

Analysis and growth of financial assistance given by HFC to establish industries in backward and rural areas to remove the regional disparities

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Abstract: The study is largely based on published data collected from the annual reports of HFC (HFC, Chandigarh), Statistical Abstract of Haryana (Government of Haryana), Economic Survey (Government of India), Haryana Industrial Profile, 2006-07 (Directorate of Industries, Haryana), and other journals and publications. Supplementary information was collected from sources like and records of the corporation and policy guidelines issued from time to time by HFC. Discussion with officers of the HFC also proved to be of great help. In few years, backward areas received large share of total sanctions and disbursements. It is due to various scheme initiated by HFC in favour of backward areas, which indicates up to some extent the good performance of HFC in achieving regional balance of industries in Haryana. But when we see at the trend of ratio of sanctions in backward areas to total sanctions and ratio of disbursements in backward areas to total disbursements, it shows very unsatisfactory situation. Both the ratios show almost declining trend. The ACRG of sanctions in backward areas is 4% while the ACRG of totals sanctions is 13.3%. It indicates that total amount sanctions have grown faster than the sanctions in backward-areas. On an average the shares of backward areas in total sanctions and disbursements is about 34%, which is very low. There is a huge gap between backward areas and non-backward areas in getting financial assistance. The main cause of this gap may be the less demand for credit from backward areas because of low industrial base over there and lack of resource endowments. Though the aim of HFC is to get regional balance yet, due to risk attached to loan in backward areas, it do not want to give much assistance in backward areas.

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Introduction:

Small scale industries play an important role by supplementing and complementing the large and medium scale industries. In Faridabad, Ballabhgarh and Gurgaon, this sector has played a vital role in ancillary sector has played a vital role in ancillary development for tractors, automobiles electrical and electronic goods, hand/machine tools etc.¹ Small scale industries in Yamunanagar, Jagadhry and Rewari have taken up stainless steel, aluminum and brass utensils in a big way and earned good name for the state not only in national market but also in international market. The same is the case with the manufacturing of scientific instruments, mixer and grinders in Ambala, agricultural implements at Karnal, textile and handloom at Panipat and sanitary wares at Bahadurgarh.² Moreover, many of these units are equipped today with modern machines. It is a matter of great pride that about 20% of country's total export of scientific instruments is contributed by the SSIs of Ambala alone, SSIs of Panipat meet about 75% of the total needs of the woolen blankets of the Indian army. Haryana's SSIs also enjoy the reputation of manufacturing largest number of electrical mixies and gas stoves in the country.³

Since its inception as a separate state, the Government of Haryana has taken adequate steps to ensure adequate and timely supply of finance for industrial development. As a result of this a number of state level institutions have been set up by the State Government during the past 40 years. The important institutions set up by the Government of Haryana for the development of industries are Directorate of Industries, Khadi and Village Industries Board, Haryana State Handloom and Handicrafts Corporation, Quality Making Centres, Haryana State Industrial and Infrastructure, Haryana State Industrial and Infrastructure Development Corporation, Haryana Financial Corporation. The establishment of HFC by the Government of Haryana shows the government's efforts and will for industrialization in the state. Since its establishment, HFC has been playing significant role in strengthening the industrial base in the state.^{4,5}

Materials and Methods:

The present study is to examine the Year Wise Amount of Loan Disbursed by Haryana Financial Corporation to Backward and Non-Backward Areas in the state Haryana, India, during the period of 1967-68 to 2006-07. The role played by HFC in the development of small scale industries in Haryana can

be examined with the help of following key indicators such as Analysis and growth of financial assistance given by HFC to establish industries in backward and rural areas to remove the regional disparities.

Sources and Collection of Data

The study is largely based on published data collected from the annual reports of HFC (HFC, Chandigarh), Statistical Abstract of Haryana (Government of Haryana), Economic Survey (Government of India), Haryana Industrial Profile, 2006-07 (Directorate of Industries, Haryana), and other journals and publications. Supplementary information was collected from sources like and records of the corporation and policy guidelines issued from time to time by HFC. Discussion with officers of the HFC also proved to be of great help.

Tools and Techniques

In order to evaluate the contribution of HFC in the development of small scale industries in Haryana, the study makes use of simple statistical methods such as averages, ratios and annual compound growth rates (ACGRs) of financial resources and financial assistance provided by HFC. The ACGR has been calculated by using the model as explained below:

$$\begin{aligned} Y &= ab^t \\ \dots \quad (i) \quad b &= 1+g \\ \text{Log } Y &= \log a + t \log b \\ \dots \quad (ii) \end{aligned}$$

Here Y = the variable for which rate of growth is to be calculated (i.e. dependent variable)

t = time variable taking n values (i.e. independent variable)

g = Annual compound growth rate (in %age term)

a and b are the parameters of the model.

Differentiating equation II w.r.t. t

$$\begin{aligned} \frac{D}{dt} (\log y) &= \frac{d}{dt} (\log a) + \log (t \log b) \\ \frac{1}{y} \frac{dy}{dt} &= 0 + \log b \\ \frac{1}{y} \frac{dy}{dt} &= \log b \\ \left[\frac{1}{y} \frac{dy}{dt} = g \right] \\ g &= \log b = \log (1 + g) \\ \text{Antilog} (\log b) &= 1 + g \\ g &= \text{Antilog} (\log b) - 1 \\ g \% &= [\text{Antilog} (\log b) - 1] \times 100 \end{aligned}$$

Results and Observation:

In few years, backward areas received large share of total sanctions and disbursements. It is due to various scheme initiated by HFC in favour of backward areas, which indicates up to some extent the good performance of HFC in achieving regional balance of industries in Haryana. But when we see at the trend of ratio of sanctions in backward areas to total sanctions and ratio of disbursements in backward areas to total disbursements, it shows very unsatisfactory situation. Both the ratios show almost declining trend. The ACGR of sanctions in backward areas is 4% while the ACGR of totals sanctions is 13.3%. It indicates that total amount sanctions have grown faster than the sanctions in backward-areas. On an average the shares of backward areas in total sanctions and disbursements is about 34%, which is very low. There is a huge gap between backward areas and non-backward areas in getting financial assistance. The main cause of this gap may be the less demand for credit from backward areas because of low industrial base over there and lack of resource endowments. Though the aim of HFC is to get regional balance yet, due to risk attached to loan in backward areas, it do not want to give much assistance in backward areas.

Conclusively, HFC is not performing satisfactorily as far as the objective of regional industrial balance is concerned. It is suggested that HFC should release more funds for rural industrialisation, which will prove very helpful in reducing the income disparities by achieving the regional balance in industrial sector.

In Haryana, there are 22 districts. But HFC has its own criterion to divide Haryana into districts. HFC divides Haryana in 17 districts. District-wise position of loan sanctioned and disbursed by HFC has been given in tables 1 during the period 1967-68 to 1998-99. Table 1 shows that during the period of 1967-68 to 2006-07, 25.41% of total amount of loan has been sanctioned to Gurgaon district, which is highest, followed by Faridabad, Sonapat and Rohtak, which accounted for 12.50%, 11.53% and 11.51% respectively. The amount of loan sanctioned to districts Kaithal, Mohindergarh, Yamunanagar and Kurukshetra is 0.73%, 1.00%, 1.50% and 1.83% respectively, which is very low. It shows that there are inter-district variations in the amount of loan sanctioned. Further variations has also been noted in the disbursement of loans in various districts. These inter-districts variations are mainly attributed to the socio-economic, geographical and political conditions of the state.

Table 1: Year Wise Amount of Loan (Rs. in lacs) Disbursed to Backward and Non-Backward Areas

Year	Backward Areas	Non-Backward Areas	Total Disbursements	Percentage Disbursement in Backward Areas to Total Disbursement
1967-68	10.87	102.74	113.61	9.56
1968-69	28.50	98.84	127.34	22.38
1969-70	16.59	96.32	112.91	14.69
1970-71	16.59	93.36	109.95	15.08
1971-72	6.56	195.58	202.14	3.24
1972-73	56.57	215.19	260.76	21.69
1973-74	71.29	279.51	350.80	20.32
1974-75	117.15	373.87	491.02	23.85
1975-76	216.25	390.07	606.32	35.66
1976-77	72.50	307.50	380.00	19.07
1977-78	78.26	197.60	275.86	28.36
1978-79	82.88	230.86	313.74	26.41
1979-80	172.10	231.23	385.33	44.66
1980-81	176.79	335.39	512.18	34.51
1981-82	340.76	486.58	827.34	41.18
1982-83	623.90	1062.08	1685.98	37.00
1983-84	594.09	762.51	1356.60	43.19
1984-85	678.93	900.13	1579.06	42.99
1985-86	555.52	922.46	1477.98	37.58
1986-87	961.10	735.57	1696.67	56.64
1987-88	900.83	1126.52	2027.35	44.43
1988-89	1396.60	1000.23	2396.83	58.26
1989-90	1725.91	1597.91	3323.82	51.92
1990-91	1176.73	2611.54	3788.27	31.06
1991-92	1825.56	3341.81	5167.37	35.32
1992-93	3468.15	5714.14	9182.29	37.76
1993-94	3743.36	7774.67	11518.03	32.50
1994-95	4012.12	8806.23	12818.35	31.29
1995-96	9630.40	13528.64	23159.04	41.58
1996-97	5282.67	7742.61	13025.28	40.55
1997-98	4448.48	6245.86	10694.34	41.59
1998-99	2872.40	5016.72	7889.12	36.40
1999-00	2076.57	4467.89	6545.46	31.72
2000-01	1827.51	3637.97	5465.48	33.43
2001-02	2166.58	5031.62	7198.20	30.10
2002-03	1844.13	5253.43	7097.56	25.98
2003-04	565.75	2526.75	3092.50	18.29
2004-05	338.48	2356.55	2695.03	12.55
2005-06	310.84	3724.58	4035.42	7.70
2006-07	162.21	6546.00	6709.00	2.41
Total	54641.48	106052.85	160694.33	34.00
ACGR	7%	10.9%	10.8%	

Source: Annual Reports of HFC, Chandigarh.

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