CHAPTER I

INTRODUCTION

Industries, irrespective of their size and sector need finance — long, short and medium-term — from various sources — internal or external and domestic or foreign.

Term Finance

"Finance in a modern money using economy is the provision of funds at the time it is wanted". Finance is the very basis of all economic operations. It can be termed as the life-line of a business or industrial enterprise. Though, it is only one of the factors of production, yet it is the most important one. For, even though finance alone cannot solve any problem of economic development without the help of other factors, it provides the means to acquire the other factors of production to keep the wheels of the economy moving on the path of progress.

As William Diamond observes, "Although the line between fixed and working capital, between short-term and long-term funds, is not always clear cut, it is important to make the distinction, especially in dealing with countries where capital is scarce and where long-term expectations are considered so uncertain that available
resources are used in ways which permit quick withdrawal or liquidation. Hence, finance for industry or industrial finance can conveniently be classified into three categories, viz., (i) permanent or initial or fixed capital, (ii) semi-permanent which includes both medium and long-term capital, and (iii) temporary or short-term or working capital.

Permanent capital is the finance sunk in the fixed assets like land, building, plant, machinery, etc. Though the quantum of finance under this category, as also other categories, would depend mainly upon the nature and size of the enterprise the fact remains that, "Some part of the capital of every master artificer or manufacturer must be fixed in the instruments of his trade". Public limited companies raise this capital by issue of equity and preference shares. In other forms of business it is provided by the proprietor(s) or by his(her) friends and relatives.

As against this, the working capital is required to acquire current assets. Working capital, which is the excess of current assets over current liabilities, was best defined by Adam Smith in his famous volume, *The Wealth of Nations (1776)*.
The goods of the merchant yield him no revenue or profit till he sells them for money, and the money yields him as little till it is again exchanged for goods. His capital is continuously going from him in one shape, and returning to him in another and it is only by means of such circulation, or successive exchanges, that it can yield him any profit. Such capital, therefore may very properly be called Circulating Capital.

What Adam Smith calls "Circulating Capital" is just a synonym of "Working Capital". "Provision of short-term finance (working capital) is traditionally a prerogative of the commercial banks", although a part of it is also obtained from the ordinary trade creditors ranging from one to three months.

Besides the above two categories of finance, every business or industry needs also some amount of semi-permanent or medium and long-term finance to invest in the fixed assets. The most important difference between the medium and long-term capital on the one hand, and the permanent or initial capital on the other, is that the former is repayable on the expiry of a specific term or its repayment is spread over the entire term of the loan while the latter, except in the case of the redeemable preference shares, need not be repaid unless and until the business is finally wound up.

On the different forms of finance, the Shroff Committee view "... short-term credits as those lent for periods upto one year, medium-term credits as those
advanced for periods ranging from one year to ten years and long-term credits as those made for periods over ten years. 6

Medium-term and long-term finances are usually referred to as term-finances or term-loans. In this connection, W. W. Shatt appropriately observes that "The need for term finance arises primarily because of the durability of capital equipment. If capital equipment were not durable all financial requirements for production would be only for working capital purposes." 7

Background of Term-lending Institutions

The establishment of the term-lending institutions in India or financial corporations or development banks or development finance companies as they are known the world over, are the result of a series of attempts made by the Government and the tiresome exercises by a number of commissions, committees, individual authorities and various other bodies or agencies. The circumstances leading to the establishment of a chain of term-lending institutions as seen to-day in India are summed up thus:

(i) The Indian Industrial Commission:

The appointment of the Indian Industrial Commission in 1916 was the first ever organised attempt of the
Government to investigate into the difficulties of the industries and to find out, among others, the need for, and extent of government assistance -- financial, technical or otherwise -- that could be extended to them. The commission headed by Sir T.H. Holland, in their report submitted in 1918, felt the need for industrial banks to meet the difficulties experienced by the small and medium industries. They further suggested to the Government for setting up of an expert committee to work out the details about the nature and scope of such an institution.

(ii) The External Capital Committee:

The External Capital Committee was set up in 1924 under the Presidentship of Sir Basil Blackett to study the adequacy of the internal capital resources and the flow of external capital to the country. According to this committee, "India possesses a vast store of dormant capital awaiting development and in order to make this available for investment, banking facilities must be increased and extended". Thus, it was revealed that the scarcity of resources was not the problem; but its proper mobilisation and utilisation through some appropriate institutional machinery was felt to be very important. The committee was, therefore, quite justified, in recommending the formation of specialised institutions for dealing with the
problem of industrial finance in the country.

But instead of taking any positive measure towards establishment of appropriate financial institutions, the Government decided to set up yet another committee.

(iii) The Indian Central Banking Enquiry Committee was appointed in 1929 under the Chairmanship of Honourable Sir Bhupendranath Mitra. The committee expressed the view that:

If a provincial government in the discharge of its responsibility for the development of industries within its territories finds it necessary to ensure the supply of financial facilities to industrial concerns, a Provincial Industrial Corporation with branches, if necessary, should be established. However, at the same time, the committee also did not rule out the formation of an all-India institution, should its need at any time be established to the satisfaction of the Central Legislature.

But no concrete action could be taken to establish any financial institution in the India's pre-independence era (prior to 1947) as, "their recommendations were overtaken by political events, namely, provincial autonomy in 1935 and outbreak of the Second World War in 1939."
(iv) **Other recommendations:**

Besides the above commissions and committees, some of the eminent economists had strongly advocated the need for specialised financial institutions to finance industries.\(^{13}\)

Similarly, various other bodies also had either advocated or reiterated the need for specialised institutions for financing of industries.\(^{14}\)

In 1944, the Bombay Plan was published by a group of eminent industrialists and experts including Shri J.R.D. Tata, Sir Purushottamdas Thakurdas, Shri G.D. Birla, Shri A.D. Shroff and Dr. John Mathai. This document aroused fresh interest for the industrial development of the country. With the prospects of the Second World War drawing to a close, the need for repair, replacement, modernisation and reconstruction of the Indian industry that was damaged, depleted, crippled and obsolete during the war period, was urgently felt. As S.L.N. Sinha observes:

The rapid growth of Indian industries during the war period and the necessity of protecting them against foreign competition, the problem of ensuring wise utilisation of the large accruals of Sterling balances and the widespread popular support in the country for a national plan for economic development, were the principal factors which necessitated fresh thinking on the subject of finance for industry.\(^{15}\)
Moreover, the year 1944 marked the beginning of a period for the establishment of a number of industrial financing institutions in Great Britain and other commonwealth countries. They included the Industrial Development Bank of Canada (1944), the Finance Corporation for Industry Ltd. (FCI) and the Industrial and Commercial Finance Corporation Ltd. (ICFC) of Great Britain (both in 1945) and the Industrial Finance Department of the Commonwealth Bank of Australia (1946). All these institutions in general and the FCI and the ICFC in particular, provided fresh impetus to the Government of India for the creation of an appropriate industrial financing institution in the country.

The General Purpose Sub-committee appointed by the Department of Planning and Development of the Central Government suggested that the question of adequate arrangements for the provision of industrial finance be examined by the Finance Department in consultation with the Reserve Bank of India (RBI). Accordingly, the RBI made a detailed study in May, 1945 on the basis that specialised institutions be set up both at the all-India and provincial levels. The study indicated in a fairly elaborate degree, the respective fields of operations of the all-India and the provincial institutions. At the same time, the
Government of India while announcing the Industrial Policy in 1945 disclosed that the question of establishing an Industrial Investment Corporation or some similar institution was under consideration. The RBI was then entrusted with the task of drafting a Bill for the future Industrial Finance Corporation of the country. The RBI was closely associated with this task because of such precedences in Canada and Great Britain. Though the Bill was ready for presentation in the budget session of the Legislative Assembly in 1946, it could not be done so on account of heavy legislative programme. Finally, it was on November 20, 1947, that the then Finance Minister, Sir R.K. Shanmukham Chetty presented the bill before the Constituent Assembly of the Free India. The bill was then referred to a Select Committee, the report of which was placed before the House on January 20, 1948, and the original bill, with some modifications, was finally passed on February 13, 1948. It received the assent of the Governor General on March 27, 1948, which was then known as the Industrial Finance Corporation Act (Act 15 of 1948). Consequently, the Industrial Finance Corporation of India (IFCI) came into being on July 1, 1948. This marked the beginning of a battery of development banks in the country. In course of time, however, the
Idea became so popular and the institutions so widespread both at the Centre as well as the States, that by mid-1979, there were in India nearly 100 such corporations.

Need for State Financial Corporations:

Even before the IFCI was established in 1948, the Government of India was fully conscious of the fact that a single term-lending institution at all-India level could hardly meet the diverse needs of large number of small and medium-scale industries spread over the different parts of a vast sub-continent like India where, the degree of industrialisation in one region hardly bears any resemblance with that of another.

This is why, while introducing the bill on the IFCI in the Constituent Assembly, the Finance Minister had expressed his concern for the financial needs of small and medium industries and promised to persuade the provinces to establish Finance Corporations, on the lines of the IFCI, in their respective provinces to assist such types of industries which could not be brought within the ambit of the IFCI. To be more precise, the need for setting up of State level financial institutions was felt for the following
reasons:

(i) The IFCI was intended to finance only the public limited companies and co-operative societies leaving outside its scope the large number of private companies, partnership and proprietary concerns.

(ii) The State aid to Industries Act/Rules under which the various State (Provincial) Governments were providing financial assistance to the private sector industrial concerns were found to be quite inadequate in terms of both quantity and quality.

(iii) The IFCI's financial assistance was meant only for the large-scale undertakings, the vast area of medium and small-scale industries remaining outside its scope.

(iv) In a vast federal type of country like India, where the natural conditions and the degree of industrial development of one State bear hardly any resemblance with those of another, it was practically impossible for a single institution like the IFCI to cater to the varying needs of a wide range of industries scattered throughout the length and breadth of the country.

(v) Above all, the simultaneous establishment of the "Finance Corporation for Industry Ltd.,” to
provide long-term finance to big industrial concerns and the "Industrial and Commercial Finance Corporation Ltd.," to provide financial assistance to the small and medium-sized enterprises in the United Kingdom in 1945, provided precedence as well as fillip for the establishment of State Financial Corporations (SFCs) in addition to the IFCI in India.

**Origin of SFCs**

Before the Government of India took any definite step for setting up the Provincial Financial Institutions, the Government of Punjab had approached the RBI as early as in 1946 for setting up a finance corporation in their province under the Companies Act. But it was the Government of Madras (now Tamil Nadu) which after a series of discussions, initiated even before the birth of the IFCI, had succeeded in setting up in 1949 a financial institution under the Companies Act, named Madras Industrial Investment Corporation Ltd., (MIIC). Consequent upon the change in the name of the State from Madras to Tamil Nadu, the corporation was renamed as the Tamil Nadu Industrial Investment Corporation Ltd., (TIIC) from July 13, 1970.

However, it was in September, 1949 that the Government of India made a solid attempt in this
direction when it issued a circular letter (Appendix-I) addressed to all the provincial governments, seeking their views on the proposed Provincial Finance Corporations.

After considering the views of the provincial governments the Union Government circulated a draft bill in April, 1950, among the State Governments and the RBI eliciting their comments, particularly with regards to the coverage of all requirements. After hearing the comments of all the parties concerned, the State Financial Corporations Bill was introduced in the Parliament on December 13, 1950, by the-then Union Minister of Finance, Mr. C.D. Deshmukh. The Bill was then referred to a Select Committee on April 28, 1951. The report of the Select Committee was made available to the House on August 10, 1951. It was discussed in the House on September 27, 1951, and finally passed on September 28, 1951.

It is significant to note that the Bill on SFCs was placed before the Parliament just on the eve of the First Five Year Plan when the country was most anxiously and jubilantly going to implement the development programme in a planned manner under the strong leadership of Jawaharlal Nehru, who was not only the first
Prime Minister of the free India but also the builder of the modern India.

The SFCs Act is a permissive and unique piece of legislation which was enacted in the Parliament but empowered the State Governments to set up such Corporations in their respective States, if they so desired.


Table 1.1 shows the list of SFCs operating in the country as on March 31, 1982, in order of their date of establishment.

It would be seen from this table that among all the states it was the Punjab which took the lead in establishing a Financial Corporation under the SFCs Act,
**TABLE 1.1**

LIST OF SFCs OPERATING IN THE COUNTRY AS ON MARCH 31, 1982.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the SFC</th>
<th>Date of establishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Tamil Nadu (erstwhile Madras) Industrial Investment Corporation Ltd. (TIIC)</td>
<td>26.3.1949</td>
</tr>
<tr>
<td>2.</td>
<td>Punjab Financial Corporation</td>
<td>1.2.1953</td>
</tr>
<tr>
<td>3.</td>
<td>Kerala Financial Corporation</td>
<td>23.11.1953</td>
</tr>
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<td>4.</td>
<td>Maharashtra (erstwhile Bombay) State Financial Corporation</td>
<td>30.11.1953</td>
</tr>
<tr>
<td>5.</td>
<td>West Bengal Financial Corporation</td>
<td>1.3.1954</td>
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<tr>
<td>6.</td>
<td>Assam Financial Corporation</td>
<td>19.4.1954</td>
</tr>
<tr>
<td>8.</td>
<td>Bihar State Financial Corporation</td>
<td>2.11.1954</td>
</tr>
<tr>
<td>9.</td>
<td>Rajasthan Financial Corporation</td>
<td>17.11.1955</td>
</tr>
<tr>
<td>11.</td>
<td>Orissa State Financial Corporation</td>
<td>20.3.1956</td>
</tr>
<tr>
<td>12.</td>
<td>Andhra Pradesh State Financial Corporation</td>
<td>1.11.1956</td>
</tr>
<tr>
<td>13.</td>
<td>Karnataka (erstwhile Mysore) State Financial Corporation</td>
<td>30.3.1959</td>
</tr>
<tr>
<td>15.</td>
<td>Gujarat State Financial Corporation</td>
<td>1.5.1960</td>
</tr>
<tr>
<td>16.</td>
<td>Delhi Financial Corporation</td>
<td>1.4.1967</td>
</tr>
<tr>
<td>17.</td>
<td>Haryana Financial Corporation</td>
<td>1.4.1967</td>
</tr>
</tbody>
</table>

Source: Annual Reports of the respective SFCs.

* The First Annual Report of the OSFC came out at the end of March, 1959 and so, the Annual Report at the end of March, 1982 was named as Silver Jubilee Annual Report even though it was 26 years old by then.
In 1951 in the financial year (April-March) 1952-53. In the subsequent three years as many as 9 SFCs were started. Andhra Pradesh SFC came up in the financial year 1956-57. In 1961 the Madras (now Tamil Nadu) Industrial Investment Corporation Ltd., was brought within the purview of the SFCs Act in pursuance with its section 20. Further, as per an agreement between the TIIC and the RBI for all practical purposes the former is deemed as one of the SFCs. Karnataka (earlier Mysore) SFC and the J & K SFC were started in 1958-59 and 1959-60, respectively while the Gujarat SFC was set up in 1960-61 consequent upon the bifurcation of the erstwhile Bombay SFC into Maharashtra SFC and Gujarat SFC. Among the union territories, Delhi has a financial corporation which also covers the union territory of Chandigarh. The Delhi, Haryana and Himachal Pradesh Financial Corporations are the outcome of the reconstitution of the Punjab Financial Corporation in 1967 in accordance with sec.69 of the Punjab Reorganisation Act, 1966. At present there are 18 SFCs at work and by now all the States except Nagaland, Manipur, Tripura, Meghalaya and Sikkim have set up their own financial corporations.
The states and union territories which have not set up their own financial corporations are covered by the SFCs of their respective adjoining states. For example, the jurisdiction of the Assam Financial Corporation has been extended to Tripura, Manipur, and Meghalaya. The union territories of Goa, Daman and Diu are served by the Maharashtra SFC while those of Dadra and Nagar Haveli are covered by the Gujarat SFC. The union territory of Pondicherry is served by the TIIC while the West Bengal Financial Corporation covers the Andaman and Nicobar islands and Kerala Financial Corporation caters to the needs of the Laccadive, Amindivi, and Minicoy islands. Sikkim and Arunachal Pradesh are not yet served by any SFC for which the Government of India and the Government of the concerned state/union territory should take necessary steps to bring them within the fold of some SFC or the other.

**Orissa State Financial Corporation**

The Orissa State Financial Corporation (OSFC) came into existence on March 20, 1956 through Government Notification No. 3335/I, dated 20th March 1956. Its object was to provide institutional credit -- both medium and long-term -- to new as well as existing
medium and small-scale industrial concerns engaged or to be engaged in:

(i) the manufacture, preservation or processing of goods;

(ii) mining;

(iii) the hotel industry;

(iv) the transport of passengers or goods by road or water or by air;

(v) the generation or distribution of electricity or any other form of power;

(vi) the development of any contiguous area of land as an industrial estate;

(vii) the maintenance, repair, testing or servicing of machinery of any description or vehicles or vessels or motor boats or trailers or tractors;

(viii) assembling, repairing or packing any article with the aid of machinery or power;

(x) providing special or technical knowledge or other services for the promotion of industrial growth.

Limit of Accommodation

According to the SFCs Act, the aggregate of financial assistance by a SFC to an industrial concern in different forms like loans and advances, guarantees and underwritings must not exceed ₹30 lakhs in case of companies and co-operative societies and ₹15 lakhs in case of all other categories of borrowers.
Suggestions were made by several SFCs to raise the upper limit of accommodation to Rs 50 lakhs for companies and co-operative societies and Rs 20 or Rs 25 lakhs for all other classes of borrowers. But after a careful consideration, the Working Group on Amendments to the SFCs Act and Related Statutes did not accept the suggestion for the following reasons:

(i) It has to be clearly recognised that the SFCs have been set up primarily for meeting the long-term financial requirements of small-scale industrial units.

(ii) Once the limit is further raised, there may be a tendency on the part of SFCs to go in for assisting relatively larger projects.

(iii) If large amounts of loans were granted to a single unit, the risk element in the event of default would be large.

(iv) Quite a few SFCs are yet to build up adequate expertise to process larger projects.

(v) The resources at the disposal of SFCs are somewhat limited when seen in relation to the requirements of the small-scale industrial sector itself and, viewed in this context, diversion of resources to finance larger projects may not be appropriate.

(vi) The scheme for extending refinance facility by IDBI to SIDCs has already been introduced and this would take care of financial requirements of units requiring amounts in excess of what the SFCs could provide.

There is no minimum limit fixed for the assistance to be provided by a SFC to a single concern. It is left
to the discretion of the individual SFCs. Hence, it varies from one SFC to another. For example, "in Karnataka there is no minimum which means", according to Taleyarkhan, "parties can legally, if not purposefully, claim a loan even of Re. one".\textsuperscript{23} In Maharashtra, on the other hand, the minimum is fixed at Rs 2000 since they consider that no industry, however tiny, can start with less than a loan content of Rs 2000 as an industry is quite distinct from trade.\textsuperscript{24} In case of the OSFC even though there is no minimum limit, \textsuperscript{a} for administrative reason the corporation adopts cluster approach so far as loans involving small amounts are concerned.\textsuperscript{25}

A loan proposal, irrespective of the size of financial assistance applied for, if comes within the scope of the OSFC and is found to be otherwise viable, is taken care of by it.

**Business**

The OSFC is empowered to carry on the following types of business:

(i) Guaranteeing loans raised by industrial concerns which are repayable within a period of 20 years and are floated in the public market and loans raised from scheduled banks or state co-operative banks.
(ii) Deferred payment guarantee in connection with purchase of capital goods within India.

(iii) Underwriting of the issue of stocks, shares, bonds or debentures by industrial concerns.

(iv) Retaining as part of its assets any stocks, shares, bonds or debentures of an industrial concern which it may have to take in fulfilment of its underwriting liabilities but it should dispose them of as early as practicable and in no case it should retain those beyond seven years from the date of such acquisition except with the prior permission of the IDBI.

(v) Subscribing to the stocks, shares, bonds or debentures of an industrial concern out of the special share capital of the corporation.

(vi) Granting loans or advances or subscribing to debentures of an industrial concern repayable within 20 years from the date of grant or subscription.

(vii) Granting rupee loan to avail foreign exchange for import of plant and machinery under the World Bank line of credit.

(viii) Acting as agent of the Central Government, State Government, the IDBI, the IFCI or any other financial institutions notified by the Central Government
in matters connected with grant of loans or advances or subscription to debentures.

(ix) Doing such acts and things as may be incidental to, or consequential upon, the exercise of its powers or the discharge of its duties under the SFCs Act.

It may be noted that even though the SFCs are in effect state versions\(^26\) of the IFCI, they are not empowered by the SFCs Act to play the role of development banks like the IFCI which \(\ldots\) is authorised to perform an important developmental function, viz., provision of technical, managerial and administrative advice/guidance of industrial concerns\(^27\).

In practice, however, the SFCs have got the recognition of regional development banks from the various authorities and bodies.\(^28\) \(\ldots\) Some of the SFCs, in fact, completed the surveys of districts in their areas of operation to guage the industrial potential therein and are also offering assistance in the preparation of project reports which are considered normal functions of a development bank.\(^29\) The GSFC had also a programme to conduct the 'industrial potential survey' of the three southern districts, a survey of 'salt industry' and another of possible 'marine chemical industry'.\(^30\)
But as the working group on Amendments to the SFCs Act and Related Statutes quite appropriately recommends, "... to enable SFCs to undertake promotional and developmental work; it is desirable to incorporate suitable provisions in the SFCs Act on the lines of the... provisions (sec. 9 sub-sec. 1, clauses h, i and j) in the IDBI Act".31

Restriction on Business

The SFCs Act (vide sec. 28) imposes certain restrictions on the business to be transacted by the SFCs, according to which the DSFC and also any other SFC cannot:

(i) accept deposits except as provided in sec. 8 of the Act (discussed in detail under Chapter III - Mobilisation of Resources);

(ii) subscribe to the share or stock of a company except (a) out of special share capital under sec. 4A of the SFCs Act (also discussed in detail under Chapter III); (b) those taken up in fulfilment of its underwriting obligations; and (c) subscribing to debentures of an industrial concern, repayable within a period not exceeding 20 years;

(iii) grant any loan or advance on security of its own share;

(iv) grant any form of assistance to any industrial concern, the aggregate of the paid-up capital and free reserves of which exceeds one crore of rupees;
(v) enter into business with any industrial concern in which any of its own directors is a proprietor, partner, director, manager, agent, employee or guarantor or in which one or more of its directors together hold substantial interest. 'Substantial' in the present context is defined as holding paid-up share capital exceeding 5 lakhs or 5 per cent of the paid-up share capital of the industrial concern, whichever is less. This provision, however, does not apply to the directors nominated by Government or a Government company.

This is a sound provision so far as it prevents the SFCs from carrying on any unhealthy business practice, being detrimental to the public interest.

Besides, as per the over all limitation of sec.25(2) of the SFCs Act, a SFC cannot provide any loan or guarantee accommodation unless it is adequately secured.

However, the above restrictions do not in any way narrow the scope of activities of SFCs which are still left with vast fields to operate.

Objectives of the study

There has not been made any research study on SFCs except "Development Banking in India" with special reference to a State-level Institution = Karnataka (KSFC) by S.L.N. Simha. According to Simha, the study is the outcome of a
consultancy assignment given to the Institute for Financial Management and Research by the KSFC. This volume apart from making a general review of operations and organisational matters of the KSFC, deals with the general principles of SFCs as also the various aspects of development banking in India.

The OSFC celebrated its Silver Jubilee in 1981-82. Twenty five years in the life of an institution may not be too long a period, yet it is quite a reasonable period for making an objective assessment of its working. The justification for the continuance of an organisation must be examined with reference to its objectives. Moreover, when it is a public sector undertaking established with public money, each member of the public has an interest in it who would like it to work successfully. It is obvious that the OSFC was started with certain objectives in view and somebody should check it up how far these objectives have been realised and if not, the reasons for the same. As William Diamond, the pioneering authority on Development Banking points out "...what has not been so common is a critical review of the results of the development bank's overall activity against its own basic purpose and its strategy for accomplishing that purpose." 32
The OSFC is one of the oldest public undertakings in Orissa. But so far, no research study has been conducted to cover all or any facet of its working. Hence, it aroused a great interest in the present researcher’s mind to make a thorough probe into the working of this vital institution. It can be claimed with a considerable degree of confidence that this is the first and most comprehensive, complete and original work attempted on "The Working of the Orissa State Financial Corporation".

In this dissertation, an attempt has been made to:

(i) examine the management and organisational pattern of the OSFC;

(ii) examine mobilisation of resources;

(iii) analyse the gap between sanction and disbursement of loans;

(iv) measure and analyse the magnitude of lending operations;

(v) examine its role in removing regional disparities between 'backward' and 'other than backward' districts through lending operations;

(vi) examine the utility of the various special schemes introduced by it from time to time;

(vii) assess its role in recovering the dues from its borrowers and measure the extent of overdues; and

(viii) make an appraisal of its performance.
Scope

The title of the research itself is suggestive of the scope of work for the research. The objectives outlined above make it further specific. As such, the GSFC's entire working such as management and organisation, mobilisation of resources, deployment of resources, special schemes operated by it, its position with regard to recovery and overdues and its performance appraisal have been covered under this study.

But no study becomes complete if it is taken up in isolation. Its utility can be enhanced only when it is studied on a comparative basis. But then, with whom can the GSFC be compared? Is it with any all-India institution like the IFCI? Certainly not. Because both of their area and scope of operations are different. It can be compared with only other SFCs in the country. But all the states of the Indian union are different from each other in respect of topography, climatic conditions, natural resources like mineral deposits and forest produce, entrepreneurial zeal of the people and consequently the level of industrial and economic development which ultimately affect the performance or achievements of the SFCs. In such a case, therefore, one must be aware of the dangers of any indiscriminate comparison. To a limited extent only
the situation in Orissa is analogous to that in two other states, namely Bihar and Madhya Pradesh, which have also natural resources in abundant measure but which have been put to industrial use only in a limited manner. But even among the states of Orissa, Bihar and Madhya Pradesh there is a great degree of divergence in various fields. For example, as per 1981 census Orissa’s population was 26 millions while that of Madhya Pradesh was exactly double and that of Bihar was as large as 70 millions. Similarly, in the field of plan outlay there is such a wide gap that Orissa’s Sixth plan outlay is only ₹ 1500 crores as against ₹ 3800 crores for Madhya Pradesh and ₹ 3225 crores for Bihar. Hence, a comparative study cannot be made between the OSFC and any other SFC since, any comparison should be made only between two ‘near equals’ and not between two ‘far distincts’.

However, in spite of this limitation, the data relating to the other SFCs as well as the average of all SFCs have been used extensively in order not only to assess the position of the OSFC among all the SFCs but also to draw lessons from the experience of others, wherever necessary and possible, to improve its activities. It also makes the study more broad-based and enhances its possible explorative utility.
NOTES


4. Ibid., p.71.


9. GOI, Report of The External Capital Committee, 1924, p.4


11. Ibid., p.288.


D.R. Samant and M.A. Mulky, *Organisation and Finance of Industries in India* (Bombay: Longmans Green and Company Limited, 1937 and


20. Only with regard to inspection (sec. 37A) by and submission of returns (sec. 38) to the RBI (since 1975 to the IDBI i.e., Industrial Development Bank of India)


24. Ibid.


(ii) S.L.N. Simha, Development Banking in India with special reference to a State-level Institution - Karnataka

(iii) William Diamond, Development Banking, p. 49.


(v) IDBI, Report on Development Banking in India, Bombay, 1979-80, p. 40.


