REVIEW OF LITERATURE
CHAPTER III
REVIEW OF LITERATURE

This chapter brings forth a review of various studies conducted by different authors from the year 1958 till date. A review would help the author to bring out the diverse finding of the various studies chronologically and would also facilitate to locate the gaps and deficiencies of the previous studies in a similar background. It would also enable the author to choose the objectives and the methodology of the present study and to proceed in an appropriate direction and magnitude in the unchartered ocean of research.

Following were the studies in the similar areas both in the form of books and articles published previously.

Shah\(^1\) analysed the functioning of State Financial Corporations up to March 1957. He stated that the total amount of loan sanctioned up to March 1957 (Rs 11.28 crores) compared to new capital issued (Rs16, 499 crores) by large-scale industrial concerns was quite unimpressive. He took the criteria of loan sanctioned as a percentage to loan applied which ranged between 16 to 72 per cent in different corporations and average for all corporations (excluding Madras) was 32.25. Another indicator for analysing the SFCs operations was the difference between the amount sanctioned and amount disbursed. His study showed the assistance disbursed ranged between 27 to 81 per cent to the amount sanctioned, the percentage of amount disbursed being 56.57 per cent for all corporations. The author was of the opinion that the above figures were the result of a number of economic, technical, accounting and legal problems. He also stated that the old companies had done well. Of the old Corporations the Madras and Kerala Corporations started accepting fixed deposits from the public while the Bombay Corporation floated new

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capital. He also found out that Textile, food, engineering and chemical industries received, on an average, 78 per cent of the loans sanctioned by these corporations.

Sethuraman\(^2\) in a study analysed the progress of Industrial Finance Corporation of India during the period 1948 to 58. He found out that the percentage of applications sanctioned and rejected were 42 per cent and 58 per cent respectively during the first five years. Out of the total 256 applications considered, the corporation rejected applications totaled 148. For the next five years it sanctioned 69 per cent of the application and rejected 31 per cent. Total number of applications considered was 218 and 151 applications were sanctioned and rejected 67. Even though the corporation was authorized to give loan for a period of 25 years, the maximum period for which the loans were sanctioned during the period did not exceed 15 years. A statewise distribution of the loan sanctioned by the IFCI showed Bombay (present Maharashtra) stood first and West Bengal, Bihar, Madras (Tamilnadu), Utter pradesh, and Mysore (Karnataka) came next in the order of preference.

Kumar\(^3\) analysed the evolution and function of state small industries corporations. He pointed out that the organisational structure of SIDCs was different for different states. For examples 11 of them were private companies, the remaining were government concerns/ undertakings. The corporations of Gujarat and Orissa being public companies were merely sponsored by the government. He also found out that the corporation of Uttar pradesh was the oldest, which was set up in 1958. The author observed that the accounting period was not uniform in all corporations. Most of the corporations preferred financial years, where as the corporation of Gujarat, accounting year ended in December and for Mysore and Punjab the accounting year ended in June. As far as the performance

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\(^3\) P. Kumar, "A Comparative Factual Review- State Small Industries corporations in India" *Artha Vijnana*, Vol 18 No. 3 September 1966, p 259-264
of the corporation was concerned the author pointed out that the corporations of Gujarat, Kerala, Maharashtra, Orissa and West Bengal incurred losses during their initial period, where as Assam state corporation earned profit even though it functioned in a backward state. He also pointed out that Maharashtra and Punjab corporations reflected the highest percentage of profit to capital.

Daniel\(^4\) analysed the functioning of three premier Development Banks in the country, namely, Industrial Development Bank of India, Industrial Credit and Investment Corporation of India and Industrial Finance Corporation of India. His period of study covered the functioning of these institutions up to the year 1971. He found out that industrially advanced states viz., Maharashtra, Gujarat, Tamilnadu and West Bengal together accounted for 64 per cent of financial assistance from IDBI. According to him this aggravated the regional disparities. He also stated that disparities become more glaring when about 40 per cent of the total assistance sanctioned by IDBI went only to two states namely Maharashtra and Tamilnadu. In the case of ICICI also about 47 per cent of the net assistance sanctioned by ICICI went to two highly industrialised states namely Maharashtra and Gujarat. Tamilnadu and West Bengal, the other two developed states, received 17.3 per cent of the total assistance. Thus the four states together received 64 per cent of the total assistance. In case of IFCI also the story was same. According to his study, the three advanced states of Maharashtra, Tamilnadu and West Bengal together received 44 per cent of the total assistance.

Srivastava\(^5\) in his study analysed the role of special institutions set up for financing large and medium scale industries, which he called post independent

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\(^5\) Prakash N. Srivastava, "Industrial Financing Institutions: Their Role in Indian Economy", Southern Economist, December 1, 1973 p 29-34
development. According to his study the government was the most important source of funds for these institutions. The share of Central, State government and Reserve Bank of India constituted the bulk of the resources i.e., 66.0 per cent. The resources gathered from foreign sources were in the order of 13.6 per cent. The total loans distributed during the pre-plan period were Rs. 4.5 crores. They went up to Rs. crores in the first plan period and stood at the level of 72.3 crores rupees at the end of second plan period. At the end of the third plan, the total disbursement was Rs. 856.1 crores. This indicated the increasing importance of special financial institutions in industrial financing. The author concluded by stating that these institutions acquired a special place in the field of industrial financing so that the whole industrial structure was benefited in one way or the other.

Singh\textsuperscript{6} in his study analysed the role of financial intermediaries, which catered to the credit needs of the industrial sector of the economy. He cautioned the Development Banks to adopt sound business principles to meet the challenges of change. Even though the contribution of IDBs to gross capital formation in the private corporate sectors was significant the growth rate of gross value added to the national produce owing to the financing activities of the IDBs failed to show any definite trend. He also stated that IDBs failed to reduce the regional industrial imbalances that were in existence for some time.

Goyal\textsuperscript{7} in his book analysed the role and performance of agriculture and industrial finance in economic development. He suggested that financial institutions should strengthen their monitoring system and exercise a close check over the operational performance of their loanee concerns.

\textsuperscript{6} N. Singh Prabhu. Role of Development Banks in a Planned Economy, Vikas Publishing House, Delhi, 1974.
Menon\textsuperscript{8} in his pioneer work examined the impact of various incentives offered by the government of India on the development of backward areas. Apart from discussing in detail the basic ideas, he devoted full attention to the role of Industrial Development Bank of India, Industrial Finance Corporation of India, State Financial Corporations and the State Industrial Development Corporations in developing backward areas of the country. The study of different states suggested that the benefits of various incentives were disproportionately distributed and the most important beneficiaries were found to be the developed states as they absorbed about 70 per cent of the total amount sanctioned by All India Financial institutions during the period 1970-71.

Khan\textsuperscript{9} analysed the role and problems of development banking in India. According to him, the development banks had to play a quantitative and qualitative role. The quantitative role implied the magnitude of funds provided by them jointly to industrial enterprises. His study covered a period from 1948 to 1977. He found out that more than half (51 per cent) of the total loans provided were after 1973-74 i.e., the last four years of his period of study. In the case of qualitative role of the development banks he assessed the promotional and innovational role of their operations. The role-played by the development banks in terms of backward region, encouragement of a new class of small entrepreneurs and enterprises and rehabilitations of sick units were also highlighted in his study. According to the author, in quantitative terms, these are the single most important segment of the Indian financial system. Qualitatively, with the evaluation of meaningful industrial strategy partly due to the promotional role of these institutions industrial development would subserve the basic economic objectives of balanced regional development.

\textsuperscript{8} K.S.V. Menon, Development of Backward Areas Through Incentives- An Indian Experiment, Vidya Vahini, New Delhi.

\textsuperscript{9} M.Y. Khan "Development Banking in India: Role and problem", \textit{Artha Vijnana}, Vol 22 No 1, March, 1980, p 89-96
Rangarajan\textsuperscript{10} in his study analysed the functioning of Tamilnadu industrial investment corporation, Karnataka and kerala SFCs. He analysed the functioning of the above corporations up to the year 1977-78. According to his study, their assistance was not adequate except in the form of cash loans. Compared to the other two states the assistance by TIIC by way of underwriting and direct subscriptions to the shares and debentures appeared sizeable. In terms of disbursement this formed 3.8 per cent of the total amount of Rs 236.13 crores disbursed at the national level by term lending institutions and among SFCs 64 per cent. The author stated that the element of risk, restricted market and slim chance of reasonable returns as compared with loans were inhibiting the underwriting functions of SFCs. He felt that foreign currency loans extended under the IDA line of credit were not effectively made use of by these corporations. This was evident from the corporation's sanctions. The author also felt that the financial and other incentives by the term financing institutions did not have the desired effect of dispersal of industries.

Mahajan\textsuperscript{11} in his study reviewed the growth and functioning of industrial financing institutions which provided long term financial assistance to large, small and medium industries in India. He analysed the functioning of IFCI, SFCs, ICICI, NDIC and IDBI. His study covered the functioning of these institutions up to 1977. The author concluded that both central and state level institutions performed a good job insofar as the growth of large (private) industrial sector was concerned. Lately, these term financing institutions were been encouraging decentralized growth of industrial activity.

\textsuperscript{10} R.S. Rangarajan, "Role of SFCs in Financing Industries: A Case Study of Three Corporations", \textit{Southern Economist}, April 1, 1980, p 41-46.

\textsuperscript{11} V.S. Mahajan, "Industrial Finance in India", \textit{The Journal of Indian Institute of Bankers}, 1980, p 17-25
The author also stated that there were the differences between the rates of interest for industrial units located in backward areas and other areas. It appeared that help from these institutions went mainly to large units rather medium and small units.

Patnaik\textsuperscript{12} critically assessed the growth and performance of Development banking in India. His period of study covered the functioning of the banks up to 1979. According to his study the largest beneficiary was the machine manufacturing which received almost 25 per cent followed by basic metals with about 9 per cent between 1970-71 to 1974-75. During the period the share of textiles and jute was about 15 per cent of the total disbursed amount followed by manufacturers of machinery with 8.34 per cent in 1977-98. In the purpose wise analysis more than half of such assistance sanctioned went to new enterprises, which demonstrated its orientation towards its promotional role. Loan assistance for expansion and diversification was between 20 to 30 per cent followed by modernisation and rehabilitation of industries. The study revealed that in the case of absolute amount of assistance, largest percentage of assistance went to western region and smallest size of assistance went to eastern region. In the case of assistance to backward region bulk of assistance goes to western region and for the states like Tamilnadu and West Bengal.

Bhattacharya\textsuperscript{13} gave detailed theoretical explanation of the nature and problems of industrial backward areas of the country. While discussing the role of financial institutions he concentrated only on Industrial Development Bank of India, its objectives and claims, achievements etc, with regard to the growth of industries in backward areas.


\textsuperscript{13} S.N. Bhattacharya, Development of Industrially Backward Areas- The Indian Style, Metropolitan Book Company (Pvt.) Ltd. New Delhi, 1981.
Tandon\textsuperscript{14} analysed the role of All India term lending financial institutions - Industrial Development Bank of India, Industrial finance Corporation of India, and Industrial Credit and Investment Corporation of India in bringing about industrial development of backward region by making available adequate financial resources and promotional measures. He pointed out that concessional financial assistance to these areas increased many fold as almost all the industrially backward district were covered, but he observed wide disparities in the flow of assistance to these areas. In fact these financial institutions allowed regional imbalance to perpetuate as shown by the state wise pattern.

Narang\textsuperscript{15} in his study dealt with development banking and backward areas. He sought to analyse the trends and impact of financial assistance sanctioned by All India Development Banks (IDBI, IFCI and ICICI) on industrialisation of the backward areas of the country in general and Punjab in particular.

Bansal\textsuperscript{16} evaluated the role of Uttar Pradesh Financial Corporation in financing industrial growth. The study showed that the UPFC was liberal towards private sector in contrast with priority laid down in the industrial policy of the country. By and large, sole proprietors were the main beneficiaries of the scheme of the corporation. The study suggested that tough attitude towards co-operatives and public sectors units should be adopted. Further assistance should be increased to industrial backward areas.

Bala\textsuperscript{17} analysed the role of various promotional undertakings in developing small business enterprise while examining the performance of PFC she highlighted the facts that there were big gaps between the total sanctions effective sanctions and the loan

\begin{itemize}
\item B.B. Tandon, Industrially Backward Areas and Financial Institutions, Commerce Publication Ltd. Bombay, 1983.
\item G.D. Narang, Development Banking and Backward Areas, Unpublished, Punjab University, Chandigrah. 1983.
\item Shashi Bala, Management of Small Scale Industries, Deep & Deep Publications, Delhi, 1984.
\end{itemize}
disbursed and these gaps were more in the case of small scale units than in the case of other units. The study also revealed that the loanee concerns had to face the problems as to multiplicity of documents, requirement of security, procedural problems and lack of effective monitoring and information system.

The evaluation unit of Economic and Statistical Organisation\(^{18}\), Punjab conducted a questionnaire-based survey on the impact of incentives on industrial development of the backward areas of the states. Apart from analysing the development of industries and availability of infrastructural facilities in the centrally backward district of the state, it analysed the impact of the programme on medium/large scale units and small-scale units established in these districts after the announcement of incentives and concessions.

Rao and Sujatha\(^{19}\) in their study concluded that a bulk of funds of SFCs was blocked in over dues. Quite large numbers of loans were overdue even for more than five years. This sort of financing would not contribute to industrial progress of the country. The lending activities of SFCs were quite satisfactory quantitatively but qualitatively poor as their operations did achieve the desired objectives. It was true that some industrial units did not repay loans because of some genuine difficulties, yet major reason for genuine defaults was that SFCs on the whole did not function as supporting agent for their problems encountered by small and medium units. The absence of the system of regular inspection and follow up of assisted units by SFC was also responsible for overdue.

The work of Sharma\(^{20}\) evaluated the role of financial institutions such as IDBI, IFCI, ICICI, and SIDCs and SFCs in the reduction of regional disparities in the country.

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\(^{20}\) K.R. Sharma, Financial Institutions and Regional Development in India, Chugh Publication, Allahabad, 1986
He highlighted the problem of regional inequalities in India and various schemes and measures taken by all India institutions particularly the apex institution namely IDBI. His empirical analysis showed how the institutional assistance flew to a few developed states. At the micro level, he analysed the flow of assistance of IDBI to a few districts of Andhra pradesh.

Sadhak\textsuperscript{21} tried to assess the efficiency of subsidies to promote industrial development in backward regions of the country. He defined the problem of disparities in India as inter-state and intra-state. Inter-state disparities in industrial development arose due to concentration of industries in few advanced states like Maharashtra, Gujarat, West Bengal and Tamil Nadu. Others were lagging behind and experiencing only limited industrial development. The major Indian states like Madhya Pradesh, Bihar, Uttar Pradesh, Rajasthan, Orissa, and the like could not achieve any significant success in industrial development. Further more even in advanced states, industries were spatially distributed in a state, as the growth was concentrated in a few centers only. This gave rise to the problem of intra-state disparities. He noticed some improvement in the sanction of the term loan at concessional rate from All India Financial institutions. However, this growing concessional finance did not benefit the backward district as considerable amount went to the developed states. It also covered a questionnaire based detailed case study of Aurangabad, a backward district of Maharashtra.

Kuchal\textsuperscript{22} in his book analysed the role of financial corporations in the industrialisation of the economy. He highlighted the facts that lack of proper project appraisal, marketing intelligence and survey, implementation of the projects, regular monitoring and follow up of the progress of the assisted units by SFCs were the factors leading to much discussed problems of industrial sickness.

\textsuperscript{21} H. Sadhak, Industrial Development in Backward regions in India, Chugh Publication, Allahabad, 1986
Sharma\textsuperscript{23} revealed that although there was a great fuss about the role of the development banks in upgradation of technology in Indian industry, the real assistance for this purpose was very meagre at all India level. Only recently some steps were taken in this direction by these institutions. There was a need for technological improvement in the non-formal sector of the industries of the state. The units here were using very old technology because of two reasons. (a) there was no awareness of the gains of the new technology and sufficient improvement in the skills did not take place, and (b) The financial resources of these units acted as a great constraints / in adoption of new technology. The above problem of the non formal / small sector could be overcome if special mobile industrial extension service for technical and management purposes was provided to them and liberal loans at concessional rates were given to them for modernization and technological improvement by PFC/IDBI.

Srivastava\textsuperscript{24} analysed the role of IDBI in helping small-scale industries in India. His period of study covered the activities of the bank up to 1985-86. He stated that IDBI was giving only indirect assistance to small-scale industries through refinancing industrial loans sanctioned by SFCs and SIDCOs and also by seed capital assistance to entrepreneurs by way of risk capital operated in association with SIDCs and SFCs. The number of eligible institutions through which refinance loans were granted had increased progressively. The number of such institutions was 86 as on 31st march 1986. Refinance to small-scale sector witnessed an increase of 92.3 per cent from Rs. 531 crores in 1981-82 to Rs. 1,024.4 crores in 1985-86. He also stated that even though refinance increased in absolute terms, in comparative terms it was not encouraging. Funds were directed to sectors other than small-scale sectors. The automatic refinance schemes started in 1979-80 quickened the pace of assistance. He pointed out that the bill

\textsuperscript{23} C.P. Sharma, Industrialisation and Development Banking, Deep & Deep, Delhi, 1987.
\textsuperscript{24} S.P. Srivastava, “IDBI and Small Scale Industries”, \textit{Artha Vijnana}, March 15, 1988, p 27-35
rediscounting assistance and seed capital assistance were encouraging. The author observed that small industries development fund (SIDF) started by IDBI exclusively by small-scale sectors was very useful.

Sharma\textsuperscript{25} in his research highlighted the role of PFC in accelerating the industrial development of the states. According to his study there were some difficulties faced by small entrepreneurs in benefiting from different schemes of the corporation. The formalities required for getting loan were so numerous that many intending borrowers felt discouraged even for sending application for the loans. The loans were some times not disbursed even after they were sanctioned. The huge securities demanded for the loans were not available with entrepreneurs. The government purpose for extending industrial base could well be achieved if the corporation made sanctions of loans liberally to small-Scale entrepreneurs.

Singha\textsuperscript{26} analysed the performance of various financial institutions and the emerging trends in the direction of industrial growth. He opined that the financial system in the country had shown major structural changes. Therefore the traditional approach for financing had to be reshaped and realigned in tune with the increased demand for financial assistance. He felt the financial institutions had to give a new thrust to their operations, in order to meet the foreseeable challenges.

Panda and dash\textsuperscript{27} analysed the functioning of Orissa State Financial Corporation. Their findings showed that OSFC accentuates regional imbalance, industrial development


\textsuperscript{26} Kanhaya Singha, Financial Institutions and Industrial Development, Deep & Deep PUBLICATIONS, Delhi, 1990.

of backward district was slower than the non-backward districts, OSFC gave greater emphasis in the industrial development of SSI units and traditional industries failed to receive due share from OSFC.

Malhotra\textsuperscript{28} in his study analysed the economic development of Haryana with respect to regional dimensions. He studied the extent of industrial disparities in the industrial development of the state and also the industrial composition and diversification of the state and the trends in the localization of industries was also analysed.

Gupta and Vashishat\textsuperscript{29} in their research study analysed the operational performance of HFC. The study revealed the fact that the HFC was playing a vital role in financing and nurturing small and medium scale industrial units in all the district of the states, so as to remove regional imbalance in the industrial growth. Sanctioning and disbursement of HFC were quite impressive but recovery position was very poor because of the lack of proper monitoring system.

Gupta\textsuperscript{30} in his paper opined that the development banks were doing a commendable task in the field of merchant banking services especially for medium and large sized units. The coverage of rural areas and small business was need of the environment, which required shift in demand for merchant banking services. Development banks should also actively contribute towards venture capital facilities for accelerating economic activity, particularly by the small corporate firms having assessed prospects for their future growth potential.


Dangwal and Negi\textsuperscript{31} in their research study revealed that the financial assistance sanctioned by the UPFC in Garhwal region covered a wide range of industries. The study pointed out the fact that the corporation’s objective of promoting industrial development especially in the less developed areas was not fulfilled but at least the hotel industry was given special attention by the UPFC owing to regions potential for tourism and pilgrimage.

Bhatia\textsuperscript{32} analysed the role of various industrial undertaking of Punjab government. He revealed serious gaps in the purpose wise analysis of the assistance by PFC. Modernization, rationalization, balancing equipment/rehabilitation and the like remained seriously neglected in spite of the fact that these aspects of industrialisation were no less important in the modern context. The study showed the change in emphasis in the distribution of loans from sole proprietorship to private ltd. company led to the growth of entrepreneurship at a slow pace, which betrayed the lack of maturing of a blooming corporate sector in Punjab.

Gurmit Singh\textsuperscript{33} in his study assessed the following aspects of the ADB functioning. 1. To what extent the ADB succeeded in providing an answer to the socio economic problem of its DMCs as a regional development bank? 2. Whether there was any parallel approach in relation to its lending operations and policies to that of the World Bank Group? 3. Whether the ADB had come up as an alternative to the World Bank group as a source of development finance in the Asian region? He analysed the bank operations up to the end of 1990. His conclusions were as follows. ADB in the short span became a major catalyst in promoting economic growth and social progress in the


\textsuperscript{32} B.S. Bhatia, Role of Public Sector in Industrialisation, Common Wealth Publishers, New Delhi, 1992.

most populous and fast growing region of the world today. Close similarities were to be seen in this study between ADB and World Bank Group in their lending operations and policies. There had been a considerable similarity in the shift in their lending ideologies. These institutions considered economic growth as an answer to the under development at the initial stages of operations. They pursued the same ideology by financing ‘economic overhead capital’ for providing stimulus to domestic and foreign investments in their DMCs. However these institutions shifted their focus from growth and poverty alleviation programmes and broadened the scope of their lending operations to the creation of social overheads capital through out 1970s. During 1980s these institutions pursued structural adjustment programs under ‘policy based lending operations’ in addition to the existing poverty alleviation and infrastructure projects. He suggested that there was a need for strengthening the relation between the World Bank Group and ADB since the World Bank group had superior skills, experience and professional integrity. There could be a joint financing operation on terms that make ADB as genuine partner rather than a junior partner.

Chander and Singh\textsuperscript{34} in their research paper examined the role of PFC in financing industries in Punjab. The study showed that the PFC specifically catered to the need of tiny and small units where the mortality rate was very high and in granting loans and advances, it took care of the objectives of achieving balanced regional growth. But the internal control system in PFC was very weak resulting in red tapism and bureaucracy.

Gupta\textsuperscript{35} made a detailed and critical evaluation of Himachal Pradesh State Financial Corporation and (HPFC) and Himachal Pradesh State Industrial Development


Corporation (HPSIDC). The procedure and dimension of assistance sanctioned by these institutions were analysed. The author analysed the promotional role of these development banks as well as the measures taken by the development banks to revive the sickness among the industrial units.

Sakthivel and Srinivasan\textsuperscript{36} in their study highlighted the project monitoring and follow up by development banks. Their study was based on the sample collected from the project memorandum files of all India financial institutions and state financial institutions. The sample consisted of 100 over run projects assisted by AIFI and 41 projects assisted by SFI. The authors concluded that monitoring efficiency varied from case to case. Some projects were carefully and prudently nurtured and supported by timely action by the institution. The authors felt that the financial institutions were showing leniency while dealing with big industrial houses. As the big houses are professionally managed, they were permitted some flexibility without too much interference. However a short adherence to the requirement of the institution required from all assisted project to ensured uniform and meaningful monitoring of the project. In case of the units set up by the State and Central governments, there were streak of leniency and at times strict adherence of rules were also observed. The authors suggested that AIFI should be made to understand that the same treatment should be given to all the assisted projects.

Nautiyal and Bhatt\textsuperscript{37} analysed the functioning of IFCI. Their conclusions were as follows. Fluctuating trends were observed in both sanctions and disbursement during the period 1981-82 to 1992-93. IFCI provided financial assistance to all states and union

\textsuperscript{36} M.Sakthivel and Srinivasan, “A Study of Project Monitoring and follow up by Development Banks” Southern Economist, September 15, 1994, p 8-15

territories. But the fact was industrially developed states received higher amount as compared to industrially backward states. Industries wise analysis of IFCI assistance showed the major beneficiaries as cotton textiles, petroleum refining, electricity and gas, iron and steel and chemical and chemical products. The share of other industries was insignificant. The scheme wise assistance showed that 80 per cent of the sanctions and disbursement were made through project finance and rest through financial services. The sector wise analysis of IFCI assistance revealed that the major beneficiaries were in the private sector. They claimed 74.8 per cent of the total assistance sanctioned. The authors suggested that as the major beneficiaries were developed states there was an imminent need for appropriate distribution of assistance immediately.

Pervinder kaur\(^{38}\) in her study analysed the functioning of Punjab State Financial Corporation. The over all analysis of sanction and disbursement indicated that there was buoyancy in the activities of PFC 1965-66 to 1984-85. The study showed serious gaps in the case of modernization, rationalization and rehabilitation. The failure to provide assistance to small industrial concerns was partly inherent in the constitution of PFC and partly to the peculiar character of small industries especially in incorporated types in that they did not have their accounts audited by qualified accountants nor did they follow industrial accounting practices. From the beneficiaries point of view PFC operations were unsatisfactory. The process of sanction and disbursement was complex and cumbersome resulting in many difficulties to the loanee concerns. The author recommended an in-depth study of default portfolio to analyse the reason for defaults and improve recovery of loans.

Vinod Batra\(^{39}\) in his study presented comparative analysis of Rajasthan Financial Corporation and Maharashtra Financial Corporation. From the operational point of view

\(^{38}\) Pervinder Kaur, Development Banking and Industrialisation, Anmol Publications, New Delhi, 1995.

\(^{39}\) Vinod Batra, Development Banking in India, Printwell Publishers, Jaipur, 1986.
both MFSC and RFC could claim credit for having made a spectacular progress and for having attained a high position amongst the gamut of top ranking SFCs in the country, the author claimed. The increasing number of applications for financial assistance received and entertained by the corporation were indicative of their growing popularity for one thing and promptness for another. The author claimed that all types of SSIs were benefited by the lending operations of RFC and MSFC. A conspicuous snag in the operation of RFC and MSFC was that the amount of arrears of overdue installments, both principal and interest, was increasing. In the case of financial appraisal, the corporations had a chequered past during the period of study. The author suggested that financial and fiscal incentives, organizational and managerial effectiveness and human resource development go a long way in the successful operation of the corporation.

Allagappan and Amirthagowri\textsuperscript{40} in their study analysed the functioning of All India Development Banks, which included IDBI, IFCI, ICICI, SIDBI, IRBI and SCICI. According to their study IDBI ranked first in both sanctions and disbursement during the period from 1986 to 1996. It sanctioned 46.2 per cent of the total assistance given by All India Development Banks. In the case of purpose wise assistance new projects accounted for a share of 39.12 per cent followed by expansion and diversification which accounted for 33 per cent of total assistance. In the case of sector wise assistance private sector received the maximum sanctions (82.14 per cent) followed by public sector (10.58 per cent). The study also found out that the sanctions for backward areas accounted for 35.83 per cent and the maximum assistance was given by IFCI at 49 per cent. Six states - Maharashtra, Gujarat, Tamilnadu, Uttar Pradesh, Andhra Pradesh and Karnataka claimed a share of 69 per cent of the total financial assistance sanctioned by

All India Development Banks as against their aggregate share of 50 per cent in the estimated population. The study also explained that the industry wise assistance in which chemical and chemical product industry, textile and services held the first three ranks in the cumulative assistance sanctioned. The author concluded by stating that the development bans played a major role in the field of industrial finance. Among them the IDBI contributed more for the development of the industries.

Alagappan and Ganesan41 analysed the lending performance of Tamilnadu Industrial Investment Corporation. They found that TIIC stood second among SFCs after Karnataka SFC in sanction of assistance. Out of total funds mobilised by the 18 SFCs (Rs. 24,185.86 crores) TIIC alone raised 32 - 77 per cent of the mobilised resources of the TIIC were utilized for lending operations. The authors observed that among the top 10 SFCs in India TIIC stood in the third place behind Karnataka and Uttar predash SFCs.

Chennai, Chengalpattu and Coimbatore were the major beneficiaries of the loan operations of TIIC. The least benefited district was Nilgiris. The utilization of the sanctioned loan was highest in Pudukottai district (76.62 per cent) and the non-utilisation was highest in Coimbatore district (48.92 per cent). The nine industrially backward districts in Tamilnadu were benefited with only with 35.72 per cent of total financial assistance disbursed compared with the non-backward district (64.28 per cent). They concluded that their 16 years (1980-81 to 1995-96) of analysis proved that TIIC emerged as an important source of finance to small-scale industries and transport operators in Tamilnadu.

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41 V.Alagappan and N.M. Ganesan, “Tamilnadu Industrial Investment corporation’s Lending Performance” Southern Economist, June 1, 2001, P13-16.