1.1 Introduction: Industrial Development is neither autotelic nor sui generis. It needs both for its sustenance and impetus considerable financial backing and here comes in the whole concept and role of development finance. Industrial development, on its part, is an important ingredient for the economic upliftment of the masses, irrespective of their ideologies. It is not surprising in the least, therefore, that every state apparatus round the world has spared little effort towards development finance with a view to galvanizing industrial development. India is no exception.

Traditionally, however, India has pinned all its economic faith on its cracking shoulders of its farmers and agriculture has all along been the mainstay of its economics. The limitations of such an outlook are all too obvious: agriculture, particularly of India's traditional type, depends on the vagaries of weather; also it is seasonal and in the off-season farmer is unemployed. Soon after shaking off the political bondage, India's leaders, headed by Nehru, were quick to realize this limitations and they quickly set about laying an infrastructure for rapid industrial development. Five-year plans, designed to foster multifaceted growth, directed major attention to industrial
development and rapid industrialization manifested in the 80s was seeded in these early five year plans.

But everything was not fine with these early steps. For example, a peculiar feature in those years was the acute regional concentration of industries. It was only recently that the government has pulled up its socks and started remedying the lopsided growth, trying to bring about a more balanced and well-spread out industrial growth. Several policy measures have been undertaken to ensure the regional balance and development of backward areas. One of the most important vehicles to carry out such a policy decision is the establishment of a number of financial institutions at the national and state levels. These, for our convenience, we will call development financing institution.

II

1.2 Role of Development Financing Institutions: A development financing institutions is one which provides development finance to industries. Such institutions have played a crucial role in India during the post-colonial period. Before independence, partly because of the colonial experience, and in part because of the agro-based industrial scenario, industrial finance was almost an apology of what it should have been; so were the concepts of other promotional services and enterpreneurial culture. The commercial banks were financing short-term working capital;
the requirements for long-term investment in fixed capital were not met by them. Things were to change soon.

In 1948 the Government of India created a special financial institution known as Industrial Finance Corporation of India (IFCI) in order to provide industrial finance on long-term basis. As well as forming IFCI, the government started considering the setting up of development financing institutions at the state level. This need was felt because a central organization cannot cater to the financial and promotional needs of industries scattered all over the country. The State Financial Corporation Act was thus passed by the Parliament in 1951. The Act came into force on August 1, 1952 and it empowered the respective state governments to establish regional development financing institution. Soon enough Orissa State Financial Corporation (OSFC) was set up on March 20, 1956 within the framework of the S.F.Cs Act, 1951. Aside from the OSFC, two other organizations, namely, State Industrial Development Corporations (SIDCs) and State Industrial Investment Corporation (SIICs) have been set up.

III

1.3 The Present Study: Much has happened since then. But not much research work has been undertaken to assess these happenings. Over the last 40 years, the country has been well-served by a large number of financing institutions both at
national and regional levels. The present study is an attempt to measure the efficacy of this financing, in India in general and in Orissa in particular. The study aims at assessing the nature and degree of interface between industrial development and development finance. The major emphasis of the study is on the role played by OSFC in the industrial development of an underdeveloped state like Orissa.

IV

1.4 Review of Literature: While reviewing the trends in research on capital markets in India and its various constituents, one is likely to be monotonous in some respects. This is because, by and large, most of the works analyze the same sources of data, with only the modification that the more recent the study, the more up-to-date are its data. Cirvante’s study which analyzes the institutional structure of the capital market through a proper theoretical perspective (V.R. Cirvante, 1956). Rosen also explains the paucity of investment funds for the industrial sector and the underdevelopment of capital markets in terms of higher returns in agriculture and trade in the initial stage (G. Rosen, 1962). Simha’s work intended to outline the working of the Indian capital market, yet, makes full use of statistical data on company finances, capital issues, specialized financial institutions, commercial banks, etc., to present a coherent picture of the various components of the capital market in
India (S.L.N. Simha, 1967). Joshi examines the role of financial intermediaries in providing finance to large-scale industries in the private sector (M.S. Joshi, 1965). Gupta views the growth of institutional finances in India not only as a significant structural change for industrial financing system but also as one having wider social and political implications because of its bearing the control and direction of private industry (L.C. Gupta, 1969).

1.5 Scope and the Objectives of the Study: The scope of the study, although it extends to the all India level, is also concentrated on the functioning of OSFC. The broad objectives are clearly laid out before the study: the determining of the impact of development financing on industrial development and the micro-objectives are as under:

(i) A review of industrial development of India as well as Orissa since independence.

(ii) Finding out the impact of regional financing institutions.

(iii) Evaluation of the role played by the OSFC in the industrial development programme of the state.

(iv) Survey of selected sample industrial units in Orissa assisted by OSFC.

(v) To develop and estimate mathematical models to ascertain the determinants of industrial development in India as well as Orissa.
1.6 Research Methodology: The methodology followed with a view to meeting the above objectives is empirical, and this study has been undertaken with the help of both primary and secondary data. More specifically, the research methodology comprises the following:

(i) A thorough survey of all available literature on industrial development and development finance.

(ii) Collection of necessary secondary data from available published sources.

(iii) Framing of questionnaires designed specifically for the purpose of collecting primary data from sample sources.

(iv) Classification and tabulation of collected data according to their specific characteristics and requirements of the study.

(v) Necessary graphs and diagrams have been prepared to reveal trends and patterns in industrial development and development financing.

(vi) Formation and estimation of stochastic models to ascertain the relationship between development finance and Industrial Development.

The methodology, however, is not always rigidly followed and it has been adoptable to suit individual case study and followed on merits of each case. We have collected annual time series data relating to the activities of OSFC, this being the
VII

1.7 Chapter plan: The first chapter explains the introductory expect of the research. The second chapter deals with the concept of industrial development and it analyzes its applicability and practice in the Indian context, drawing upon various governmental policies and plans. It examines the ramifications in the various developmental fields such as railways, roadways, etc.

Chapter III goes out to the other side of the interface, namely development financing or development banking: its rationale, a review of its policies at the national and state level.

Chapter IV reflects the picture of emergency of OSFC in Orissa's Industrial scenario: again a brief history, the industries of Orissa backed by OSFC.

Chapter V is a study of the industries in Orissa with reference to their status and performance along with the problems faced by the entrepreneurs.

Chapter VI traces the trends of industrial development with the help of stochastic models, and as such it is the thesis finding chapter.

In the brief conclusion we have tried to summarise overall findings.
CHAPTER-I

REFERENCES


