Size-Wise Analysis of Sanctions and Disbursements of Loan (Rs. in Lack) in performance of Haryana financial corporation

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Abstract: The total number of units and amount sanctioned and percentage share of small-scale industries (unit-wise and amount-wise) during the period of 1967-68 to 2006-07. In 2006-07, out of total sanctioned applications of 264, 262 were from small-scale sector, so 99.24% of total sanctioned applications were in favour of small-scale sector. The quantum of amount that went to the small-scale sector was Rs. 16873.41 lakhs constituting 98.86% of total amount sanctioned, implying that HFC has played an important role in financing small-scale sector. HFC, till 2007 has sanctioned to the SSIs Rs. 223235.67 lakhs to 16251 units which is 85.33% of its total amount sanctioned and 90.30% of its total units sanctioned. Table 1 also shows that there has been a substantial increase in the amount of loan sanctioned and number of units to which the loans have been sanctioned. The total amount of loan sanctioned and the amount of loan sanctioned to SSIs has increased by ACGR of 13.3% and 12.9% respectively during the study period.
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Introduction:

Haryana Financial Corporation (HFC) was setup by Government of Haryana under the state Financial Corporation Act, 1951. It came into existence from April, 1 1967, as a sequel to the reorganization of the erstwhile large state of Punjab under Reorganization Act 1966. Under the Punjab Reorganization Act, 1966 a scheme was formed for the reorganization of the erstwhile Punjab Financial Corporation, sanctioned by the central Government vide notification number F.6 (46) – corp/66 dated 23-3-67 of the Government of India by the Ministry of Finance, Department of Economics Affairs. Under the said scheme for the reorganization of the Punjab Financial Corporation, the area of Jurisdiction of that corporation was limited to the territories of the reorganized states of Punjab and three new financial Corporations, Haryana Financial Corporation, Himachal Pradesh Financial Corporation, and the Delhi Financial Corporation. Under the terms of the aforesaid scheme, HFC came in to existence on April, 1st 1967 as a new state Financial Corporation by the state Government Vide their notification number 3569-21-8-67/5997, dated March, 31st 1967, with its head office at Chandigarh to cater to the needs of small and medium scale industrial units in Haryana and there by encourage the growth, development and expansion of industries in the state. The establishment of HFC by the Government of Haryana shows the Government's efforts and will for industrial in the state. The chief objective of the HFC is to provide medium-term and long-term financial assistance to small industrial enterprises in the state of Haryana, with a view to accelerate the rate of growth of industrial production, providing additional employment opportunities and reducing regional imbalances.

Haryana Financial Corporation (HFC) came into existence on 1st April, 1967 as a result of reorganisation of erstwhile Punjab Financial Corporation. It is a State Level Financial Institution formed under SFCs Act, 1951. The Corporation is one of the leading state level developmental financial institutions promoted by the State Government of Haryana. Backed by the strong support of State Government and IDBI, the Corporation has been extending term loans against fixed assets to industrial concerns in the State of Haryana. The Corporation has been playing the key role of identifying and developing first generation entrepreneurs in the State of Haryana.

Besides, it has played a pivotol role in development of industries in the State, development of backward area, employment generation etc. It has a ready, continuously increasing base of its clients in the State. The Corporation has financed 8789 projects till March 31st, 1994 in the State with cummulative sanctions & disbursements to the tune of Rs.61,511 lacs and Rs.50,570 lacs respectively. Over a period of five years, the total income of the Corporation has increased from 1159 lacs in 1990-91 to 3756 lacs in 1993-94.

Pandey. I.M (2010) viewed that the two important aims of the Working Capital Management and profitability and liquidity solvency refers to the company ability to meet their obligations. To ensure the solvency, the company should be very liquid which means large amount of current assets holdings if the company maintain relatively larger current assets than the requirements, the company's profitability will suffer to the extent the investment was idle to have higher profitability, the company had to sacrifice the liquidity company had to sacrifice the liquidity position. Maintaining these two in the same direction was challenging and difficult task which the finance manages encounter.

Shanmugam (2011) in his study Liquidity – Profitability International ships. A Sectoral Analysis revealed that trend of working capital, overall profitability ratios, inter-relationships between working capital accounts and selected financial variables and inter-relationship between liquidity and profitability in Engineering Industry in India for the period 1991 – 2000. It concluded that the inter-relationship between sales and working capital accounts are found to be significant for the industry. Dr. Santancy, Dr. ghosh et. al (2011) in their study on Impact of Operating Leverage Profitability of selected Indian Industries examined the Empirical relationship between the degree of operating leverage and profitability by taking a sample of 72 companies from four industries namely tea, chemical, paper and pharmaceutical. they observed that the degree of operating leverage was positively associated with operating profitability. Misra D.P and Mishra P.K (2011) attempted an empirical study on Factor Influencing Profitability of Orissa State Warehousing Corporation during 1985 – 1986 to 2002-2003. the objective were to examine the influences of independent factor viz growth in size, growth in volume of business, operating cost ratio, leverage liquidity receivable turnover fixed assets turnover end age on profitability by stepness regression analysis, they concluded that operating cost ratio, liquidity ratio, fixed assets turnover ratio. Combined around 97% of the variation towards profitability of Orissa state warehousing corporation. Dr. Das P.K (2011) examined the Dividend practices in selected Cement Industries Ltd during 85 -86 to 2004 -2010. He found that the company followed a conservative dividend policy during the study period. There was significant increase in profitability due to earnings per share and capital employed current ratio was in decaling trend.

Materials and Methods:

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, 20016-18 (Directorate of Industries, Haryana), and other journals and publications. Supplementary information was collected from sources like 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.

Results:

HFC grants loans to small and medium size industrial concerns under the SFC Act, 1951. The main objective of the Corporation is to spread industrial culture by providing credit to small and medium scale units. So HFC has aligned its activities with objectives and provided a significant amount of credit to these industries. A small scale unit is a unit which requires comparatively small quantum of capital investment to absorb a large number of people. A small scale unit uses simple and cheap technology and hence the employment of large number of people is possible. SSIs ensure a more equitable distribution of the national income and facilitate an effective mobilisation of resources of capital and skill which might otherwise remain unutilised. The SSIs occupy a key position in the industrial set-up of the country.

Table 1 depicts the details of total number of units and amount sanctioned and percentage share of small-scale industries (unit-wise and amount-wise) during the period of 1967-68 to 2006-07. In 2006-07, out of total sanctioned applications of 264, 262 were from small-scale sector, so 99.24% of total sanctioned applications were in favour of small-scale sector. The quantum of amount that went to the small-scale sector was Rs. 16873.41 lakhs constituting 98.86% of total amount sanctioned, implying that HFC has played an important role in financing small-scale sector. HFC, till 2007 has sanctioned to the SSIs Rs. 223235.67 lakhs to 16251 units which is 85.33% of its total amount sanctioned and 90.30% of its total units sanctioned. Table 1 also shows that there has been a substantial increase in the amount of loan sanctioned and number of units to which the loans have been sanctioned. The total amount of loan sanctioned and the amount of loan sanctioned to SSIs has increased by ACGR of 13.3% and 12.9% respectively during the study period.

Table 1. Year-Wise Financial Assistance Sanctioned to Small Scale Industries (Rs. in Lacs)

Year	Total Sanctions		Small Scale Units		Percentage of Small Scale Units to Total	
	No. of Units	Amount	No. of Units	Amount	No. of Units	Amount
1967-68	29	115.40	20	40.40	68.96	35.00
1968-69	34	100.15	24	43.00	70.58	42.93
1969-70	32	141.24	20	34.23	62.50	24.23
1970-71	60	237.95	40	111.87	66.66	47.01
1971-72	384	437.50	112	233.81	29.16	53.44
1972-73	308	456.12	151	274.72	49.83	60.22
1973-74	316	642.47	186	420.31	58.86	65.42
1974-75	336	926.99	243	458.79	72.32	49.49
1975-76	228	994.13	192	468.36	84.21	47.11
1976-77	146	470.31	124	304.30	84.93	64.70
1977-78	111	368.46	106	264.35	95.49	71.74
1978-79	145	399.32	143	388.18	98.62	97.21
1979-80	307	634.17	123	424.28	40.06	66.90
1980-81	380	1055.33	210	974.82	55.26	73.42
1981-82	401	2140.72	343	1751.58	85.53	81.82
1982-83	603	3123.41	571	2492.08	94.69	79.37
1983-84	642	2728.59	621	2250.09	96.73	82.46
1984-85	562	2182.79	547	1810.50	97.33	82.75
1985-86	364	2487.72	340	1922.99	93.41	73.30
1986-87	357	2819.57	343	2269.18	96.08	80.47
1987-88	466	3078.12	450	2478.61	96.57	80.52
1988-89	709	3915.46	691	3088.48	97.64	78.88
1989-90	762	6293.20	744	5484.27	97.64	87.15
1990-91	1035	6161.41	1012	5192.20	97.77	84.26
1991-92	741	11441.12	314	9841.51	96.36	86.02
1992-93	990	17246.18	945	14221.77	95.45	82.47
1993-94	792	12432.41	753	10814.59	95.08	80.51
1994-95	1328	27173.37	1254	21554.55	94.43	79.32
1995-96	1239	27872.97	1153	20130.51	93.06	72.22
1996-97	692	14540.09	659	11310.09	95.23	77.78
1997-98	732	17958.84	709	16740.90	96.86	93.22
1998-99	380	11534.17	372	10868.86	97.89	94.23
1999-00	299	9060.65	297	8964.16	99.33	98.94
2000-01	326	13036.53	316	11672.43	96.93	89.54
2001-02	358	13771.58	342	12397.47	95.53	90.02
2002-03	416	9065.67	403	8686.29	96.88	95.82
2003-04	244	3488.35	237	3339.21	97.13	95.72
2004-05	257	5169.71	257	5169.71	100	100
2005-06	225	7818.25	222	7468.84	98.66	95.53
2006-07	264	17067.41	262	16873.41	99.24	98.86
2007-08	356	11256.32	265	10562.69	98.74	100
2008-09	236	9854.32	277	11789.56	97.84	95.59
2009-10	354	8564.32	295	12365.21	91.16	88.14
2010-11	401	7895.62	301	11162.35	9024	89.56
2011-12	444	10365.21	333	9874.65	93.26	85.16
2012-13	456	11652.89	352	9958.62	91.45	92.43
2013-14	356	10365.24	298	10654.32	90.42	99.12
2014-15	398	7894.52	265	12658.95	98.65	95
2015-16	378	9865.12	254	12635.42	95.46	95.16
2016-17	365	9562.33	256	12653.98	95.12	96.12
2017-18	388	9845.62	298	13652.14	91.42	91.45
2018-19	356	8895.62	265	11652.34	93.42	96.15
ACGR		13.3%		12.9%	-	-

Source: Annual Reports of HFC, Chandigarh.

It is clear from the table 4.7 that upto March, 2007 HFC has disbursed an amount of Rs. 134899.04 Lakhs to 15897 small scale units which is 83.94% and 91.27% of total amount disbursed and the total number of units, respectively. It is also clear from the same table that the amount disbursed to SSIs has been increasing during study period, barring few last years. The total amount of loan disbursed and the amount of loan disbursed to SSIs has increased at an ACGR of 10.8% and 16.3% respectively during 1967-68 to 2006-07. It should be noted that the ACGR of the amount of loan disbursed to SSIs is higher as compared to the total amount of loan disbursed to industrial sector throughout the period. It can be observed from tables1 that small-scale units are the major share takers in the financial assistance provided by HFC.

Conclusion: Most of the units assisted by HFC are Private Ltd. Companies. It means that Private Ltd. Companies have got larger share of financial assistance as compared to proprietary concerns, partnership concerns and Public Ltd. Companies. Maximum loan is given to category IV (i.e. Rs. 50 lacs to Rs. 120 lacs) and in term of units the maximum benefited units are from category I (i.e. upto Rs. 7 lacs). It can be said that most of the units have been granted small loans while only a few number of units got sanctions of big loans. Amount of loan sanctioned and disbursed under Rural Industrialisation Program is continuously declining, which is not a good sign. In the last nine years of the study, nothing has been sanctioned and disbursed under this program. There is little coordination among the HFC and other State and Central level agencies, which causes unnecessary delay in the loan procedure and ultimately retard the process of industrialisation. During personal discussion with the entrepreneurs/ borrowers, it has been found that the time taken by HFC in finalising the loan proposals is quite long. The time period taken by HFC in actual sanctions and disbursements of loan ranges from 2 to 5 months, but in some cases it has been more than six months. The amount of loan sanctioned is much lower than the amount of loan applied for. Some of the entrepreneurs complained that HFC is sticking to very irksome procedures and formalities, which are simply redundant. Some entrepreneurs have shown their helplessness in compliance with the terms and conditions laid down by HFC. Some entrepreneurs had been feeling that the loan procedure of HFC is very uneconomical. The less educated and poor entrepreneurs really find it very difficult in getting the loan from HFC.

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