

**INTER-STATE FLOW OF ASSISTANCE DISBURSED-AIFIS**

<table>
<thead>
<tr>
<th>States</th>
<th>Backward Areas</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% share of assistance disbursed</td>
<td>% share of assistance disbursed</td>
</tr>
<tr>
<td>Haryana</td>
<td>2.54</td>
<td>1.79</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>1.41</td>
<td>3.40</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td>2.36</td>
<td>1.57</td>
</tr>
<tr>
<td>Punjab</td>
<td>5.63</td>
<td>2.24</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>3.93</td>
<td>5.74</td>
</tr>
<tr>
<td>Sikkim</td>
<td>0.04</td>
<td>0.15</td>
</tr>
<tr>
<td>Assam</td>
<td>0.50</td>
<td>2.52</td>
</tr>
<tr>
<td>Manipur</td>
<td>0.08</td>
<td>0.16</td>
</tr>
<tr>
<td>Meghalaya</td>
<td>0.13</td>
<td>0.39</td>
</tr>
<tr>
<td>Nagaland</td>
<td>0.08</td>
<td>0.25</td>
</tr>
<tr>
<td>Tripura</td>
<td>0.29</td>
<td>0.07</td>
</tr>
<tr>
<td>Bihar</td>
<td>1.70</td>
<td>1.32</td>
</tr>
<tr>
<td>Orissa</td>
<td>3.28</td>
<td>4.70</td>
</tr>
<tr>
<td>West Bengal</td>
<td>3.88</td>
<td>2.53</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>4.19</td>
<td>11.69</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>6.73</td>
<td>13.33</td>
</tr>
<tr>
<td>Gujarat</td>
<td>11.44</td>
<td>10.50</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>10.12</td>
<td>9.22</td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>9.84</td>
<td>11.32</td>
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<tr>
<td>Karnataka</td>
<td>11.58</td>
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</tr>
<tr>
<td>Kerala</td>
<td>2.42</td>
<td>2.20</td>
</tr>
<tr>
<td>Tamilnadu</td>
<td>9.64</td>
<td>6.62</td>
</tr>
<tr>
<td>Uts</td>
<td>4.20</td>
<td>2.80</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.00</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

**Standard Deviation (σ):** 3.880

**Correlation (r):** 0.77

**Regression Coefficient (β):** 0.81

\[ \sqrt{C (HI) \ or \ \frac{\bar{y}}{\bar{x}}} = 1.05 \]

\[ \sqrt{C (HI) \ or \ \frac{\bar{y}}{\bar{x}}} = 0.84 \]

\[ \sqrt{C (HI) \ or \ \frac{\bar{y}}{\bar{x}}} = 0.89 \]
### TABLE 4.14(c)

**INTER-STATE FLOW OF ASSISTANCE DISBURSED - APIS**

<table>
<thead>
<tr>
<th>States</th>
<th>% share of assistance disbursed</th>
<th>% share of assistance disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Haryana</td>
<td>2.40</td>
<td>1.71</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>1.51</td>
<td>3.38</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td>2.39</td>
<td>1.75</td>
</tr>
<tr>
<td>Punjab</td>
<td>5.62</td>
<td>2.18</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>8.28</td>
<td>5.65</td>
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<tr>
<td>Sikkim</td>
<td>0.06</td>
<td>0.16</td>
</tr>
<tr>
<td>Assam</td>
<td>0.50</td>
<td>2.50</td>
</tr>
<tr>
<td>Manipur</td>
<td>0.07</td>
<td>0.11</td>
</tr>
<tr>
<td>Meghalaya</td>
<td>0.10</td>
<td>0.52</td>
</tr>
<tr>
<td>Nagaland</td>
<td>0.10</td>
<td>0.21</td>
</tr>
<tr>
<td>Tripura</td>
<td>0.26</td>
<td>0.07</td>
</tr>
<tr>
<td>Bihar</td>
<td>1.93</td>
<td>1.69</td>
</tr>
<tr>
<td>Orissa</td>
<td>3.16</td>
<td>4.68</td>
</tr>
<tr>
<td>West Bengal</td>
<td>4.24</td>
<td>3.06</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>4.40</td>
<td>11.27</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>6.96</td>
<td>14.55</td>
</tr>
<tr>
<td>Gujarat</td>
<td>11.26</td>
<td>10.18</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>10.08</td>
<td>8.83</td>
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<tr>
<td>Andhra Pradesh</td>
<td>9.05</td>
<td>10.55</td>
</tr>
<tr>
<td>Karnataka</td>
<td>10.97</td>
<td>5.50</td>
</tr>
<tr>
<td>Kerala</td>
<td>2.38</td>
<td>2.36</td>
</tr>
<tr>
<td>Tamilnadu</td>
<td>9.55</td>
<td>6.38</td>
</tr>
<tr>
<td>Uts</td>
<td>3.85</td>
<td>2.75</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

**Standard Deviation (σ)**
- 1980-81: 3.825
- 1985-86: 4.038
- 1980-81: 4.942
- 1985-86: 4.435

**Correlation (r)**
- 0.75

**Regression Coefficient (b)**
- 0.79

\[ \sqrt{c(H1)} \text{ or } \frac{\delta y}{\delta n} = 1.06 \]

\[ 0.90 \]
<table>
<thead>
<tr>
<th>States</th>
<th>Backward Areas</th>
<th>% Share of Assistance Disbursed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Haryana</td>
<td>1.42</td>
<td>1.59</td>
<td>2.09</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>2.22</td>
<td>3.95</td>
<td>1.19</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td>4.04</td>
<td>4.10</td>
<td>2.05</td>
</tr>
<tr>
<td>Punjab</td>
<td>31.88</td>
<td>1.42</td>
<td>3.28</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>13.30</td>
<td>7.63</td>
<td>10.68</td>
</tr>
<tr>
<td>Assam</td>
<td>0.32</td>
<td>0.70</td>
<td>0.27</td>
</tr>
<tr>
<td>Bihar</td>
<td>6.58</td>
<td>5.77</td>
<td>3.77</td>
</tr>
<tr>
<td>Odissa</td>
<td>3.61</td>
<td>3.86</td>
<td>7.20</td>
</tr>
<tr>
<td>West Bengal</td>
<td>2.14</td>
<td>3.18</td>
<td>2.23</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>3.95</td>
<td>9.02</td>
<td>2.70</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>11.00</td>
<td>15.36</td>
<td>10.23</td>
</tr>
<tr>
<td>Gujrat</td>
<td>10.70</td>
<td>7.65</td>
<td>11.26</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>8.88</td>
<td>3.47</td>
<td>12.34</td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>10.14</td>
<td>12.15</td>
<td>12.12</td>
</tr>
<tr>
<td>Karnataka</td>
<td>5.72</td>
<td>9.98</td>
<td>5.90</td>
</tr>
<tr>
<td>Kerala</td>
<td>3.05</td>
<td>3.05</td>
<td>3.45</td>
</tr>
<tr>
<td>Tamilnadu</td>
<td>9.60</td>
<td>7.12</td>
<td>9.24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.00</strong></td>
<td><strong>100.00</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

| Standard Deviation σ  | 3.842         | 3.917                         | 4.114 |
| Correlation r          | 0.70          |                               | 0.77  |
| Regression Coefficient b | 0.72          |                               | 0.70  |
| \( \frac{\sqrt{C(HI)}}{\delta t} \) or \( \frac{\delta y}{\delta n} \) | 1.02          |                               | 0.90  |
Sector-wise Assistance disbursed

The compound growth rates of sector-wise allocation of assistance during the study period (1980-86) by the SIDCs, AIFIs, and AFIs are shown in Table 4.15.

<table>
<thead>
<tr>
<th>Sectors</th>
<th>SIDCs</th>
<th>AIFIs</th>
<th>AFIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>2.26</td>
<td>35.54</td>
<td>34.30</td>
</tr>
<tr>
<td>Joint</td>
<td>7.25</td>
<td>22.62</td>
<td>20.60</td>
</tr>
<tr>
<td>Co-operative</td>
<td>-7.26</td>
<td>47.32</td>
<td>46.11</td>
</tr>
<tr>
<td>Private</td>
<td>22.77</td>
<td>16.07</td>
<td>16.48</td>
</tr>
<tr>
<td>Total</td>
<td>19.38</td>
<td>19.86</td>
<td>19.71</td>
</tr>
</tbody>
</table>

It reveals that the SIDCs concentrated more in the allocation of financial assistance to private sector (22.77) followed by Joint sector (7.25) and public sector (2.26), whereas they have not shown interest in the cooperative sector which showed a negative compound growth rate of -7.26. The reason
for this state of affairs is the primary objective of the SIDCs to develop private sector as well as joint sector enterprises. The shares of allocation by AIIFs and AFIIs to different sectors, are uniform. These institutions had given prime importance to cooperative sector (47.32 and 46.11), joint sector (22.62 and 20.60) and private sector (19.56 and 19.71) respectively.

The combined performance of all financial institutions in their allocation to different sectors viz., public, joint, cooperative, private, during the six year study period (1980-86) was 15.06 per cent, 6.44 per cent, 3.20 per cent and 75.30 per cent respectively. The AIIFs share of allocation was 16.04 per cent to public sector, 6.12 per cent to joint sector, 3.54 per cent to cooperative sector, and 74.30 per cent to private sector. From the above analysis we conclude that, these quarters of allocations, from AIIFs as well as AFIIs, have been allocated to private sector, and the remaining one fourth of their allocations are distributed among the three sectors viz., public, joint and cooperatives. The reason for this state of affairs is that, before 1980's the public sector had reached a reasonable size and
decisions had been taken by the financial institutions to improve the private sector's share to bring them at par with the public sector. The relevant data are shown in Appendices XI and XII.

Institution-wise analysis also supports the above fact. Surprisingly, LTC has occupied the highest share (84.55 per cent) in allocation of assistance to private sector followed by ICICI (83.92 per cent), SIDCUs (80.89 per cent) UTI (80.38 per cent), GIC (80.70 per cent), IDBI (75.80 per cent), and IFCI (61.87 per cent). The data also reveal that the SIDCUs occupied third place in allocating assistance to private sector among all the financial institutions. Further, the service institutions viz., LIC, UTI and GIC have contributed more than eighty per cent of their allocation to private sector enterprises. This analysis reveals the decision taken by all the financial institutions to develop the private sector enterprises. As a whole, the sectors viz., public, joint, cooperative and private, have got 12.45 per cent, 6.84 per cent, 3.91 per cent and 76.80 per cent respectively during the six year period from 1980-81 to 1985-86. This analysis has been shown in table 4.16.
<table>
<thead>
<tr>
<th>Sector/Institution</th>
<th>SIDCs</th>
<th>IDBI</th>
<th>IFCI</th>
<th>ICICI</th>
<th>LIC</th>
<th>UTI</th>
<th>GIC</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>131.87</td>
<td>1590.20</td>
<td>217.64</td>
<td>51.81</td>
<td>83.73</td>
<td>107.29</td>
<td>66.36</td>
<td>2248.90</td>
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<td></td>
<td>(7.47)</td>
<td>(15.68)</td>
<td>(12.75)</td>
<td>(2.22)</td>
<td>(8.56)</td>
<td>(14.36)</td>
<td>(16.59)</td>
<td>(12.45)</td>
</tr>
<tr>
<td>Joint</td>
<td>199.79</td>
<td>579.35</td>
<td>196.22</td>
<td>211.99</td>
<td>NA</td>
<td>37.43</td>
<td>10.86</td>
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<tr>
<td></td>
<td>(11.32)</td>
<td>(5.72)</td>
<td>(11.49)</td>
<td>(9.10)</td>
<td></td>
<td>(5.00)</td>
<td>(2.71)</td>
<td>(6.84)</td>
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<tr>
<td>Cooperative</td>
<td>5.56</td>
<td>283.80</td>
<td>237.24</td>
<td>110.75</td>
<td>67.35</td>
<td>2.00</td>
<td>-</td>
<td>706.70</td>
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<td></td>
<td>(0.32)</td>
<td>(2.60)</td>
<td>(13.88)</td>
<td>(4.78)</td>
<td>(6.89)</td>
<td>(0.26)</td>
<td>(3.91)</td>
<td>13.91</td>
</tr>
<tr>
<td>Private</td>
<td>1427.40</td>
<td>7685.60</td>
<td>1056.66</td>
<td>1954.30</td>
<td>826.63</td>
<td>601.16</td>
<td>322.80</td>
<td>13874.55</td>
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<td></td>
<td>(80.89)</td>
<td>(75.80)</td>
<td>(61.87)</td>
<td>(83.92)</td>
<td>(84.55)</td>
<td>(80.38)</td>
<td>(80.70)</td>
<td>(76.80)</td>
</tr>
<tr>
<td>Total</td>
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<td>10138.95</td>
<td>1707.76</td>
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<td>977.71</td>
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<td>(100.00)</td>
<td>(100.00)</td>
<td>(100.00)</td>
<td>(100.00)</td>
<td>(100.00)</td>
<td>(100.00)</td>
<td>(100.00)</td>
</tr>
</tbody>
</table>

Source: Reports on 'Development Banking in India' of IDBI.

Note: Figures in brackets indicate percentage to column total.
Institution-wise Assistance Disbursed

**TABLE 4.17**

INSTITUTION-WISE ASSISTANCE DISBURSED
(Compound Growth Rate)

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Compound Growth Rate</th>
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</tr>
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<td>24.41</td>
</tr>
<tr>
<td>ICICI</td>
<td>17.28</td>
</tr>
<tr>
<td>TFIas*</td>
<td>11.45</td>
</tr>
<tr>
<td>LIC</td>
<td>25.94</td>
</tr>
<tr>
<td>UTI</td>
<td>47.66</td>
</tr>
<tr>
<td>GIC</td>
<td>16.01</td>
</tr>
<tr>
<td>TSIs**</td>
<td>33.21</td>
</tr>
<tr>
<td>SIDCs</td>
<td>19.38</td>
</tr>
<tr>
<td>Total</td>
<td>15.13</td>
</tr>
</tbody>
</table>

* TFIas - Total Financial Institutions
** TSIs - Total Service Institutions

Source: Appendix VIII.
Table 4.17 shows the compound growth rates of assistance disbursed by the financial institutions during the period 1980-86. The data revealed that among all financial institutions IFCI got the highest growth rate (24.41) in assistance disbursement, followed by SIDCUs (19.38), ICICI (17.28), IDBI (15.86). Among the service institutions UTI recorded the highest growth rate (47.66), followed by LIC (25.94), and GIC (16.01). From the above analysis we conclude that the SIDCUs are providing more financial assistance than the national level financial institutions viz., IDBI and ICICI; and also occupied fourth rank among all financial institutions (AEIs) and second best rank among all India financial institutions (AIEIS). The relevant data are shown in Appendix XIII.

Industry-wise Disbursement

Table 4.18 shows the disbursement of assistance to different categories of industries by the financial institutions. It reveals that during the six year study period ending 1986, compound growth rates accounted for large scale industries were 19.90, 18.56, 20.11 and 11.47; for medium scale industries they were 15.24,
<table>
<thead>
<tr>
<th>Year</th>
<th>Large Scale Industries</th>
<th>Medium Scale Industries</th>
<th>Small Scale Industries</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SIDCs</td>
<td>APIFs</td>
<td>SIDCS</td>
<td>APIFs</td>
</tr>
<tr>
<td>1981</td>
<td>31.56</td>
<td>362.29</td>
<td>282.23</td>
<td>61.55</td>
</tr>
<tr>
<td>1982</td>
<td>45.61</td>
<td>479.26</td>
<td>406.91</td>
<td>67.85</td>
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<tr>
<td>1983</td>
<td>56.39</td>
<td>521.45</td>
<td>471.00</td>
<td>89.56</td>
</tr>
<tr>
<td>1984</td>
<td>63.91</td>
<td>647.41</td>
<td>559.39</td>
<td>99.87</td>
</tr>
<tr>
<td>1985</td>
<td>82.02</td>
<td>794.90</td>
<td>690.70</td>
<td>188.15</td>
</tr>
<tr>
<td>1986</td>
<td>92.75</td>
<td>950.70</td>
<td>847.72</td>
<td>118.86</td>
</tr>
<tr>
<td>.</td>
<td>374.42</td>
<td>3735.71</td>
<td>3227.45</td>
<td>545.04</td>
</tr>
<tr>
<td></td>
<td>(150.00)</td>
<td>(100.15)</td>
<td>(100.00)</td>
<td>(107.00)</td>
</tr>
</tbody>
</table>

**Growth**

- **Reports on 'Development Banking in India' of IDBI.**
- **Figures in brackets indicate percentage to column total.**
20.14, 20.82 and 16.58; and for small scale industries the growth rates were 30.58, 19.28, 17.11, and 18.43 by the financial institutions viz., SIDCs, AFIs, AIFIs and SFCs respectively. The detailed data regarding assistance disbursed to various industries by all financial institutions are shown in Appendices XIV, XV and XVI. The table further reveals that the SIDCs have given first priority to small scale industries (30.58) followed by large scale industries (19.90) and medium scale industries (15.24); whereas AFIs have given almost equal importance to both large scale (20.11) and medium scale (20.82) industries. The SFCs had given primary importance to small scale industries (18.43) followed by medium scale (16.58) and large scale (11.47) industries. As a whole, AFIs have given first priority to medium scale industries (20.14) followed by small scale industries (19.28) and large scale industries (18.56). From the above analysis, we can conclude that the financial institutions have been giving importance to their primary objectives.

Further, it is intended to examine whether the different types of industries enjoying significant position in regard to different financial institutions' assistance, have lost their share and if so, whether
the types of industries with relatively less significant position have gained over a period of six years i.e., 1980-86. To find out the fact the statistical measure 'regression coefficient' is applied to the shares of assistance in different industries by different institutions in 1980-81 and 1985-86. The data are given in table 4.19.

The 'Coefficient of Correlation' for assistance disbursed to different industries by the SIDCs, AIFIs, AFIIs and SFCs worked out to 0.82, 0.90, and 0.98 respectively, whereas 'regression coefficients' for the above institutions are 0.89, 0.75, 0.83 and 1.02 respectively. From the above analysis it can be interpreted that the industries enjoying significant position by the SIDCs AIFIs and AFIIs have lost an average of 11 per cent, 25 per cent, and 17 per cent respectively, whereas with regard to the SFCs the industries enjoying larger share, increased by about 2 per cent of their share by 1985-86. We can also conclude here that the SIDCs are functioning better than the other financial institutions regarding disbursement of assistance to various types of industries during the study period. In the case of
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Metal Industry</td>
<td>14.80</td>
<td>9.44</td>
<td>6.73</td>
<td>6.90</td>
<td>7.77</td>
<td>7.01</td>
<td>12.20</td>
<td>10.93</td>
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<tr>
<td>Machinery</td>
<td>10.56</td>
<td>16.27</td>
<td>12.89</td>
<td>13.08</td>
<td>13.76</td>
<td>13.41</td>
<td>12.62</td>
<td>8.51</td>
</tr>
<tr>
<td>Food</td>
<td>8.61</td>
<td>6.23</td>
<td>2.63</td>
<td>3.76</td>
<td>4.10</td>
<td>4.57</td>
<td>12.03</td>
<td>12.47</td>
</tr>
<tr>
<td>Textiles</td>
<td>13.52</td>
<td>13.62</td>
<td>16.31</td>
<td>11.01</td>
<td>15.70</td>
<td>11.13</td>
<td>8.82</td>
<td>8.73</td>
</tr>
<tr>
<td>Paper</td>
<td>8.89</td>
<td>4.47</td>
<td>4.76</td>
<td>2.75</td>
<td>4.99</td>
<td>3.05</td>
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<td>3.30</td>
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<tr>
<td>Rubber</td>
<td>1.51</td>
<td>1.70</td>
<td>0.90</td>
<td>0.82</td>
<td>1.51</td>
<td>0.93</td>
<td>1.31</td>
<td>2.08</td>
</tr>
<tr>
<td>Cement</td>
<td>4.69</td>
<td>4.02</td>
<td>7.59</td>
<td>9.94</td>
<td>7.32</td>
<td>9.17</td>
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<td>1.38</td>
</tr>
<tr>
<td>Fertilizers</td>
<td>1.51</td>
<td>1.67</td>
<td>2.85</td>
<td>5.01</td>
<td>2.67</td>
<td>4.61</td>
<td>0.03</td>
<td>0.03</td>
</tr>
<tr>
<td>Electric generation</td>
<td>0.43</td>
<td>0.27</td>
<td>7.18</td>
<td>9.75</td>
<td>6.47</td>
<td>8.92</td>
<td>0.13</td>
<td>0.25</td>
</tr>
<tr>
<td>Services</td>
<td>1.20</td>
<td>4.32</td>
<td>12.58</td>
<td>12.54</td>
<td>11.41</td>
<td>12.00</td>
<td>13.02</td>
<td>14.99</td>
</tr>
<tr>
<td>Others</td>
<td>15.05</td>
<td>22.76</td>
<td>14.17</td>
<td>10.87</td>
<td>12.42</td>
<td>11.46</td>
<td>21.59</td>
<td>24.00</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Correlation $\rho$</td>
<td>0.82</td>
<td>0.89</td>
<td>0.90</td>
<td>0.83</td>
<td>1.02</td>
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<tr>
<td>Regression Coefficient $\beta$</td>
<td>0.89</td>
<td>0.75</td>
<td>0.83</td>
<td>1.02</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>$\sqrt{C (HI)}$ or $\sqrt{\frac{\partial y}{\partial x}}$</td>
<td>1.09</td>
<td>0.86</td>
<td>0.92</td>
<td>1.05</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Appendix XIV, XV & XVI.
AIFIs, the value of correlation is higher than the value of $\sqrt{C(Hi)}$. It can be interpreted that the industries having larger share in 1980-81 have not lost their shares to each other but intended to lose shares as a group to new industries. The correlation value of the other financial institutions viz., SIDCs, SPCs and APIIs is less than the $\sqrt{C(Hi)}$. Hence, it can be interpreted that the industries having larger share of assistance in the initial year i.e., 1980-81 have lost shares to each other but intended to gain share of assistance as a group to new industries. The data relating to assistance disbursed to various types of industries by different institutions are shown in Appendices XIV, XV and XVI.