PREFACE

According to Section 5 b of Banking Regulation Act, 1949 (Reserve Bank of India), "banking is accepting for the purposes of lending or Investment of deposits of money from the public, repayable on demand or otherwise and withdrawal with Cheques, Drafts, Order or otherwise." In recent times, mobilisation of savings for investment purpose has grown manifold. Similarly banking has also developed many faces: To name a few: Commercial Banking, Investment Banking, Mortgage Banking, hire-purchase financing, project financing etc. The most recent additions to the family of banking institutions are what are popularly known as Development Banks or development finance institutions. These institutions are meant to facilitate and stimulate industrial growth.

Development Banks originated in 19th century. In U.K. with merchant banking houses which grew over the years and which helped in making available interim long term finance apart from helping entrepreneurship in conceiving projects. In Belgium there existed a Development Bank called General de Belgique as early as in 1822. In Germany universal banking was started in the form of making available both
long term and short term finance. In France where Credit mobilier - a special type of finance company was established in 1852 to meet the capital needs of the industry. This institution was very strongly supported/ backed by Government. In 1902 Industrial Bank of Japan was created on the French pattern. The present day Development Banks/development finance institutions are almost on the pattern of France.

Since the World War-II, development banks have become a very popular instrument for speeding up economic growth through industrialisation in the developing countries of Asia, Africa and South America. Whereas backwardness has prevailed and prevails in all the developing countries, the problem of India is very much grave. India is a typical example of a developing country having vast population of 685 million people, many living below the poverty line, with wide regional economic imbalances. The national goals before the country which have to transform the structure of the society are:

(1) Removal of poverty.
(2) Balanced distribution of income and reduction in inequalities.
(3) Enhancement of employment opportunities.
(4) Attainment of self-reliance.
(5) Removal of regional imbalances.
(6) Accelerating the rate of growth of agricultural and industrial production in the country.
(7) Making the country self-reliant in modern technologies.
(8) Raising the cadre of professional men in administration, managerial and technological fields.
(9) Reduction and eventual elimination of dependence on foreign aid.
(10) Wider public ownership to reduce the concentration of economic power in fewer hands.

For achieving these national goals, development banks (All India Financial Institutions) are lending a helping hand in their own way by providing an important ingredient i.e. finance to the Corporate Sector and nurturing the projects assisted by them through the various phases of their life. Development Banks can also be used as instruments for regulating the growth of the Corporate Sector, for example wherever the question of de-centralisation of economic activity arises and where there is a significant problem of concentration of economic power, a development bank's effort can contribute significantly by seeking investment opportunities outside the main business concentration. They can also assure the projects designs in such a way as to have a particular kind of capital-labour mix. The present study deals with development banking and backward areas and seeks to analyse the hard core of institutional financiers, their genesis, role, operational policies and impact of financial assistance.
given by them on industrialisation in the country
generally with particular reference to backward areas
development in one of the northern states viz. Punjab.
The study restricts itself to the examination of the
three All India Financial Institutions viz. IDBI,
IFCI, IDBI in the development of backward States/
areas in the country declared as such by Central
Government by making available financial assistance
to industrial units in the Corporate Sector. It
attempts to portray the trend of financial assistance
to different states including Punjab as also backward
districts/areas of advanced and backward States during
the ten years period 1970-71 to 1980-81 and its impact
on backward districts of Punjab during the 11 years
period 1970-71 to 1981-82. The required material
and statistical data were collected from the three
AIFIs, Directorate of Industries and the office of
the Economic Advisor, Punjab, the Annual Reports and
operational statistics of IDBI and IFCI were thoroughly
screened in addition to Statistical Abstract of
data thus collected was strengthened by discussions
with various Government officials, Executives of
AIFIs and Managing Directors of concerns assisted by
them. The assisted concerns selected for study are
those which existed in Punjab as on 30th June, 1982
and had availed assistance from the three AIFIs.
The data collected from all these sources has been presented in the Tables along with percentages and ratios calculated therefrom.

The study has been organized into three parts namely:

I. Industrial finance for industrialisation of backward areas in India.

II. Backward Area Industrialisation in Punjab.

III. Conclusions.

Part I consists of two chapters, Chapter 1 - Development Banking in India in which an attempt has been made to discuss the concept and role of Development banks, brief history, present position of All India Financial Institutions (AIFIs), their functions, operational policies and promotional activities.

Chapter 2 - entitled Policy for Industrial Development of Backward Areas surveys briefly the policy pronouncements made by Government from time to time as also strategies adopted by the Central Government as adumbrated in the five year plan documents, recommendations of Finance Committee, Kasach Committee and Sivaraman Committee (SCSC) on identification of backward areas, fiscal and financial incentives for backward areas and industrial dispersal in backward areas respectively.
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Part II of the thesis deals with Punjab and presented in two chapters. Chapter 3 entitled 'Industrial Economy of Punjab' describes the State's economic base viz., physio-geographical outline of the State, its resources, industrial development of Punjab covering small scale and village industries as also large and medium scale industries, inter-district industrial disparities within the State. Chapter 4 deals with the Role, Trend and Impact of financial assistance and presents time series analysis of assistance granted to backward areas against the total assistance granted by AIFIs, share of assistance which has been received by backward areas of backward and advanced States, and assistance shared by Punjab in comparison to other States. It also examines the share of assistance granted to backward and advanced districts in Punjab followed by a discussion on the impact of assistance on the industrialisation in backward districts of Punjab, Investments made and Employment generated etc.

Part III viz. Conclusions is presented through Chapter 5, which is summary of Findings and Suggestions.

The present work has been completed under the guidance of Prof. T.N. Kapoor, at the Department
of Commerce and Business Management, Panjab University, Chandigarh. I would like to acknowledge my debt to him for his constructive ideas, guidance and pragmatic criticism throughout the writing of this thesis. I am also grateful to the officials of All India Financial Institutions and Librarians wherefrom I have been able to collect data, in addition to Economic Adviser to Punjab Government, Company officials and individuals who have generously provided the requisite data/information for the study.

CHANDIGARH
July, 1923.

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