CHAPTER VI

SUMMARY AND CONCLUSIONS

After examining in detail the role of HSIDC in accelerating the pace of industrialisation in the State of Haryana in the preceding chapters, it will be appropriate to focus attention on the main findings and conclusions of the study. This chapter presents the brief summary of findings and conclusions of the study along with suggestions to enhance the efficiency and effectiveness of the Corporation in stimulating and accelerating the industrial growth in the State of Haryana.

RESEARCH METHODOLOGY

The Haryana State Industrial Development Corporation (HSIDC) was set up in 1967 to accelerate the pace of industrial development in the State of Haryana. HSIDC performs various functions like setting up of industrial estates with related infrastructural facilities, providing financial assistance under various schemes and identifying and promoting industries. The present study has been undertaken to evaluate the role of HSIDC in the industrial development of Haryana by critically analysing its functions. The information and data relevant to study were collected from both primary and
well as secondary sources. Since secondary data was considered insufficient to attain the objectives of the study so primary data was also collected. Primary data was collected through formal structured questionnaires. Two sets of questionnaires have been used, one for industrial units working in the industrial estates to collect information regarding their operations and problems and the second for industrial clients who have taken term loan from HSIDC for ascertaining their views regarding procedure and policy of sanction and disbursement of loans. 420 units were found in production in 16 industrial estates and 6 ancillary industrial estates as on 31.3.1989 and a sample of 64 units was drawn to collect data as per the first questionnaire. 80 units have been sanctioned term loan assistance by HSIDC till 1988-89 and the second questionnaire was administered to a sample of 27 units. Purposive cum convenient sampling technique has been used for the selection of sample. The survey was conducted through extensive personal interview method. After collection of data, master data sheets were prepared and then data was tabulated in form of class intervals and frequency distribution. Various statistical tools such as percentages, ratios, averages, chi-square and other tests have been used to arrive at meaningful conclusions.
Haryana was formed on Nov. 1, 1966 when the State of Punjab was re-organised. The State did not inherit a sound industrial base from Punjab. Most of the developmental efforts were concentrated in the region now known as Punjab and consequently the State of Haryana was left mostly with the backward areas.

The State made rapid progress in the industrial field during the period 1966 to 1989. The number of small scale industrial units which was only 4519 on 1st Nov. 1966 has now crossed the mark of 88000 units. The growth of industrial units in large and medium sectors has also been heartening and their number has increased from 162 units in 1966 to 400 units in 1989. Haryana has five central public sector units namely Hindustan Machine Tools Ltd. at Pinjore, National Fertilisers Ltd. at Panipat, Maruti Udyog Ltd., at Gurgaon, Indian Drugs and Pharmaceuticals Ltd. at Dundahera and Bharat Electronics Ltd., at Panchkula. An oil refinery with capital outlay of Rs. 1500 crores is being set at Baholi in Karnal district. There are 15 raw material depots, 12 district industrial centres, 10 quality marking centres, 2 heat treatment centres, 2 industrial development centres, which were almost non existent at the time of formation of Haryana.
The number of joint stock companies have gone up from 207 in 1966-67 to 1679 in 1988-89. The number of registered working factories has increased from 1168 in 1966 to 4755 in 1988 thereby showing an increase of more than 4 times. The rate of growth of the index of industrial production registered an increase of 8.90 percent in 1987-88 over the previous year. Analysis of State income of Haryana by origin of industry reveals that the share of primary sector in total income has been decreasing over the years (1970-71 to 1988-89) and share of secondary sector and particularly manufacturing industry has been increasing, indicating thereby an increase in the pace of industrialisation in Haryana.

**INDUSTRIAL ESTATES OF HSIDC**

In the planned process of industrialisation small scale industries have acquired an important place, particularly, in developing economies. Among the various techniques adopted for ensuring the development of small scale industries, the technique of industrial estates has a wider appeal. Accepting the role of industrial estates in economic development, the State government has been actively promoting this programme. In the State of Haryana the three sponsoring agencies responsible for the development of industrial estates/areas are Directorate of
Industries, Haryana State Industrial Development Corporation and Haryana Urban Development Authority. At present, HSIDC and HUDA have been entrusted with the task of developing industrial estates/areas. The role of HSIDC is relatively large and more comprehensively conceived which includes providing most of the physical and other industrial support infrastructural facilities to the industrial units. HUDA's role has been to the extent of development of areas for industrial use with provision of basic infrastructural facilities like roads, power, water etc.

Utilisation of Plots and Sheds: The HSIDC has set up 16 industrial estates and 6 ancillary estates in the different parts of the State till March 1989. The Corporation has carved out total of 1969 plots in different industrial estates and out of these, 1339 plots have been allotted to the industrial units. Production was taking place on 353 plots constituting 26.36 percent of allotted plots and another 56 units (4.18 percent) were ready for production, whereas construction activities were in progress on 82(6.12 percent) plots. It shows that 36.67 percent of allotted plots have been effectively utilised, whereas on remaining plots, either production, or construction was held up or resumption/legal dispute.
was going on, or were lying vacant. The main reason responsible for these problems was found to be the non-serious nature of entrepreneurs who were interested perhaps more in earning capital gains by selling the plots/buildings at a premium on later date rather than starting production activities. Other important reasons have been shortage of finance, scarcity of raw materials, power problems and procedural delays in sanctioning loans.

On comparison between industrial estates having plots and industrial estates having built up sheds, the rate of utilisation (units in production out of total allotted plots/sheds) in the latter category (43.50 percent) is much better than former (26.36 percent). The main reason might be that less time and efforts are required to start production in built up sheds.

It is suggested that transfer of plots/sheds should not be allowed in order to reduce the speculative tendencies among buyers of plots and sheds. However, transfer to blood relations may be allowed. Action to get the plots/sheds vacated should be taken promptly against those who have not started any operation even after getting occupation of plots/sheds, and these should be allotted to new applicants. Further in order to improve the rate of utilisation of plots/sheds, effective steps
should be taken to overcome other problems like shortage of power, raw materials, finance and procedural delays in sanctioning loans.

Entrepreneurship: One of the objective of the industrial estates is to serve as a seed bed for the growth of entrepreneurship. The analysis of the study reveals that industrial estates have helped in tapping the latent entrepreneurial talent and using the services of youth in the industrial activities of the State. In fact, majority of the entrepreneurs are youngmen who started their industrial units at an age ranging between 20 and 35 years and it shows that young people are more enterprising, prone to risk-taking and readily receptive to new ideas. Analysis also reveals that 60.94 percent of entrepreneurs belong to the State of Haryana and it is an encouraging sign for those potential entrepreneurs who wish to set up industrial units in the State. It is interesting to note that 89.06 percent of entrepreneurs are either graduates/post graduates or possess professional/technical degree, which shows that industrial estates had diverted well educated persons towards self employment and attracted them to establish small industrial concerns. An examination of family background of the entrepreneurs depicts that large proportion of
entrepreneurs (50 percent) emerged out of families occupied in service. Trading community has sent 18.75 percent entrepreneurs and equal percentage of entrepreneurs came from manufacturing community. An analysis of previous occupation structure of entrepreneurs reveal that 46.88 percent of the total industrial units are set up by the entrepreneurs who had service as their previous occupation. It shows that education and experience gives emerging entrepreneurs the necessary competence to run an industrial unit. Existing manufacturers and traders were other sources of potential entrepreneurs. Students and professionals were found to be the marginal contributors to the entrepreneurial profile. An examination of the factors which prompted entrepreneurs to set up industrial units revealed that majority of the entrepreneurs (56.25 percent) were influenced because of their own professional/technical skills. 'HSIDC advertisement for plot/shed' could influence only a small number (12.50 percent) of entrepreneurs to start their industrial units. It is important to note that 'government assistance' failed to attract any potential entrepreneur for undertaking manufacturing activity.

Capital structure and profitability of the units: Capital
is the life blood of an enterprise as it is needed to give birth to an industrial unit and also required to keep the unit going. An analysis of pattern of investment reveals that large proportion of entrepreneurs (79.04 percent) have employed capital in their units upto Rs. 20 lakhs and only a small percentage (8.06 percent) of entrepreneurs have an investment of over Rs. 50 lakhs. Analysis on the basis of ownership shows that companies have highest investment in their units followed by partnership firms and proprietary concerns.

An analysis of the sources of loan finance shows that commercial banks were the main source of loan finance followed by Haryana Financial Corporation. Majority of entrepreneurs (54.34 percent) were found to be making use of more than one source of loan finance. Most of entrepreneurs who availed loan finance were highly dejected because of the cumbersome procedure adopted and enormous time taken by the financial institutions and commercial banks to grant loans.

It is suggested that commercial banks and financial institutions should simplify and streamline their procedures and grant facilities on liberal
terms to promote the growth of small scale industries.

The period within which a new unit starts earning profits is important for small units as they do not have the capacity to wait for longer time period owing to the paucity of financial resources. An analysis reveals that profitability position of the units in the industrial estates is considered to be good as majority of these units started earning profits within three years of the commencement of production. In this regard the performance of proprietary concerns and partnership firms is better in comparison to company type of organisations.

Marketing of the products: The success of industrial unit depends not only in effective production but also in successful marketing. It is interesting to note that products manufactured by the units of industrial estates have wide acceptance in the local, regional, national as well as international market. Products which have been exported by these units include pharmaceuticals, microscopes, intraocular lens, garments etc.

Most of the units were found to be making use of the shortest channel of distribution which means they deal directly with final buyers without utilising the services of the middlemen. The reason for direct selling lies in
the smallness of their size as such entrepreneurs do not wish to reduce their margin by engaging middlemen. A very small number of units were found to be selling their products through wholesalers, retailers, agents and distributors.

Units in industrial estates have to face competition in the markets wherever they sell their products. It has been found that largest group of industrial units (43.75 percent) face 'little' competition followed by 31.25 percent units and 25 percent units which found the degree of competition as 'much' and 'average' respectively. Analysis on the basis of ownership reveals that majority of proprietary units, partnership firms, and companies found 'much','average' and 'little' competition respectively. It shows that companies are in better position to compete may be because of better management and resources at their disposal in comparison to partnership firms and similarly partnership firms are in an advantageous position in comparison to the proprietary concerns on that count.

**Personnel factors:** An analysis of sources of recruitment shows that irrespective of ownership structure the three main sources of recruitment used by the units in industrial estates in order of priority are-direct
recruitment from local area; recruitment at factory gate; and, recruitment through advertisement. 54.69 percent of units were found to be using a second source of recruitment also. It has been found that at an aggregate level friends and relatives followed by recruitment at factory gate were important second preferred sources of recruitment.

An examination of the availability of manpower reveals that 42.19 percent entrepreneurs found managerial personnel of their own choice without any difficulty whereas 35.94 percent entrepreneurs did not feel the need of hired personnel for managerial position because they themselves take care of all managerial functions. There have been instances of few problems being faced with regard to the availability of skilled and semi-skilled labour in industrial estates whereas, no problem has been reported in the availability of unskilled labour as it is locally available. It is surprising to note that relatively more problems pertaining to the availability of labour were found in old and established estates in comparison to new industrial estates though the difference in magnitude of problems in the availability of labour is found to be marginal.

An analysis of employment generation shows that at
an aggregate level 17 persons per unit have been employed by the units in industrial estates. Further analysis on the basis of ownership structure reveals that employment generation in companies is maximum (26 persons per unit) followed by partnership firms (17 persons per unit) and proprietary concerns (10 persons per unit). It might be because of the scale of operation, the size of the unit being in an increasing order among proprietary concerns, partnership firms and companies respectively.

A large majority (78.13 percent) of entrepreneurs in the industrial estates were found to be providing training to workers while small percentage of entrepreneurs did not feel its need because either they employed already trained and experienced persons or jobs were quite simple which did not require trained persons. The entrepreneurs of industrial estates were found to be providing only initial training to workers. It may be because of small size of the units and simple production techniques followed by these units.

The analysis also revealed that a large majority (70.31 percent) of entrepreneurs in the industrial estates were not facing any labour problems whereas only 29.69 percent entrepreneurs reported labour problems in their
units. High rate of labour turnover and high rate of absenteeism were the main labour problems faced by these industrial units.

All the units were found to be paying minimum wages to their workers. The average remuneration paid by majority of units (56.25 percent) ranges between Rs.525 to Rs. 1024 per month. An analysis on the basis of ownership structure shows that companies were paying highest per person remuneration to their employees followed by partnership firms and proprietary concerns. It must be noted that companies were not only generating more employment in comparison to partnership firms and proprietary concerns but also paying highest remuneration to their employees.

**Initial problems of entrepreneurs:** An analysis of initial problems of units of industrial estates reveals that government procedure created much problems for entrepreneurs at the time of starting their units. Complex and time consuming government procedures were reported to be quite discouraging factors. Difficulty in getting an electricity connection, non availability of capital and raw materials were found to be the other serious problems at the time of starting industrial units. Further analysis on the basis of age of industrial
estates revealed that there have not been significant reduction in the initial problems of units over a period of time, except the problem of getting electricity connection for industrial units which has positively deteriorated with the passage of time.

It is suggested that government should simplify the procedures so that potential entrepreneurs are not discouraged to take up industrial activity. HSIDC must assist entrepreneurs in getting electricity connection from Electricity Department to avoid unnecessary delays. Financial institutions and commercial banks should evolve some system to grant loans to entrepreneurs in shortest period of time. Further, a monthly meeting of the officials of HSIDC, local electricity board, local commercial banks and entrepreneurs can be held at the respective local office of the industrial estates to solve such problems.

Operational problems of entrepreneurs: Some of the major operational problems faced by the entrepreneurs in the industrial estates have been summarised below:

Capacity Utilisation: An analysis of capacity utilisation of industrial units reveal that a large majority of units irrespective of their ownership structure were facing problems in achieving full
utilisation of capacity and only 9.37 percent of sample units were found to be working at full capacity. Shortage of power, low demand for the product, shortage of finance, shortage of raw material and difficulty in getting skilled labour were reported to be the main causes in descending order for low capacity utilisation of industrial units in the industrial estates developed by HSIDC.

There is an urgent need to take necessary steps to overcome these problems with a view to improve capacity utilisation of industrial units. Regular power supply must be ensured otherwise industrial units of Haryana will continue to face acute problems of low capacity utilisation and mounting costs. A separate marketing organisation can be constituted by the Government which can provide marketing intelligence not only to the industrial units situated in the industrial estates but also to other industrial units and at the same time it can take up the task of advertising the products of Haryana industries for providing useful information to the outside world. Moreover, existing marketing and trading facilities of Central and State government agencies viz National Small Industries Corporation (NSIC), Small Industries Service Institutes(SISI), Haryana State Small Industries and Export Corporation (HSSI & EC) should be
further strengthened. Commercial banks should also provide short term finance to industrial units in order to give respite to some of their genuine working capital problems. The allocation of raw materials in short supply should be objective and automatic. It should be based on current performance of units, the position of their order books and ability to expand production or improve quality. Moreover, industries based on local raw materials or catering to the local demand should be preferred for admission to the industrial estates. Problem of scarcity of skilled labour can be solved by strengthening the vocational and professional training courses and short term special training courses too shall be helpful in this regard. All these measures will not only improve their capacity utilisation but also contribute significantly to the economic growth of the State.

Basic utilities: The present study reveals that majority of entrepreneurs irrespective of their ownership structure were not satisfied with the basic utilities like power, roads, street lighting, drainage and sewerage in the industrial estates whereas they were found to be satisfied with water supply.

It is suggested that these basic utilities must be improved by taking remedial measures so as to make the
programme of industrial estates more effective.

Common Services: Majority of entrepreneurs irrespective of the ownership structure were not found to be satisfied with the availability of common services like raw material depots, post office, banks, dispensary and first aid in the industrial estates. Almost all the industrial estates set up by HSIDC do not have these common services and entrepreneurs have to go out of the industrial estates for the utilisation of these services which oftenly is time consuming and costly.

It is suggested that authorities should take immediate steps to provide these services within the industrial estates so that existing units can work more effectively and it can also prove to be an attraction for the potential entrepreneurs.

Transport problems: Inadequate passanger transport facilities and very high rates charged by transport companies for the transportation of goods were found to be the main problems relating to transport in the industrial estates. Time consuming border checking at the inter-state borders has been reported as a big problem as most of the sale and purchase of industrial units are linked with Delhi, the biggest trading centre.
It is suggested that estate authorities should take up the matter of passenger transport with nearest roadways depot so as to make arrangements for adequate local bus service. Rates charged by transport unions can also be regulated by government agency to save industrial units from avoidable harassment.

Technical facilities: Provision of adequate technical facilities is essential to improve the design, quality and size of the product manufactured by industrial unit but these were found to be non-existant in the industrial estates. It is suggested that penals of experts drawn from industry and trade should be formed for different industrial groups by organisations like HSIDC and such penals can extend technical assistance to units of industrial estates. At the same time possibility of establishing institutions and organisations offering specialised technical service should also be explored.

Safety in industrial estates: Security arrangements, in the industrial estates were found to be inadequate. It is suggested that special police post/stations should be set up in the industrial estates for proper safety of industrial units.

Cooperation of Estate Authorities: The attitude of estate authorities towards solving the problems of industrial
units was reported to be indifferent by a majority of entrepreneurs (64.00 percent). It has been reported that HSIDC officials hold meetings with the entrepreneurs, listen to their problems, make promises but forget everything after the meeting and practically nothing has been done to solve their problems. There is an immediate need to check this practice.

It may thus, be concluded that the HSIDC's programme of industrial estates has not been very successful in the attainment of its objectives. However, the failure of the industrial estates does not minimise the soundness of the concept of industrial estates programme and its effectiveness as a tool for industrialisation of a particular area. In the implementation of the programme many drawbacks have set in. If properly implemented it can prove to be a very effective tool for the development of small scale industries. If the measures, as suggested, are taken the programme of industrial estates is likely to be a successful programme.

FINANCIAL ASSISTANCE SCHEMES OF HSIDC:

HSIDC provides a financial assistance by way of term loans to medium and large scale industries under the
Industrial Development Bank of India's (IDBI) refinance scheme. The main findings of the present study relating to the financial assistance have been summarised hereunder.

Assistance Sanctioned And Disbursed Under Term Loans: The sanction of term loans by HSIDC has increased appreciably from Rs. 4.50 lakhs in 1978-79 to Rs. 906.52 lakhs in 1988-89. Total cumulative effective sanctions and disbursements have been Rs. 4584.62 lakhs and Rs. 3582.75 lakhs respectively till 1988-89. The analysis reveals that the share of backward area in total sanctions and disbursements has been more in comparison to the non backward area.

Industry-wise analysis reveals that 'Chemical Industry' has received the maximum assistance securing 18.41 percent of total sanctions followed by 'Miscellaneous Engineering Industry' getting 16.16 percent and 'Electric and Electronics Industry' with 14.63 percent. It shows that 49.20 percent of total sanctioned amount has been concentrated in these three industries and remaining 50.80 percent of total assistance has been shared by the other industries like steel, textile, food, paper, automobile, printing, etc. Per unit assistance is highest for printing industry followed by textile and
Analysis of districtwise sanctions reveal that backward districts have got 53.83 percent of total assistance whereas remaining 46.17 percent fall in the share of non backward districts. District Mahindergarh has got maximum sanction of 25.15 percent followed by Gurgaon (18.05 percent), Hissar (12.96 percent) and Faridabad (12.95 percent). This shows that 69.11 percent of total assistance has been shared by these districts which are either border districts of Delhi or close to Delhi.

Recovery performance of loans: Analysis reveals that in six out of ten years period under study an amount between only 50 to 65 percent of net amount due could be recovered resulting in huge unrecovered arrears. This shows that the recovery performance of HSIDC has not at all been satisfactory. Moreover, on comparison with the recovery performance of Haryana Financial Corporation (HFC), it has been found that during the period 1985-86 to 1988-89, HFC recovered between 81.53 percent to 92.41 percent of net amount due whereas HSIDC could recover only 52.35 percent to 77.82 percent of the net amount due during the same period. It shows that recovery performance of HFC is much
better in comparison to HSIDC.

It is suggested that the Corporation should make concerted efforts to improve its recovery performance. This will not only improve the profitability of the Corporation but shall also bring more resources at its disposal.

**Investment catalysed under Refinance Scheme:** The Corporation by providing loan assistance activates and catalyses investment. It has catalysed an investment amounting to Rs. 15883.01 lakhs till 1988-89 and it is interesting to note that 55.89 percent of total catalysed investment falls in the share of backward areas against 44.11 percent in non-backward areas.

It is suggested that HSIDC should continue to motivate investors to set up industrial units in backward areas so that there is not only balanced development through out the State but the pace of industrialisation also picks up.

**Employment potential of assisted units:** The Corporation has been able to create direct employment opportunities for 14363 persons till 1988-89, through its assisted units. Maximum employment opportunities have been generated in backward areas with 51.54 percent of total
employment generation against 48.46 percent in non-backward areas.

Term loans under other Schemes: The effective sanctions made by the Corporation under Equipment Refinance Scheme has been to the tune of Rs. 439.57 lakhs for 7 units and under Modernisation Scheme Rs. 206.75 lakhs has been sanctioned to 4 units till 1988-89. Foreign currency loan amounting to Rs. 21.86 lakhs has been sanctioned to one company. Another scheme of term loans has recently been extended to units setting up hospitals, nursing homes and hotels which have been declared as industry. Till 1988-89 the Corporation has sanctioned term loan of Rs. 61 lakhs to one company setting up hospitals/nursing homes. All that shows that the Corporation has not made much headway in these schemes. There is a definite need to popularise these schemes among the entrepreneurs.

The Corporation acts as an agent of IDBI in operating the Seed Capital Scheme. This scheme is primarily for meeting the gap in promoter's contribution where the proposed project is to be set up by a new entrepreneur in medium sector. Aggregate assistance sanctioned (effective) and disbursed till 1988-89 have been Rs. 139.97 lakhs and Rs. 115.67 lakhs respectively. The analysis reveals that backward areas secured 53.88
percent of total effective sanctioned amount against 46.12 percent of non-backward areas.

**Participation In Share Capital And Underwriting Of Shares:**

HSIDC operates the scheme of participation in share capital and underwriting of shares as an agent of the State government. Since 1967-68 HSIDC has been granted Rs. 349.28 lakhs by State government under this scheme and out of it the Corporation has utilised Rs. 331.82 lakhs till 1988-89. Areawise investment shows that the backward districts not only got the maximum investment (55.53 percent of total investment) but also has higher per unit investment. Major share (57.42 percent) of total investment has been concentrated only in two districts namely Mahindergarh and Faridabad. Industrywise investment reveals that maximum investment has been made in basic metal industry getting 30.24 percent of the total investment followed by textile industry with 28.03 percent which means that 58.27 percent of total investment has been made in these two industries.

Further analysis reveals that this scheme could not attract enough number of proposals as in most of the years (18 out of 22 years), more than 50 percent of the total amount available in a particular year remained
unutilised. Stringent terms and conditions of scheme were found to be the main reason for its unpopularity. It is suggested that this scheme should be reviewed and liberalised by State government to make it attractive and popular among entrepreneurs.

Analysis Of Field Investigation:

The main conclusions emerging from the analysis of responses of the entrepreneurs who availed the term loan assistance from the HSIDC have been recapitulated below:

**Project appraisal:** Project appraisal was found to be a cumbersome process by majority of entrepreneurs (77.78 percent). Lengthy procedures, red tapism and raising queries/objections in a piecemeal manner are reported to be the main reasons for project appraisal being cumbersome and time consuming.

**Time taken for sanction and disbursement:** Analysis reveals that time taken for sanction of loan is on the higher side and still more time is taken to make first disbursement of sanctioned loan in comparison to the sanctioning of loan itself. Lengthy formalities and queries in piecemeal nature were reported to be the main reasons for delay in sanctioning of loans. Cumbersome
legal process/documentation procedure and other formalities were found to be reasons responsible for the delay of first disbursement of the sanctioned loan. Long time taken for sanction and disbursement of loan invariably results in overruns both in terms of time as well as cost.

It is suggested that HSIDC should make an earnest attempt to streamline the whole procedure of sanction and disbursement of loans so that delays could be minimised and the resultant problems are avoided. Fixing formal time standard for sanction and disbursement of loan can be helpful in this regard. Further the Corporation should adopt as a policy that queries/objections on the applications for term loans should be raised in one instance and not in a piecemeal manner.

Promoter's share in the cost of the project: It has been found that HSIDC insists on bringing more and more promoter's share in the cost of project and even average promoter's share in the sample industrial units comes to 27.95 percent which is higher than the stipulated norm. This insistence for more promoter's share put the promoters in difficulty as they are left with no option but to arrange funds from other sources which at times is at a very high cost and in doing so precious time is also
lost which in turn leads to delay in the project implementation. Any delay in project implementation, results in cost over runs which again further increases financial burden of promoter/company.

It is suggested that HSIDC should avoid insisting on more promoter's share, which will help in timely implementation of projects. Moreover, promoter's share can be used as an effective incentive for the potential entrepreneurs to set up their projects in backward area by increasing the difference on this account for backward and non backward area. The difference can be between 7.5 percent to 10 percent instead of 5 percent which the Corporation is maintaining at present.

Debt-equity ratio: Debt-equity ratio was found to be below the stipulated norm of 2:1 in majority (77.78 percent) of sample industrial units. The tendency of HSIDC to consider debt equity ratio below the stipulated norm put the promoter/companies in difficulty as it is not easy to arrange more equity in an economy where capital market is not so developed.

Repayment period: Majority of sample industrial units considered the present repayment period too short and were in favour of increasing it to 10-12 years with a moratorium period of 3 years. It is suggested to review
the policy with regard to the repayment period and make necessary changes to suit the borrowers requirements. Moreover, longer period of repayment particularly in backward area can be used as an effective incentive to motivate promoters to set up industrial units in such areas.

Another interesting finding of the present study was that the Corporation can ask the industrial unit to repay loan on the dates earlier than the dates agreed upon and also to increase the amount of instalment keeping in view cash generation and profitability. But if a borrower wants to repay the loan before the due dates, he is not allowed to do so without the prior approval of the Corporation and in such cases it can impose premium and other conditions at its discretion. It obviously is an anomalous situation to the disadvantage of borrowers. It is suggested that repayments before due date should not only be accepted without hesitation but also be encouraged.

**Commitment charges:** Commitment charges are imposed on the principle amount of loan which would have not been drawn by borrower in 12 months from the date of sanction of loan. Majority of sample industrial units reported that many times delays are caused because of the reasons
beyond their control and they are unnecessarily penalised and suggested that the time period for this purpose be increased to 18 months.

It is suggested that the Corporation while imposing such charges should try to find out the reasons for delay and if delay was found to be beyond the control of promoter/company, no commitment charges should be levied upto a maximum period of 18 months.

Margin of security kept: Margin of security kept by the Corporation in large majority (92.59 percent) of sample industrial units was found to be more than 25 percent which cannot be considered reasonable and is contrary to what the Corporation claims.

It is suggested that the Corporation should adopt liberal view towards security margin and instead stress more on the ability of promoters and management to run the industrial unit effectively and efficiently.

Followup and inspections: Attitude of officers of the Corporation being fault finding and bureaucratic and non seriousness of industrial units with regard to the submission of progress reports were found to be the main problems related to the follow up and inspections carried out by the Corporation.
It is suggested that the officers of the Corporation should play the role of guide and friend instead of being suspicious towards the promoters/companies. There is a need to educate industrial units for timely submission of progress reports as it is in the interest of industrial units because after analysing the details about their progress from these reports, the Corporation can give valuable suggestions to improve their working. The officers who initially did the appraisal of the projects can also be involved in the process of follow up and inspection so as to make such inspections fruitful as they are supposed to have better understanding about the projects.

INSTITUTIONAL ASSISTANCE

16 units assisted by the Corporation have gone in production till 1988-89 and with HSIDC's contribution of Rs. 667 lakhs, investment of Rs. 6338.66 lakhs has been catalysed. Operational analysis reveals that the performance of these units has not been satisfactory. In addition to this, 32 projects are found to be under implementation out of which 14 and 17 projects are in joint and assisted sectors respectively and one project is in the public sector. With HSIDC's contribution of Rs.
2806.48 lakhs an investment of Rs. 39802 lakhs would be catalysed. Reluctance on the part of HSIDC has been observed in setting up of units in the Public Sector, and it may be because of the fact that such units absorb much bigger amount of investment in comparison to joint and assisted sectors.

Another important aspect of the Institutional Assistance Scheme is 'disinvestment' from the joint and assisted sector units so that financial resources of the Corporation could be recycled. The performance of the Corporation in this area is highly unsatisfactory. It could disinvest from only one organisation and that too in 1988-89. Incidentally in this case, disinvestment was ahead of schedule. The Corporation is expected to be more vigilant in this important function.

It is further suggested that the Corporation should increase the volume of its promotional operations and keep a watch on the working of assisted units with a view to improve their performance. It would give a much needed fillip to the pace of industrialisation in the State.