CHAPTER I

INTRODUCTION
Economic growth requires transformation from a state of dominance of the agricultural sector to that of the industrial sector. Industrialisation has assumed a place of immense importance in the strategy of economic development. The most common feature of the low per capita income countries is a low degree of industrialisation. A close relationship between industrialisation and growth of national income has been observed. Kuznets' comparison of 50 countries has shown marked increase of manufacturing output with rising per capita income. Chenery and Taylor also found that a statistically significant relationship exists between per capita income and the degree of industrialisation. Without industrial development economic progress has a relatively low ceiling. A consensus has reached among development theorists and planners that, for most countries, economic development must be viewed primarily in terms of industrialisation.

Economic development implies a rate of expansion of the capacity of a national economy from near subsistence mode of living to substantially higher levels. It is a process whereby the people of a country come to utilise the available resources which lead to
sustained increase in output of goods and services. The real rate of growth of per capita gross national product (an index of economic development) takes into account the ability of a nation to expand its output at a rate faster than the growth of its population and also the rate of inflation. This is typically used to measure the economic wellbeing of a nation. Economic development is a much more complex task and the per capita gross national product may not be an adequate concept to measure it. Development is a lot more than production, it is economic growth plus social change. Non economic social indicators: gains in literacy, schooling, health conditions and provisions of housing facilities have often supplemented the principal measures of economic development.

Industrialisation has been identified as a mean to achieve economic development. In a narrow sense industrialisation is defined to designate the growth of the manufacturing industry. It is a process by which a country builds up the capacity to process raw material and then to manufacture goods either for consumption or for future production. Broadly, industrialisation is defined "as a process in which changes of a series of strategical production functions are taking place. It involves those basic changes that accompany the mechanism of an enterprise, the building of a new industry, the opening of
a new market and the exploitation of a new territory. This is, in a way, a process of deepening as well as widening of capital". Industrialisation leads to increase in productivity as a consequence of changes in structure as well as through more intensive use of given resources. More capital is used per unit of output and this process is described as capital deepening, while the widening process means that capital formation grows paripassu with increase in the output of final goods. Professor Gunnar Myrdal has rightly described the relationship of industrialisation and economic development and writes, "Manufacturing industry represents, in a sense, a higher stage of production. In advanced countries the development of manufacturing industry has been concomitant with these countries spectacular economic progress and rise in levels of living; many of its products are indeed almost symbolic of a high living standard. Not least in the under developed countries, the productivity of manpower in industry tends to be considerably greater than in the traditional agricultural pursuits. Industrialisation, and the growth of that part of the working population that is engaged in industry, is therefore a means of raising national income per capita. In the countries like India and Japan with a high ratio of population to natural resources and, in particular, to land, manufacturing industry represents virtually the only
hope of greatly increasing labour productivity and raising level of living, however much is done to improve agriculture. But even in the countries where the population pressure is lower—as, for example, in many Latin American countries—the successful exploitation of a more favourable relation between population and natural resources requires mostly the growth of manufacturing industry".

The most pressing need of developing countries is for a rapid industrialisation for achieving the basic objectives of their economic and social progress. It has been recognised that industrialisation is the surest solution to the problem of raising the standard of living of people. Almost all the nations of the developing world are following the thesis that "industrialisation is a process of growth and, as such, is organically linked both to the social and economic past and to parallel processes of social and economic development".

Gunnar Myrdal supports the view that industrialisation can spark off economic change all over the country, pull it out of stagnation and will provide employment to the under employed labour force both in agricultural and improperly organised non agricultural occupations. According to Myrdal "The enthusiasm of the elite for industrialization is manifestation of their general acceptance of the goal of modernisation and the
complex of ideas associated with it. In this view, the growth of modern industry will provide employment for an under utilized labour force now bottled up in agriculture and the loosely organized sectors of non-agricultural pursuits. Industrialisation is held to be crucial to development strategy also because it will radiate stimuli throughout the economy and pull it out of stagnation. Directly and indirectly, modern industry is expected to raise the productivity of the labour force and increase national output and income; rising incomes are then expected to swell the volume of savings and thus finance further investments in industry. In this vision, industrial expansion once started, touches off a progressive spiral. In other words, it leads the economy from the "take off" to self sustained growth.

Under developed nations have particularly pinned their hopes on industrialisation which has historically proved itself to be a dependable means to achieve the objective of economic development. In the words of Mount Joy 7 "Most of the rich countries of the world are highly industrialised and there might seem a case for rapid industrialisation in under developed lands a short cut to a better standard of living; this is favoured by Soviet Russia".

Economist like Colin Clark have pointed out that economic growth is positively correlated with the
proportion of working population engaged in the secondary and tertiary sector, and low per capita income is associated with high proportion of population engaged in agricultural sector. The economic growth, therefore, entails the movement of resources from the low productivity sector-agriculture-to a high productivity sector-industry.

Another sound reason for industrialisation is that it not only stimulates the growth of small and village industries, but also helps in mechanising agriculture and thus accelerating its growth. In this way industrialisation is an aid to improving the productivity of agriculture. For the successful economic development, a rise in agricultural productivity with industrial development is essential. It is on this account that all industrially developed countries of today also have a most advanced and modernised agriculture as well, the notable examples being U.S.A., Soviet Union, Great Britain etc.

Industrialisation permits the production of goods for domestic use which would otherwise be imported and it has a favourable effect on balance of payment position in a country. The setting up of industries which make use of agricultural raw materials like sugar cane, oil seeds, cotton etc. diversify the economy and also help in increasing the national income. Industrial processing possibilities of local resources represent a potentially
powerful technique for creating new manufacturing industry and increasing production.

Industrialisation also leads to the development of technology. It enables a nation to develop technical consciousness and greater part of growth of a particular nation has been observed to be due to adaptability of advanced technology. Technical borrowing combined with increasing technical competence of human force was a major factor in economic development of Japan after World War II. New technology is welcomed as it economises production process by adopting new and more efficient techniques to utilise inputs.

**EMERGENCE OF DEVELOPMENT BANKING**

Immediately after war period, underdeveloped countries had to address themselves urgently to the task of accelerating industrial and economic growth. Countries with newly acquired independence emerging after Second World War lacked economic maturity. As such they had to focus their attention and effort on fostering accelerated rate of growth in a comparatively short period. Industrialisation became an important path to economic development. Availability of factors like capital, entrepreneurship quality, modern techniques of production, managerial and technical talent etc., decide the successful implementation of industrialisation programme. To acquire these resources special agencies were needed and development bank emerged as one of such agencies.
designed and geared to the task of providing finance and to expedite the pace of development of such industries.

In the early part of the 19th century European countries were deficient in the basic ingredients of development and yet were keen to quickly catch up with their leader—the United Kingdom. They required large amount of funds to be invested in the import of the latest technology involving large size of units, so as to create overhead facilities and to bring about a simultaneous development of all the important sectors of the economy.

In the process of fighting against such situation an important innovation in banking technique appeared in 1822 known as development banking. 'Societe Generale de Belgique' was set up in Belgium in 1822 with specific object of financing and promoting industry. It was a joint stock bank which raised resources through the sale of shares and bonds and became the main promoter and support of Belgium industry in the thirties.

It was, however, the Credit Mobilier of France established by the Pereire Brothers in 1852 which provided the greatest impetus to the new technique of banking and became a model for similar institutions in other European countries throughout the 19th century. It engaged in vigorous promotional activity, mobilised resources through the sale of bonds and promissory notes and made long term investment, particularly, in public utility
undertakings—railways, insurance companies and banks. After playing an outstanding role in Europe, though had to close down in 1867 due to its faulty investment policies yet it did became a model for similar investment banks established in Germany, Austria, Belgium, Netherland, Italy, Switzerland and Spain.

In the twentieth century development banks no longer remained confined to Europe, other parts of the world also resorted to this new idea. Japan initiated by establishing 'Industrial Bank of Japan' in 1902 to finance the country's industrial development. U.S.A. decided to set up 'Reconstruction Finance Corporation' in 1932 for economic rehabilitation of country ravaged by the depression of thirties.

The setting up of 'International Bank for Reconstruction and Development' (IBRD) in 1946 provided further impetus to the development banking. Development banks came up not only at national or international level but also at regional level to serve countries in their ambit of geographical influence. 'The African Development Bank', 'The Asian Development Bank', 'European Investment Bank' and 'Inter-American Development Bank' are some such institutions.

Soon after the independence, economy of India, found itself faced with the dilemma as it were of rising aspirations of the people for a fast rate of economic
development and social advance, on the one hand, and a general inadequacy of the basic ingredients of development on the other. The country was, thus, in a desperate need of an agency which could accelerate the pace of economic development by supplying the missing links of the growth process. Under these circumstances a number of development banks were established in quick succession from 1948 onwards in order to expedite the pace of industrial development as an integral part of overall economic development of the country. The first development bank, the Industrial Finance Corporation of India was established in 1948. Development Banks in India are now regulated by an apex institution named Industrial Development Bank of India (IDBI).

**Concept of Development Bank**

Development Bank is an institutional device to accelerate the pace of economic development. It is difficult task to define development banks because they differ widely in respect of their ownership, sources of finance, objectives and scope of operations etc. depending upon the peculiar social, economic and political framework in which they have to function. There is obviously no dispute about their target viz acceleration of the rate of economic growth through speeding up the process of industrialisation.
Development Bank has been defined as an institution which undertakes to perform banking as well as development functions. Banking function means providing financial assistance in the form of loans, guarantees, underwriting, equity participation etc. whereas development functions include identification and promotion of viable projects and provision of technical know-how and developing capital market etc. S.L.N. Simha\textsuperscript{9} observed that "Development banks in fact are something more than pure financial institutions. They are to an extent, development agencies".

Prabhu N. Singh\textsuperscript{10} has defined development bank as "an institution either wholly or partially owned by government or by private interests (both domestic and foreign) primarily devoted to the stimulation and invigoration of the national capital market, to the provision of long term capital (both loan and equity) and to the supply of entrepreneurship including technical know-how and management to the private corporate sector".

One of the distinguished features of a development banks is that they are established to supplement the existing sources of industrial finance. They are expected not to compete with the normal channels of finance, rather their role is that of gap-fillers\textsuperscript{11}. Khan\textsuperscript{12} in this regard observed that "when availability of finance in general or to special types of enterprises in particular
from the normal channels is deficient, the special machinery of development banks has been created to fill this gap”.

E.T. Kaupier in his work "The Promotional Role of a Development Finance Company" has defined the development bank by distinguishing and demarcating it from commercial banks. He observed that development bank must create for itself the image of an activist institution, interested in development and unafraid of hazards of change and fully aware that there can be no development without new ideas where as banker is concerned more particularly with security and interest margins.

Development banks thus can be termed as multipurpose institutions which give a new shape to economic development and accelerate the activities of all branches of the economy by providing healthy financial and developmental infrastructure.

Scope and Functions of Development Banks

So far as the scope of the development banks is concerned they differ widely from one country to another and from one region in a country to the other. Each bank is modelled on a pattern which is best suited to the economic, social, cultural and industrial set up of the country/region in which it operates. One country may need the services of these banks for one sector of economy
where as other country may set up such bank for another segment of economy and still some other countries plan these banks for more than one part of economy like agriculture, industry, transport etc.

Industrial Development Corporation of Nepal, Japan Development Bank and Industrial Development Bank of Canada are some of those such banks which restrict their activities to industrial sector only. On the other hand development banks like the Development Finance Corporation of Ceylon, Uganda Development Corporation Ltd. and the Development Bank of the Philippines, also provide financial assistance for agricultural development.

Some banks provide finance for fisheries, slaughterhouses, tourism, housing, commerce etc. The Hellenic Industrial Development Bank (of Greece) and National Bank for Economic Development (of Brazil), are examples of such banks.

While certain development banks provide financial assistance only for the small sized or large sized industries, many development banks offer assistance to industries of all sizes. Similar is the case with the restrictions on the provision of assistance to industrial units of certain types (basis of organisation), quantum of assistance, type of assistance, type of industries (new or existing) etc.

It will not be proper to define rigidly the
scope of development banks keeping in view the diversity in coverage of their activities. The diversity is due to the fact of different socio-economic framework of country, the size of economy, the stage of its development, the kind of infrastructure, the political outlook of the government and its priorities with regard to the solution of various problems.

While discussing the functions of the Development Banks the basic purpose of a development bank is to accelerate the pace of economic development by supplying the missing links of growth process be they capital, enterprise, managerial and technical or financial or socio economic structure. Functions which a development bank performs can thus be divided into two parts-financial and developmental or promotional.

Taking the former first, most of these banks are supposed to extend loan assistance to industrial units both in foreign or/and local currencies. Bank of Sudan, Industrial Development Bank of Turkey, Japan Development Bank, Pakistan Industrial Development Bank etc. are some of such banks which provide both types of loans. Development banks generally provide medium and long term loans only. Very few development banks are authorised to undertake commercial banking functions i.e. providing working capital along with developmental functions. Examples of such institutions are Nepal Industrial Development
Corporation, National Credit Bank of Laos, Industrial Bank of Iraq etc.

Majority of Banks are empowered to provide equity capital. It is the most appropriate type of assistance extended by these institutions. In words of William Diamond\textsuperscript{13} "In deed, equity rather than loans is often the appropriate way of providing the required capital. This may especially be the case with a new enterprise or a rapidly expanding one, on which fixed debt beyond a certain level might place an intolerable burden".

Underwriting is another related financial facility provided by almost all development banks. It has been found that because of risk and imagination involved in this function, many development banks do not undertake this function, though authorised by statute. The Commonwealth Development Bank of Australia is one of such cases.

Another category of financial assistance is providing guarantees on behalf of industrial units in respect of loans raised by them in the open market or from local/foreign financial institutions (including banks), the deferred payments due from such concerns arising out of the domestic purchase or import of capital goods and issue of client’s Securities etc. Certain banks are authorised to guarantee the obligations of other financial
institutions to encourage them to participate in industrial finance. The Industrial Development Bank of India, the Industrial Development Bank of Canada, Industrial Credit and Investment Corporation of India, Nepal Industrial Development Corporation are some of the banks engaged in this activity.

In the under developed countries capital market is sluggish as incentives for saving are lacking. Development banks in such countries also perform the function of developing capital market. These banks try to encourage investment activity of both the public and the other financial institutions by selling their own portfolios (i.e. the shares, bonds etc. acquired by them earlier) and also by inviting the financial institutions to participate in the loans/financial assistance requested from them. This gradually reduces the shyness of capital and help in accelerating the rate of capital formation.

Recognising the fact that financial assistance alone can not ensure industrial development, these banks simultaneously undertake developmental or promotional functions. Such activities cover a wide range of functions including the promotion of new industries to fill up the gaps in the industrial structure, assisting in the formation of other development banks, provision of technical, managerial and administrative advice, conduct of techno-economic surveys and market research, improving
the investment climate to induce foreign capital participation, laying out of industrial estates, arranging the supply/import of capital goods and industrial raw materials etc. Promotional functions to a great extent are decided by the present situation of the economy and developmental policies of the government. And these banks as a potential instrument of economic growth has to be very dynamic.

Thus the role of a development bank in an underdeveloped country is much broader than that of mere financing agency. It has been rightly said, they may be best regarded as the channel through which not only capital but also all the other ingredients of economic development flow under planned direction so as to irrigate and fertilise the arid regions and transform them into economically developed fruitful areas.\(^\text{14}\)

**Development Banks and Economic Development**

The various activities which constitute the scope of development banks have an ultimate objective of accelerating the economic growth and economic growth is a national aspiration, particularly, for the developing nations. Developing economies suffer from a chronic shortage of capital because savings are low or these are not effectively mobilised and consequently rate of capital formation remained at the low level. The gap between
demand and supply of industrial capital is made up by the development banks and these banks also help in developing capital market. It all results in accelerating the rate of capital formation which is a vital catalyst of economic development.

Development banks play an important role in planned economic development as the projects of national importance which may not be taken up by the private enterprises are taken up by these banks. Certain basic industries in which the return on investment is delayed, may also not be taken up by private sector can be organised by the development banks. In this way scarce resources can be planned to give the utmost utility. Moreover, at the time of lending, these banks appraise a project as regards its priority aspect, financial viability and economic soundness and so on. This rigorous and exact scrutiny by these banks tones up the quality of industrial projects and enables a more efficient use of available resources.

Development of entrepreneurship is an important ingredient for economic uplift of a country. Realising this fact, these banks encourage actively new entrepreneurs and technician-entrepreneurs. The encouragement to new entrepreneurs has taken the form of direct assistance to viable joint sector projects
cosponsored by these banks. In regard to the encouragement of technician-entrepreneurs who have the technical ability to run projects, but lack finance to start them, these banks provide assistance in variety of ways.

Attainment of well balanced regional growth has always been an objective of planned economic development. Development banks play an important role in the development of identified backward areas by providing concessional finance and other developmental measures.

Labour productivity is another factor which influences the process of economic development. Development banks through training programmes and by inducing the assisted units to make use of various labour management techniques can achieve the objective of high labour productivity. These banks can also be instrumental in increasing the productivity of investment by guiding the entrepreneurs about the latest techniques of production and management. Increase in productivity will lead to rise in income and it ultimately increases savings of the economy which is another important ingredient of economic development.

It all shows that development banks have a key role in the economic development of a country.

A REVIEW OF LITERATURE

A number of studies have been conducted to analyse
the role of Development Banks at national and regional level and programme of Industrial Estate from the initial phase of its implementation in the Indian union has also attracted the attention of many researchers. The attempts made by the researchers with regard to these fields have been surveyed and reviewed as under:

Bansal\(^\text{15}\) in his work investigated into financial procedures, policies and operations of non bank financial institutions in the State of Punjab and Haryana as instruments of accelerated development of large and medium scale industry.

Singh\(^\text{16}\) in his thesis analysed the role of financial institutions in the development of industries in Haryana and mainly the contribution made by Haryana Financial Corporation with special emphasis on small scale industries.

Kulwinder Kaur\(^\text{17}\) in her study made an analysis of the process of industrialisation in Haryana over the period 1966-78. With in the broad framework certain aspects of the industrialisation process, pattern, progress and spatial structure of industries were selected for intensive exploration.

Sarma\(^\text{18}\) in his study evaluated the role of the financial institutions such as IDBI, IFCI, ICICI and SIDCs and SFCs in reduction of regional disparities in the country. At the micro level, his study analysed the
flow of assistance of IDBI to a few districts of Andhra Pradesh.

Goyal\textsuperscript{19} has analysed the role of All India Financial Institutions in promotion and development of industries.

Dagli\textsuperscript{20} has also assessed the role played by All India Financial Institutions in promotion and development of industries.

Sikidar\textsuperscript{21} in his work has examined the functioning of the Assam Financial Corporation in the north-eastern region.

Sanghvi\textsuperscript{22} evaluated the role of Industrial Estates in industrial development of Gujarat and also evaluated the achievement and shortcomings of policy and programme of Industrial Estates.

Bharti\textsuperscript{23} in his work examined as to whether Industrial Estates have accomplished the objectives for which they were set up. He has reviewed the progress of Industrial Estates programme in developed and developing economies and made detailed study of Industrial Estates programme in India.

Bhati\textsuperscript{24} examined the progress and performance of Industrial Estates programme in India in general and Rajasthan in particular. He made a comparative assessment of the efficiency of units in urban and rural estates and
also tried to see whether industries working in Industrial Estates have been efficient in comparison with similar industries working outside Industrial Estates.

Jain 25 in his study made an assessment of the success or failure of Industrial Estate in Uttar Pradesh with special reference to Meerut Region.

Pradhan 26 in his study evaluated the performance of Industrial Estates programme in Orissa and made an attempt to analyse the performance of industrial units situated in Industrial Estates in comparison with the units situated outside.

Kamal Kishore 27 in his study tested the effectiveness of Industrial Estates in the industrial development of Haryana.

Reddy 28 in his study has highlighted the main objectives of the programmes of Industrial Estates in Andhra Pradesh and discussed how far these objectives have been achieved. His study also described the sources or the causes which have promoted or weakened the programme of Industrial Estates.

Somasekhara 29 in his work while studying the Industrial Estate of Mysore (now Karnataka) state, made an attempt to enquire whether Industrial Estates were economically viable and whether they had accomplished the
objectives for which they were set up.

Bandyo Padhyaya in her study tried to explore the potentialities of Industrial Estates as a means of industrialisation in a developing economy. Her work was mainly confined to the Industrial Estates in West Bengal upto 1965.

Keeping in view the studies done so far, it is found fit and proper that some state level indepth study into working of development institution of a State should be conducted in an attempt to examine and evaluate its contribution to the process of industrial development.

The present study is an effort to study the contribution of State Level Development Bank, Haryana State Industrial Development Corporation (HSIDC) by critically analysing its role in the industrial development in the State of Haryana. It is expected that the present study will contribute to the existing knowledge in the field and help in enhancing the efficiency and effectiveness of the Corporation in accelerating the pace of industrial development in the state.

OBJECTIVES AND RESEARCH METHODOLOGY

In this era of planned development industrialisation is an important instrument that can initiate and accelerate the process of economic development in a country. Availability of factors like capital, entrepreneurial
qualities, modern techniques of production, managerial and technical talent etc. decide the successful implementation of industrialisation programme. To create and improve these resources special agencies called Development Banks have emerged. Development Banks undertake to perform banking functions as well as development functions. Banking functions include provision of finance for economic development projects whereas development functions include discovery of viable projects, development of entrepreneurial ability, provision of technical advice and management services. After independence a number of development banking institutions have been set up at national and regional levels for accelerating the pace of industrialisation by providing the required financial and other developmental assistance.

Objectives of the Study

The Haryana State Industrial Development Corporation (HSIDC) was set up in 1967 by the Government of Haryana in order to accelerate the pace of industrial development of the State. The Corporation has been set up for the performance of various functions such as setting up of industrial estates, promotion of industries, providing financial assistance etc. in the State. The present study entitled "THE PATTERN OF INDUSTRIAL DEVELOPMENT IN HARYANA-AN ANALYTICAL STUDY OF THE ROLE OF HSIDC" has been
undertaken to examine the role of the Corporation in the creation of an industrial atmosphere conducive for the development in the State of Haryana. In the light of this, the study aims at fulfilling the following objectives:

1. to trace out the pattern of industrial growth in Haryana since its inception.
2. to study the main functions of HSIDC and its role in the industrialisation of the State of Haryana.
3. to evaluate the impact of infrastructural facilities created and provided by HSIDC through setting up of various industrial estates in the State.
4. to determine the nature, extent and impact of financial assistance provided by the HSIDC and to analyse the experiences of assisted units about these schemes.
5. to examine the extent and nature of promotional role played by the Corporation in the State and its contribution in the industrial development.
6. to suggest ways and means through which the role of HSIDC can be made more effective in the overall industrial development of Haryana.

Scope and Significance of Study

HSIDC was set up to play an important role in the industrial growth of the State of Haryana. The Corporation identifies and promotes medium and large industrial
projects, provides financial assistance by undertaking various schemes launched by the IDBI and State government and, develops infrastructural facilities by setting up industrial estates in the State. In the present research the researcher proposes to study the contribution of the Corporation in the industrial development of the State by critically analysing the impact of its various functions.

Since this is the first work of its kind, hopefully it can be used to enhance the efficiency and effectiveness of the Corporation in stimulating and accelerating the industrial development of Haryana.

Research Methodology:

To plan and design a research project, it is essential to anticipate all the steps which should be undertaken for successful completion of the project. These steps are often referred to collectively as the Research Procedure or Research Process or Research Methodology. The Research Methodology adopted for the present study consists of the following steps.

1. Data collection.
2. The questionnaire.
3. Sample size.
4. Survey methods.
5. Techniques of analysis.
1. **Data Collection**

The necessary general information and data relevant to the study were collected by visiting various libraries known to have such materials. The following libraries were consulted.

a) ICSSR Documentation Centre, New Delhi.
b) Punjab University Library, Chandigarh.
c) Kurukshetra University Library, Kurukshetra.
d) M.D. University Library, Rohtak.
e) Library of Industries Department, Haryana, Chandigarh.
f) HSIDC Library, Chandigarh.
g) United Nations Library, New Delhi.

In an effort to have an exhaustive examination of activities of the Corporation, researcher has consulted various annual reports of HSIDC. Detailed information from the official files and records of HSIDC has been collected to have a comprehensive picture of their policies and procedure. The booklets and brochures issued by HSIDC and Haryana State Industries Department to inform the prospective entrepreneurs about their schemes have also been widely consulted. Statistical Abstract of Haryana, issued by Economic and Statistical organisation, Government of Haryana was consulted to collect information pertaining to the State.
The secondary data were considered to be insufficient to attain the objectives of the study so primary data were collected. Officials of HSIDC from where the published material was collected were interviewed to get additional information about the activities of the Corporation. A questionnaire was administered to the industrial units working in the industrial estates of HSIDC to collect information regarding their operations and problems. Industrial clients who had taken term loan from HSIDC were interviewed through another formal structured questionnaire to know their point of view regarding the procedure and policy of sanction and disbursement of loans. After analysing the information provided by the respondents, comments from HSIDC officials were sought on the issues wherever these were considered necessary.

2. The Questionnaire

Two questionnaires were designed to collect relevant information. The questions asked are both open ended as well as close ended and sufficient care was taken to make the questionnaire communicable and understandable so that it means same thing to the respondents as to the researcher.

The questionnaire 'I' deals with the information about industrial estates set up by the HSIDC. This
questionnaire has been divided into three parts in order to make the tabulation and analysis of data easier. Part 'A' of the questionnaire deals with general information about the units and background of the entrepreneurs managing those units. The questions regarding type of organisation, year of establishment, age of the entrepreneur at the time of starting unit, place to which entrepreneur belongs, his education level, major occupation before starting unit, occupation of his father, factor influencing to start the present unit and major problems faced by him at the time of starting unit were asked.

Part 'B' of the questionnaire deals with the information regarding financial, production, personnel and marketing aspects of the units. The respondents were asked about total capital employed and its breakup into owned and loan capital, main sources of loan finance, investment in fixed assets, working capital requirements, time taken to yield profits, amount of profits, products manufactured/processed, annual capacity and problems in achieving full utilisation of installed capacity. Questions relating to sources of recruitment, number of persons employed, availability of manpower, compensation plans, training methods, labour problems, market of their products, channel of distribution, extent of competition and marketing problems were also asked.
In part 'C' of the questionnaire, questions relating to general administration of the estates, availability of basic utilities and common services, problems faced and benefits enjoyed in the estates were asked.

The questionnaire 'II' deals with information about various aspects relating to sanction and disbursement of term loans. The questions regarding problems faced to fill application, date of submission of application, sanction and disbursement, total project cost, debt-equity ratio, promoter's share in project and margin of security kept were asked. The opinion of respondents was sought about the time taken to process application for sanction, quality of project appraisal, interest rate, procedure of disbursement, imposition of commitment charges, repayment schedule, follow up and inspections.

A pilot study was conducted in order to determine the effectiveness of both of the questionnaires. Such study was undertaken in 8 units and 5 units for Questionnaire 'I' and Questionnaire 'II' respectively. After the pilot study few minor changes were made in the questionnaire. The final questionnaires used in the study are given in the Appendix I and II.

3. **Sample Size**

420 units were in production in 16 industrial estates and 6 ancillary estates of MSIDC as on 31.3.1989.
The researcher personally visited almost all the estates and entrepreneurs/managers of 64 units were interviewed for collection of data and Questionnaire 'I' was administered to them. Term loans under Refinance Scheme of IDBI has been sanctioned to 80 units till 1988-89. A sample of 27 units was selected for the purpose of collecting data and Questionnaire 'II' was administered to this group of respondents.

The composition of sample units selected for the present survey both in case of units functioning in the industrial estates as well as the units which have received financial assistance from HSIDC have been given in Table 1.1 and 1.2 respectively. Convenient cum purposive sampling technique was used for the selection of sample. Sufficient care was taken to ensure that the sample is representative of the population. Table 1.1 and Table 1.2 clearly reveal that units from almost all industrial estates and from each of the financially assisted industries have been included in the sample. Further, units of different sizes—tiny, small and medium, of different ownership structure — proprietary, partnership and companies, were included in the sample. As such the researcher believes that the sample is fairly representative and will depict reasonably true picture of the problem under study.
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<th>No. of units in production</th>
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<td>-</td>
</tr>
<tr>
<td>11.</td>
<td>Tohana</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12.</td>
<td>Karnal</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>13.</td>
<td>Ambala Cantt</td>
<td>62</td>
<td>7</td>
</tr>
<tr>
<td>14.</td>
<td>Yamuna Nagar Phase I</td>
<td>36</td>
<td>6</td>
</tr>
<tr>
<td>15.</td>
<td>Yamuna Nagar Phase I</td>
<td>31</td>
<td>5</td>
</tr>
<tr>
<td>16.</td>
<td>Kalka</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>17.</td>
<td>Panchkula Phase I</td>
<td>23</td>
<td>2</td>
</tr>
<tr>
<td>18.</td>
<td>Panchkula Phase II</td>
<td>17</td>
<td>2</td>
</tr>
<tr>
<td>19.</td>
<td>Murthal</td>
<td>13</td>
<td>4</td>
</tr>
<tr>
<td>20.</td>
<td>Faridabad</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>21.</td>
<td>Kalka</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>22.</td>
<td>Roz-Ka-Meo</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>420</strong></td>
<td><strong>64</strong></td>
</tr>
</tbody>
</table>

Note: Sr. No. 17 to 22 are Ancilliary Industrial Estates.
TABLE 1.2
COMPOSITION OF SAMPLE OF UNITS RECEIVING FINANCIAL ASSISTANCE

<table>
<thead>
<tr>
<th>Industry</th>
<th>No. of Units</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Textile</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Chemical</td>
<td>16</td>
<td>5</td>
</tr>
<tr>
<td>Steel</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Automobile</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Misc. Engineering</td>
<td>17</td>
<td>5</td>
</tr>
<tr>
<td>Electric &amp; Electronics</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>Printing</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Food</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80</strong></td>
<td><strong>27</strong></td>
</tr>
</tbody>
</table>
4. **Survey Method**

The survey has been conducted through extensive personal interview method along with observations noted during the investigation. The entrepreneurs/managers of the units were contacted. The purpose of interview was explained to them before they were interviewed. In cases where respondents were willing to be interviewed but did not have time because of their preoccupations, some other date and time was fixed for the interview.

During the field investigation many difficulties were faced by the researcher. Some of the persons refused politely and firmly whereas there were others who were rude. This by no means deterred the researcher in his task. Most of the time, the refusal from respondents was because of the apprehension of the researcher being a government official or tax authority etc. At the same time there were respondents who were willing and enthusiastic about being interviewed. They thought that by explaining their difficulties to the researcher the concerned government agencies might take some favourable action. Most of the respondents who agreed to be interviewed initially refused to give information about the financial aspects of their units. Even those who gave information about financial aspects did not reveal as much as desired by the researcher.
5. Techniques of Analysis

The responses were coded and tabulated by entering them into the master data sheets according to the different variables such as ownership type, age of the industrial estate, industry-wise, area-wise etc. From these master data sheets the data was tabulated in the form of class intervals and frequency distribution. Statistical analysis techniques such as percentages, ratios, averages and chi-square have been used wherever found necessary. The data so analysed was interpreted so as to arrive at meaningful conclusions. The analysis and interpretation of the data and the conclusions emerging therefrom have been presented in the following chapters.
REFERENCES


