INTRODUCTION, SCOPE AND METHODOLOGY
Introduction

Economic development is the concern of every nation. It is more so in the case of developing economies like India where it has been one of the major objectives of its policies. Rapid economic development facilitates the eradication of most of the economic problems faced by a country and it benefits its people in raising their standard of living. “In strict sense development for the past decades has meant the capacity of a national economy whose initial economic condition has been more or less static for a long time, to generate and sustain an annual increase in its Gross National Product at rates perhaps five to seven per cent or more”\(^1\). Development has also been identified as the process of economic and social transformation. It has been observed that, “Development is growth plus change”\(^2\). The basic feature of economic development is change from a given situation to attain better situation. Change in turn is social, cultural as well as economic. It is quantitative as well as qualitative. Thus, change factor is a basic component.

Economic development has also been often identified with industrialisation, which means the growing volume of industrial output in both absolute and relative terms. Industrialisation represents improvement in methods of production. Capital intensive technology, large-scale production and specialisation brought about by industrialisation leads to increase in labour productivity, fall in unemployment level, rise in standard of living and rapid economic growth. Economic development in the

past has also been typically seen in terms of the planned alteration of the structure of production and employment so that agriculture’s share of both, declines, whereas that of manufacturing and service industries increases.\(^2\)

In other words production of goods and services characterised by one labour unit doing many jobs, is intensive in labour although gives employment to large section of population, actually results in low labour productivity and low standard of living due to distinguished employment and under-employment and low economic growth due to less injection in the form of investment (resulting from low productivity). On the other hand, industrialisation leads to greater use of capital because things, which were done by hands and traditional implements, are now done with machines and modern implements. Instead of one labour unit doing many jobs, now labour working on machines gets specialised; resulting in possibility of large-scale production. Apart from employment of new labour, that labour which was disguised/underemployed can now find employment. Many will lose job due to capital intensive technology but greater productivity will result in greater investment and creation of new job opportunities. Ultimately resulting in rise in standard of living, because of higher wages for what is produce and rapid economic growth due to greater injection of investment from increased productivity.

In short, development leads to quantitative and qualitative changes in production, distribution and consumption. One way of seeing development is in terms


of the expansion of the real freedoms that the citizens enjoy to pursue the objectives the have reason to value, and in this sense the expansion of human capabilities can be, broadly, seen as the central feature of the process of development⁴. That is why we find number of developing countries going for massive industrialisation. But, it requires mobilization of factors of production namely, land, labour, capital and entrepreneur. In developing countries, capital and entrepreneur attract utmost attention of the economists because of their relative scarcity. Developing countries face scarcity of capital because of very nature of economic problems like over population and low level of economic activity which generates low level of per capita income, which is spent on fulfilling basic needs. In this “supply leading” situation role of financial institutions including development banks and capital market becomes important in mobilizing savings from various sources and making it available to investors on suitable terms. The assumption that industrial growth leads to more employment and an income for the people is valid only if it is socially oriented and broad-based. The market-oriented economic policy has shown that in India, a under-developed country that cherishes its democratic credentials, the state must not relinquish its responsibility directly to fashion orderly and equitable economic growth⁵.

The governments in order to attract entrepreneurs for setting up industrial units design various incentive schemes. These incentives are made available in a graded manner through traditional governmental structure and/or through specially created


⁵
financial and industrial institutions normally called as Development Finance Institutions (DFIs) or development banks. The term Development Finance Institutions in generic sense applies to several types of financial institutions established to promote and assist industrial, agricultural, mining and other sectors of development activity by providing medium and long-term credit. This distinguishing characteristic qualifies them to be called as development banks. In the pre-independence period, industrial development in India was restricted to some particular areas, but after the introduction of planning in India, the industrial sector started developing at a considerable higher rate.

The organised financial sector of commercial banks, cooperative banks (both rural and urban), regional rural banks, Development Financial Institutions (DFIs)- both central and states'- like Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), Industrial Credit and Investment Corporation of India (ICICI), Industrial Restructuring Bank of India (IRBI), Small Industries Development Bank of India (SIDBI), national bank for Agriculture and Rural Development (NABARD), State Financial corporations and other industrial development and promotion agencies set up by the state governments; FIIs; the share, securities, debt and money markets; and after financial sector liberalisation a large number of subsidiaries floated by various banks to provide specialised financial services. Besides these components, there are some really gigantic public sector financial institutions (PFIs) like Unit Trust of India (UTI), Life Insurance Corporation (LIC), General Insurance Corporation (GIC), National Stock Exchange (NSE), etc.,

---

and semi-public credit rating agencies. The RBI and Securities and Exchange Board of India (SEBI) are the two agencies which regulate and monitor the whole spectrum of financial services. The share of financial sector in GDP (at factor cost) has grown considerably since 1992-93. Banking, insurance, real estate and business services together have grown at 8.7 per cent (at 1980-81 prices) during 1996-97 compared to 4.6 per cent during 1992-93. The relatively fast growth in the financial sector after liberalisation is also due to entry of Foreign Institutional Investors (FIIs) and NBFCs. In 1996-97 the share of banking and insurance in GDP has risen to 8.3 per cent.

There has been a continuous effort of the government to set the pace of industrial growth through the Five-Year plans. The efforts of the government for achieving the desired levels of industrial development can, briefly be attempted as under.

During the first plan period, attempts were made to develop some basic industries for the production of steel, coal, cement power and non-ferrous metal, chemicals etc. During this period, the share allocated to the industrial development was only 4.9 per cent of the total expenditure. Important projects that were established during this plan period include - Hindustan Machine Tools, Indian Telephone Industries, Sindri Fertilizer Factory, Chittranjan Locomotive Factory, Hindustan Cables, Hindustan Antibiotics, Hindustan Cables, Hindustan Insecticides etc. The annual growth rate during this plan period was nearly 6 per cent as against its target of 7.0 per cent.

The Second Five Year Plan put much emphasis on the industrialisation of the country. The plan also envisaged for on huge expansion of the public sector as per the Industrial Policy Resolution, 1956. During this plan period, total public sector outlay

---


on the industrial sector was Rs. 1175 crore which was nearly 24 per cent of the total outlay of the plan. This shows a significant improvement of the sectoral outlay as both in absolute and relative terms as compared to that of first plan. The achievement of annual growth rate of industrial sector during the period was 7.25 per cent. Establishment of three public sector steel plants at Rourkela (Orissa); Bhilai (M.P.) and Durgapur (West Bengal) was a significant development in this sector, during this period.

In order to achieve a self-sustaining growth the Third Plan\(^9\) put emphasis on the development of basic capital and producers goods industries particularly on machine building industries. The third plan finalised the total public sector outlay on industrial development (including small and village industries) as 22.9 per cent of the total plan outlay. During the plan, the projects like Heavy Electrical Corporation (HEC) and the Bharat Heavy Electrical were completed which laid a solid base for future industrial growth of the country. The fourth plan\(^10\) made an investment of Rs. 3,630 crores on industrial development of the country which was nearly 23 per cent of the total outlay of this plan. Almost 75 per cent of the amount allocated for industrial development was invested in the core sector which includes iron and steel, petroleum, petro-chemicals, coal and iron ore, non ferrous metal etc. The rate of growth of industrial production as a whole during the plan period was restricted to only 5 per cent as against the targeted growth rate of 9 per cent per annum.

---

The Fifth Plan\textsuperscript{11} accorded topmost priority to the development of industry and minerals and accordingly provided an outlay of Rs. 9129 crores on it and also Rs. 611 crores for village and small industries comprising 24.3 per cent, of the total plan outlay, for industrial development. The plan set a target growth rate of 8.2 per cent in the industrial sector but the annual average growth rate realised during the plan period was only 6.0 per cent which was much below the target.

The Sixth Five-Year Plan\textsuperscript{12} finalised its strategy for industrial development in order to achieve structural diversification, modernisation and self-reliance. Hence the plan focussed on the optimum utilisation of existing productive capacities, improvement in productivity, raising manufacturing capacity, special attention on capital goods industry and electronic industry, improvement in energy efficiency etc. and developments of backward regions through dispersal of industry. During this period, total outlay of Rs. 16,948 crores was finalised for the industry and minerals head which accounted nearly 15.5 per cent of the total outlay of the plan.

The seventh plan\textsuperscript{13} incurred a total expenditure of Rs. 30,052 crore on industries and minerals which accounted for nearly 13.5 per cent of the total expenditure of the plan. The plan also envisaged to achieve annual growth rate of 8 per cent for the industrial sector. The actual average growth rate of industrial production was 8.5 per cent thus, the target was over fulfilled. During this period, steps were taken for removing infrastructural constraints, liberalisation of industrial

\textsuperscript{11} Planning Commission, Government of India, Fifth Five-Year Plan, 1974-79. Pp. 131-149.
licensing policy with other regulations and also for making provision of incentives for rapid development of key areas such as electronics. During the period, four new projects of large size were commissioned namely - Vizag steel plants Maharastra Gas Cracker, the NALCO Aluminum complex and J. Gas pipe line along with the linked fertilizer plants. After the seventh plan, two annual plans were undertaken as a stop-gap arrangement as the Eighth Five Year Plan could not be implemented in time. Accordingly, in 1990-91 and in 1991-92, total outlay of Rs. 7113 crores and Rs. 7117 crores respectively were allocated which were about 18.7 per cent and 16.5 per cent of the total annual plan outlay, respectively.

The Eighth Five-Year Plan\textsuperscript{14} stressed on the development of industrial sector and as one of the important strategy. This Plan includes providing greater attention to the needs of the small and decentralised manufacturing sector as a major source of industrial growth particularly in respect of the production of consumer goods and manufactured articles for exports. The plan envisaged to achieve annual growth rate of 8 per cent, for the industrial sector. The eighth plan has allocated Rs. 46,889 crores on industry and minerals heads which accounted to nearly 10.8 per cent of the total outlay.

The Ninth Plan\textsuperscript{15} put adequate stress on the development of the industrial sector. The plan finally envisaged achieving annual growth rate of 8.5 per cent for the industrial sector. The Ninth Plan has allocated 8.2 per cent of the total proposed outlay


by allocating 71,684 crores to this sector of industry and mineral. Industrial growth rate is targeted at 8.5 per cent with an objective to attain economic growth of 6.5 per cent per annum.

Perusal of the forgoing paragraphs, attempts the researcher to conclude that though the targets set in the various Five-Year Plans were to provide economic stimulus, however, much has left be done because “it has been widely held among observers of the Indian planning experience that Indian plans may be good on paper but are not good in implementation”16. Further it may said that “Indian plans are good on paper but bad in implementation can only mean that planners have used a conceptual frame, a set of devices which are informationally inadequate for arriving at appropriate targets, along with a set of operating rules which are relatively insensitive to conjectural variations and also insufficiently permissive of autonomous decision-making by agents even in areas where they can be expected to be knowledgeable”17.

After having discussed the features of various plans, it is pertinent to study the industrial policies of the states under review, formulated in order to achieve the objectives as enunciated in the national plans. In the succeeding paragraph an attempt has been made to analyse various industrial policies of the states.

The State Governments in order to promote industrial development have formulated industrial policies in their respective state. These policies have been discussed in the following paragraphs. The prime objective in states of Punjab, Haryana & H.P. is to attract investment into various sectors of the state’s economy to

17 ibid. p.44.
boost the growth of industry in the respective states through financial institutions at a
national and international level and also to encourage NRI investments. Secondly, the
policies aim at increasingly employment in industries and allied sector. The
parameters outlined in the Master Plan for Delhi-1992 and other acts relating to Delhi,
Policy Statement was formulated to provide employment to an ever growing
population which at the same time trying to keep the national capital clean, healthy
and environmentally safe. The policy therefore, lays stress on industrial growth in the
small scale sector and promotion of industries which can achieve optimum level of
production with less space, power and can generate employment for skilled persons. It
has been decided to ban the setting up of medium/large scale industries units in Delhi.
Despite these, some other objectives were also enunciated in the industrial policies of
Punjab\(^1^8\), Haryana\(^1^9\) and Himachal Pradesh\(^2^0\).

The state governments in order to fulfil the mission of industrial development
aim to achieve the objectives through the following measures by adopting a
coordinated approach to the development of all sectors of economy that
comprehensively addresses economic value addition. These states being agriculturally

\(^{18}\) The industrial policy has also the following objectives in Punjab i) Avoiding multiplicity of
incentives so that they are easy to interpret and administer ii) Off setting the location
disadvantages of the state iii) To increase the annual industrial growth rate from the present
8% to 12% in the next two years iv) to increase the present share of industry in gross domestic
product (GDP) from 17% to 25% in the next five years. v) to divert 15% of the present rural
population to manufacturing and related occupations through rapid industrialisation, and
thereby reduce dependence on agriculture and allied activities in next fifteen years.

\(^{19}\) Industrial Policy of Haryana also includes the following objectives : i) to attain sustainable
economic development through catalysis of investments in all sectors of the economy ii) to
achieve larger value addition within the state thereby contributing to a higher quality of life.

\(^{20}\) The industrial policy of Himachal Pradesh includes objective like : i) to strive to achieve
balanced economic and social growth in all regions of the state through a process of panned
industrial is action in different regions particularly the industrial backward areas. ii) to
courage and sustain the cottage and tiny industrial sector which employs a large number of
persons in the state with low investment and contributes significantly to the state industrial
produce. iii) to encourage the participation of the private sector in infrastructure development
like power, roads, transport, development and maintenance of industrial township.
dominated, agro-based and food processing industrial units are one of the major thrust area of the states viz. Punjab, Haryana, Himachal Pardesh and Jammu and Kashmir in the northern region of India. The other industries like Electronics, Textiles, Pharmaceuticals, cottage and rural industries, Automobiles components and light and medium engineering are given a due importance by almost all the states. The state of Punjab also encourages milk-based industries, promotion of large-scale industries, consolidation and expansion of existing industries, promotion of foreign investment and promotion of investment by NRIs whereas Haryana State is more concentrate on the export oriented industrial units. Among the thrust areas of Jammu & Kashmir except mentioned above are Floriculture, handicrafts, leather processing and leather goods, sports goods, forest herbs, gems and Jewelry and precision engineering whereas Tourism, power generation and transport is among the major thrust area in Himachal Pardesh.

Under the present liberalised regime fiscal incentives are no more of prime consideration for deciding on location of industrial projects. Adequately developed infrastructure, investor-friendly polices and a responsive bureaucracy, particularly at the cutting edge, is critical determinant of development. The state governments would, therefore, strive to provide the best possible infrastructure facilities and inputs for rapid development of industry in these thrust areas. Emphasis must be give on the following:

i) Infrastructure: Land, power, telecommunication road and railway network.
ii) Special infrastructure for export oriented units.

iii) Financial infrastructure

iv) Simplification and rationalisation of Taxes.

The state governments in order to attract entrepreneurs for setting up industrial units in their respective states designed various incentive schemes. These incentives were to be made available in a graded manner depending upon the specific nature of the region viz. backward district, boarder district etc. The various incentives extended to the entrepreneurs in various states through the respective state industrial policy statements.

Planned economic development for realisation of socio-economic objectives like achievement of a high growth rate of gross national product, generation of employment opportunities, a more equitable distribution of income as well as means of production and balanced regional development calls for formulation of programmes and their implementation through the instrumentality of specially designed institutions. Rapid industrial development has been identified as an important means for achieving socio-economic goals. The nature, level and pace of industrial development is determined by a combination of factors like, financial resources, technological capabilities, entrepreneurial talents and institutional setting. The task of transforming a predominantly agrarian economy into an industrial nation simultaneously ensuring balanced regional development, is a very challenging task.

As a part of necessary institutional infrastructure for provision of long-term funds to supplement investors’ contribution, specialised development banks in the
public sector have been set up in the country. Industrial Finance Corporation of India (IFCI), set up in 1948 was the first of such institutions. This was followed by State Financial Corporations (SFCs), established under the State Financial Corporations Act 1951, for meeting medium and long term credit needs of small and medium industries. Then came Industrial Credit and Investment Corporation of India (ICICI) Limited in 1955. Industrial Development Bank of India (IDBI) founded in 1964 was conceived as the principal financial institution and apex development bank in the country. State Industrial Development/Investment Corporations (SIDCs/SIICs) which came into being during the 60s, and early 70s were primarily conceived as agencies of state governments for implementing their industrial policies and programmes. Initially, the activities envisaged for them broadly covered identification and initiation of project proposals, provisions of industrial sheds/plots and operation of government incentive scheme in furtherance of balanced regional development. With time and experience, SIDCs have refined their promotional role to meet the specific requirements of prospective industrial projects to be located in their states. Over the years, they have also evolved themselves into full-fledged financial institutions. At state levels, SIDCs cater mainly to the requirements of medium/large scale industrial units. There are twenty-six SIDCs notified by Government of India as financial institutions under section 9(1)(a) of IDBI Act. In certain States/Union territories, in the absence of separate SFCs, they perform the roles of both SIDC and SFC: there are nine such SIDCs21. As the apex development bank, IDBI co-ordinates and supervises the

21 Arunachal Pradesh, Goa, Daman & Diu, Manipur, Meghalaya, Mizoram, Nagaland, Pondicherry, Sikkim & Tripura.
policies and programmes of all these SIDCs and thereby ensures that they play a mutually complementary role in pursuit of common national objectives.

SIDCs commenced functioning in early 60s as instruments of state governments in inducing fresh industrial activity in their states. Initially, their role was confined to helping prospective entrepreneurs in all possible ways towards their common endeavor usually more in the nature of guidance cells. Soon they came to reinforce their consultants role by providing financial assistance, albeit on a very limited scale. Where private enterprise was hesitant to come forward, they even wore themselves the mantle of entrepreneurs to set up manufacturing concern, much before the advent of joint sector concept. Relatively underdeveloped capital markets, coupled with banks, SFCs and other development banks restricting their assistance to term loan financing and/or underwriting share issue - either by convention or because of statutory restrictions - meant that SIDCs were increasingly relied upon to provide equity support and generally act as project promoters. This phenomenon is reflected in equity investments forming significant portions of their overall operations in the initial years.

It was in recognition of the distinct role being assumed by SIDCs, and further responsibilities to be assigned to them that the Reserve Bank of India (RBI) set up a working group in June 1971 to review their functioning and finances. It was headed by late C.S. Venkta Rao with representations from financial institutions, Government of India and Planning Commission, submitted its report in December 1973. The Group recommended, inter alia, that SIDCs take up financing activity on a scale
commensurate with sustaining their project promotion role effectively, which by very nature does not yield immediate direct returns. This called for adequately replenishing their basket of resources and towards this end, the working group suggested that the refinance window of IDBI, hitherto open to only SFCs and banks be made accessible to SIDCs also. As a Sequel to its acceptance, SIDCs were notified by Government of India in 1976 as financial institutions eligible for refinance from IDBI: under that facility, eligible industrial loans extended by primary lenders are re-financed to the extent of 80-100 per cent by IDBI. Ceiling rates to be charged under the Refinance Scheme to ultimate borrowers are stipulated, allowing for a reasonable spread to the credit institutions toward their administration and servicing costs.

Extension of refinance facility of IDBI in September, 1976 lent the necessary impetus to the working and operations of SIDCs. This could be gauged from the subsequent growth in the level of their operations. Their annual sanctions registered 100 per cent increase during the very first year and have shown impressive growth since then. However, more than level of sanctions, it is the pace of disbursements which is a better indicator of the impact of their coming under the purview of refinance facility. For, resource constraints no longer inhibited SIDCs in meeting their commitments in the term loan segment and resource support from state Government could be redeployed to meet investment commitments. It manifested itself both in higher businesses transacted and usually reduced time between sanctions and disbursements. No doubt, rapid growth in term lending operations is in accordance with the felt need to generate surplus for sustaining project promotion activity, but
perceptible slow down in that crucial area in the last two years is a matter for introspection.

*Policies and Programme of State Industrial Development Corporations*

Set up as companies, SIDCs function primarily under the direction of State Government. They are conceived specifically in the mould of state entrepreneur so as to enable them to take the lead in ushering in industrialisation of their respective states on the desired pattern. The following functions give an idea of the scope of their activities.

i) Identification of project ideas through industrial potential surveys.

ii) Preparation of feasibility/project reports.

iii) Assistance to prospective entrepreneurs in selecting project proposals, arranging technical/process know-how of foreign collaboration etc.

iv) Promotion of projects in public, joint or assisted sector.

v) Escort services for compliance with various formalities such as capital goods clearance, water/pollution/sewerage board requirements and obtaining land, or plot in an industrial estate, water, power, drainage, telephone/telex connection etc.

vi) Provision of risk capital to entrepreneurs by way of equal participation, seed capital etc.

vii) Provision of term loans and guarantees for deferred payments and of late, even lease finance by certain corporations.
viii) Merchant banking services for registration of a company underwriting and managing public issues of shares, bond and debentures and trying up other financial arrangements.

ix) Development of industrial areas/estates.

x) Operation of investment incentive schemes of Central State Governments and carrying out other agency functions, and

xi) Sponsoring and organising entrepreneurial development programmes and undertaking such other promotional activities in furtherance of their objective.

The actual range of activities being undertaken and weightage accorded to them are a function of specific requirements of each State/Union Territory. As such, functionally, considerable diversity among different SIDCs is not common. The State level financial institutions contribute substantially to the requirement of finance by business community. Table 1.1 shows that although the percentage share of financial assistance disbursed by state institutions has been falling over the years, (it fell from 23 per cent in 1980-81 to 8.88 per cent in 1994-95. Still if two State level institutions (SFCs, SIDCs) can have 15.44 per cent share (on the average for 11 years) in total financial assistance disbursed by all financial institutions than it is quite substantial.
Table-1.1 : Financial Assistance Disbursed by All Financial Institutions

(Rs. in crore)

<table>
<thead>
<tr>
<th>Institutions</th>
<th>1980-81</th>
<th>85-86</th>
<th>86-87</th>
<th>87-88</th>
<th>88-89</th>
<th>89-90</th>
<th>90-91</th>
<th>91-92</th>
<th>92-93</th>
<th>93-94</th>
<th>94-95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Central* Institutions</td>
<td>1,221</td>
<td>3,952</td>
<td>4,441</td>
<td>6,296</td>
<td>8,557</td>
<td>9,357</td>
<td>10,284</td>
<td>13,801</td>
<td>23,886</td>
<td>26,507</td>
<td>30,571</td>
</tr>
<tr>
<td>State Level** Institutions</td>
<td>373 (23.40)</td>
<td>973 (19.75)</td>
<td>1,216 (21.49)</td>
<td>1,391 (18.10)</td>
<td>1,527 (15.14)</td>
<td>1,702 (15.39)</td>
<td>1,869 (15.37)</td>
<td>2,215 (13.82)</td>
<td>2,252 (9.74)</td>
<td>2,262 (8.50)</td>
<td>2,982 (8.88)</td>
</tr>
<tr>
<td>Total all Institutions</td>
<td>1,594</td>
<td>4,925</td>
<td>5,657</td>
<td>7,681</td>
<td>10,084</td>
<td>11,059</td>
<td>12,153</td>
<td>16,016</td>
<td>23,107</td>
<td>26,600</td>
<td>33,560</td>
</tr>
</tbody>
</table>

* - IDBI, IFCI, LIC, UTI, GIC, IRBI.
** - SFCs and SIDCs.
II REVIEW OF LITERATURE

In order to have a proper insight into the various aspects of the problem under study, it is always useful and desirable to review the studies conducted in the past. Several studies, seminars, symposia and meetings have been conducted on the rationale, growth and working of Central and State Government public undertakings. Incase of state and central level organisations engaged in industry and trade, studies covered issues relating to the organisational structure, working, performance appraisal, personnel management etc. The problem of financial management has not yet received much attention. Moreover, no comparative analysis of the state level financial institutions engaged in the development and promotion of Industrial sector have been conducted in the past, providing the scope for the researcher to study the financial management aspect of the five corporations - PSIDC, HSIDC, DSIDC, HPSIDC and JKSIDC.


Dave and Bhatt (1971) stressed the use of domestic cost of foreign exchange as a criterion for project evaluation in addition to internal rate of return criterion.

25 Vishwanathan, V. The Finances of Andhra Pradesh State Road Transport Corporation 1979, thesis submitted to Osmania University.
Murthy (1978) observed that Industrial Development Corporations (IDCs) in almost all states are expected to adopt some rational criteria for identifying projects to be taken up in the joint sector. But in practice all the IDC's were following initiative policy in applying for and getting industrial licenses. Mohsin (1983) attempted to appraise the existing system of financial planning and control in public and private sector units in India to assess their suitability in changing the socio-economic environment. He advocated the use of cost of capital approach in project evaluation.

ICIA (1983) made a study to ascertain the criteria adopted by national and state financial institutions to determine the suitability - financial, technical, marketing and managerial - of people. It studied the norms for providing finance and the procedure follow in processing, evaluation, sanction and monitoring of projects. It observed that the gestation period generally prolongs; their necessitating project sensitivity studies and risk analysis.

Sharma (1978) studied the growth of public undertakings in Punjab with special reference to PSIDC. He studied the growth and objectives of public enterprises in Punjab and classified them on functional basis. A study of the organisation of PSIDC was made in view of its objectives. An examination of the developmental and promotional role of the corporation in respect to the terms and conditions for assistance to its subsidiaries was made. Sharma suggested that the Corporation may

---

37 ICIA (1983): An approach to social Cost Benefit Analysis under Indian Conditions, New Delhi, Research Committee of the ICIA.
avoid the direct responsibility of managing the concerns and that the assistance to the subsidiaries and assisted companies be made only in two phases that is secretarial/managerial and entrepreneurial. Lastly, the joint sector units must serve the real interests of the state keeping in view the objectives of their creation.

Bansal (1985)\textsuperscript{39} studied the role of four non-bank financial institutions of Punjab and Haryana, viz. PSIDC, PFC, HSIDC and HFC. He examined the operations, pollicies and structure of these institutions and their impact on medium and large-scale industries in the two states. Singh (1985)\textsuperscript{40} studied the aspect of project planning and appraisal audits methodology in PSIDC. He criticised the project dynamics and suggested measures for improving the managerial performance in regard to project planning and appraisal. His study manly concerned about the projects promoted by PSIDC in public, joint and assisted sector. P. Chattapadhayay made a survey on Research on Financial Management in Public Enterprises (1971-72) to 1981-82) elucidating the missing links in the research in development banking for improving their “effectiveness in making credit available to different priority sectors ...employment generation ... efficiency and profitability... the socio-economic impact of nationalised banks and other institution”\textsuperscript{41}.

\textsuperscript{38} Sudhir Sharma: Growth to public undertakings in Punjab with special to PSIDC, M.Phil Dissertation submitted to Panjab University, Chandigarh, 1978.
\textsuperscript{39} L.K. Bansal, The Role of Non-Bank Financial Institution in the Funding of Large and Medium Scale Industries in Punjab and Haryana, Chandigarh, 1985.
The comparative analysis among State Level Public Enterprises (SLEP’s) and development finance institution especially for a region as this study examines in Northern region of India, have not attracted much attention of the researchers. Thus, comparative study of SIDCs in this region provides the researcher a good opportunity for an in-depth analysis of various aspects of its efficiency and profitability and impact on the process of industrialisation in the Northern India.

III Need and Scope of Study

Most of the studies in past, have laid emphasis only on the issues other than financial aspect of the public enterprises especially engaged in industrial development. No attempt so far has been made to examine the financial management of the various institutions engaged in the development of industrial sector and promotion of industries at the centre and state levels. In this study an attempt will be made to compare the financial performance of PSIDC, HSIDC, DSIDC, HPSIDC and JKSIDC. Moreover, a critical analysis of profitability and operational aspects of industrial financing will be made for a period of about seventeen years.

In any single study involving a huge data, it is not possible to examine all the aspects in all the details. In this study, some aspects have been intentionally left so as to concentrate more on financial and operational aspects of the corporations. In this context this study intends to examine the financial management of State Industrial Development Corporations in Northern states of India i.e. five states – Punjab, Haryana, Delhi, Himachal Pradesh and Jammu and Kashmir.

23
IV Objectives of the Study

1. To examine the organisation structure and operational activities of select SIDC’s.
2. To study some selected aspects of the SIDC’s with a view to determine their profitability.
3. To analyse the resource management of SIDC’s through select indicators.
4. To evaluate and assess the developmental activities of SIDCs in the backward areas of the state for the removal of regional imbalances.
5. To suggest suitable remedial measures in the activities of SIDC’s so as the make them more potent instrument for planned industrial development in the northern region of India.

V Research Methodology

The study being descriptive in nature would relied primarily on secondary data. Most of the data and information will be collected from the unpublished records of these SIDCs. Other records of these corporations have been scanned for this purpose, more prominently, the Annual Reports of all SIDCs under study, Statistical Abstract of India, Statistical Abstract of five states namely Punjab, Haryana, Delhi, Himachal Pardesh and Jammu and Kashmir, and various other Government of India and Government of these five states, reports on Public sector-undertakings.

Most of the data needed for this study were not readily available but had to prepared from the records of various corporations under study. Personal discussions
and intensive interview with concerned officials were conducted with a view to understand the rationale on which data were compiled and also to ascertaining reliability of the data relating to operational aspects, profitability and resource management. This necessitated making of several personal visits to various corporations under review. Some of the offices and institutions visited in this connection include, ‘IDBI’, ‘SIDBI’, ‘PHDCCI’, ‘CII’, and ‘IIPA’ at New Delhi and Chandigarh.

To reach on certain relevant results, the data collected, have been tabulated, analysed and interpreted by using percentiles and compound growth rates (CGRs).

VI Plan of the Study

The study is divided into six chapters. Chapter I states the introduction of development banks with particular reference to SIDCs, objectives, research methodology and plan of the study. Chapter II examines the organisational structure and operational activities of the concerned corporations. Chapter III reveals the profitability in SIDCs whereas chapter IV deals with the resource management aspects of the corporations. In chapter V an attempt has been made to study the role of these SIDCs in the industrial development of the region. The chapter VI summarises the main findings of the study and recommendations.