

# **COMPARATIVE EVALUATION OF PERFORMANCE OF HARYANA, PUNJAB AND DELHI FINANCIAL CORPORATIONS**

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## **ABSTRACT**

*This paper provides a detailed analysis of the performance of State Financial Corporations in terms of magnitude of total loans sanctioned and disbursed, sanctioned and disbursed to small-scale sector, to economically weaker sections, constitution wise etc. The SFCs are playing a key role in the development of small and medium enterprises in the respective states in tandem with the natural priorities. During the last decades SFCs assistance to business enterprises has undergone a considerable acceleration.*

## **Performance of Haryana Financial Corporation**

Haryana Financial Corporation (HFC) was set up in the year 1967 to cater to the needs of small and medium scale enterprises in the State of Haryana. Haryana was more or less neglected by PFC prior to establishment of HFC. HFC provides financial assistance to industries by way of term loans, lease assistance, equity participation on behalf of IDBI/SIDBI in addition to various schemes for special targeted groups. The performance of HFC has been analysed in the last decade under study from 2000-01 to 2009-10.

## **Assistance Sanctioned and Disbursed by Haryana Financial Corporation**

The performance analysis of HFC in terms of assistance sanctioned and disbursed during the period 2000-01 to 2009-10 has been depicted in Table No. 1 and Graph 1 respective

**Table – 1**  
**Assistance Sanctioned and Disbursed by HFC**

**(Rs. in Crores)**

<b>Year</b>	<b>Sanctions (1)</b>	<b>Growth Rate (%)</b>	<b>Disbursements (2)</b>	<b>Growth Rate (%)</b>	<b>(2) as Percentage of (1)</b>
2000-01	130.37	-	54.65	-	41.92
2001-02	137.72	05.64	71.98	31.71	52.27
2002-03	90.66	(34.17)	70.98	(01.39)	78.29
2003-04	34.88	(61.53)	30.93	(56.42)	88.68
2004-05	51.70	48.22	26.95	(12.87)	52.13
2005-06	78.18	51.22	40.35	49.72	51.61
2006-07	170.67	118.30	67.09	66.27	39.31
2007-08	59.17	(65.33)	54.98	(18.05)	92.92
2008-09	64.57	09.13	23.94	(56.46)	37.08
2009-10	23.48	(63.64)	21.38	(10.69)	91.06
Cumulative during the period	841.40		463.23		55.05

Coefficient of correlation between (1) and (2) = 0.79

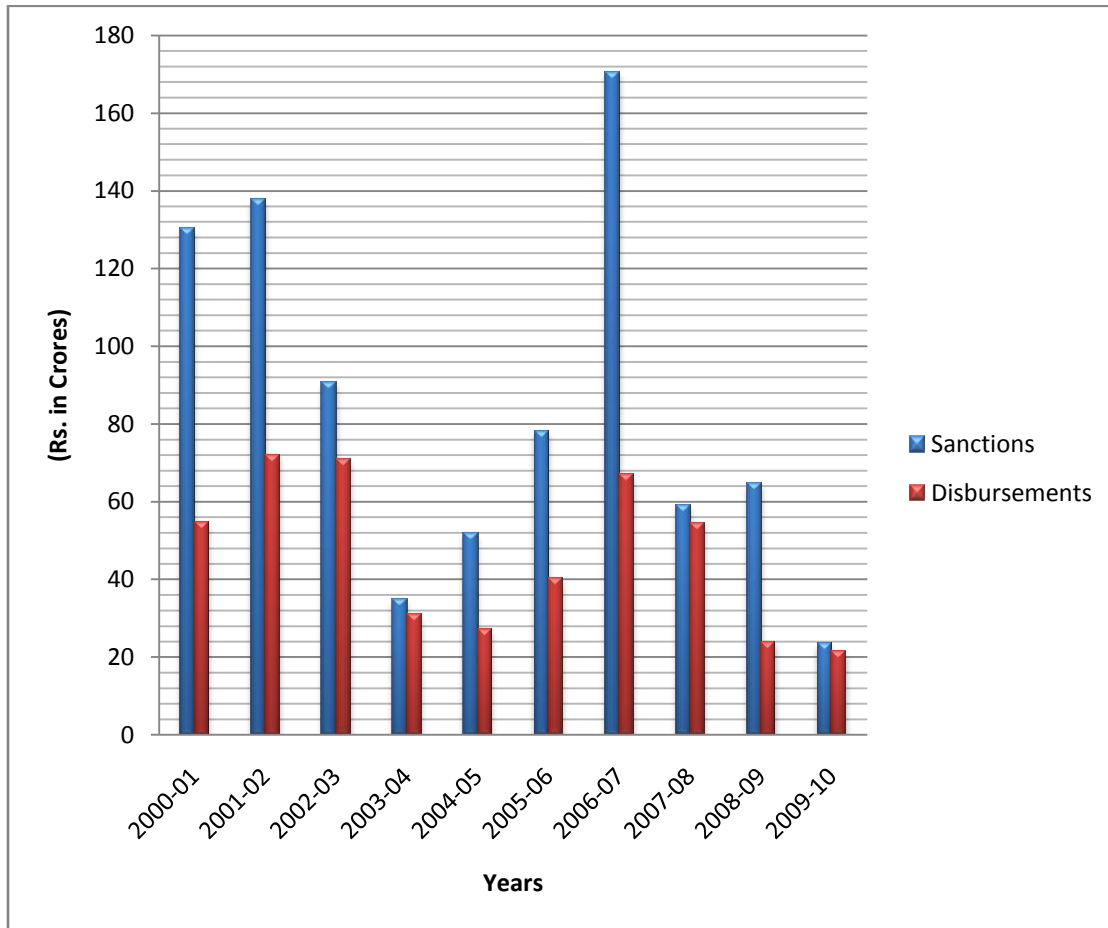
T-value (significant at 5 percent level) = 3.70

C.A.G.R. in Sanctions = -0.16

C.A.G.R. in Disbursements = -0.09

Source: Annual Reports of HFC

**Graph - 1**  
**Assistance Sanctioned and Disbursed by HFC**



During the period, the annual sanction to the industries in the State declined from Rs. 130.37 crores in 2000-01 to Rs. 23.48 crores in 2009-10, thus registering a negative growth of 455.23 percent. The Corporation touched all time high sanction figures of Rs. 170.67 crores in the years 2006-07. This may be attributed to the boom in the economy due to liberalisation and the vision of the Management of the Corporation. Thereafter, the sanctions witnessed a declining trend decreasing to Rs. 23.48 crores in the year 2009-10. This may be attributed to increased competition and ongoing recession in the market. The average sanction by HFC during the study period was Rs.84.14 crores.

Similarly, the disbursements of loans by HFC in the state declined from Rs. 54.65 crores in 2000-01 to Rs. 21.38 crores in 2009-10, thus registering a negative growth of 155.61 percent during the period. The disbursements made by the Corporation touched all time high of Rs. 71.98 crores in the year 2001-02. This may be attributed to increase in sanctions and dynamism of the Management of the Corporation, but thereafter the trend shows a decline with disbursements of Rs. 21.38 crores in 2009-10. This decline in disbursements may be attributed to decline in sanctions due to increase in competition from other banks/FIs and overall recession in the market.

The percentage of disbursements to sanctions increased from 41.92 percent to 91.06 percent in the year 2009-10. The average rate of disbursements to sanctions during the entire period was 55.05 percent. This implies that around 45 percent of the sanctioned loans are not converted into disbursements. This may either be due to increasing competition from other financial institutions or due to the complicated loan procedure or complex disbursement formalities of the Corporation.

Thus, the Corporation over the entire period has sanctioned and disbursed loans to the tune of Rs. 814.4 crores and Rs. 463.23 crores respectively. The C.A.G.R. of loans sanctioned and disbursed also shows the negative trend followed by  $-0.16$ ,  $-0.09$  percent respectively during the period of study.

The coefficient of correlation between the two variables viz. sanctions and disbursement by HFC during the entire period was 0.79. The t-value of the coefficient of correlation being 3.70 was significant at 5 percent level. This indicates that there is a significant relationship between the two variables.

### **Assistance Sanctioned to Small-Scale Sector by HFC**

Small-Scale Sector is an important constituent of our national economy. Assistance sanctioned and disbursed to small-scale sector indicate contribution to the objective of industrialization with employment generation and reduction of concentration of economic power. HFC has acted as friend and guide to the small-scale sector in Haryana and it would not be out of context to say that without its help the SSI sector would never have been able to achieve its present heights.

The assistance extended to small-scale sector by HFC during the period 2000-01 to 2009-10 has been depicted in Table No. 2 and Graph 2 respectively.

**Table – 2**  
**Assistance Sanctioned to Small-Scale Sector by HFC**  
**(Rs. In Crores)**

<b>Year</b>	<b>Total Sanctions (1)</b>	<b>Sanctions to Small-Scale Sector (2)</b>	<b>(2) as Percentage of (1)</b>
2000-01	130.37	116.72	89.53
2001-02	137.72	123.97	90.02
2002-03	90.66	86.87	95.82
2003-04	34.88	33.39	95.73
2004-05	51.7	51.7	100.00
2005-06	78.18	74.69	95.54
2006-07	170.67	168.73	98.86
2007-08	59.17	59.17	100.00
2008-09	64.57	56.19	87.02
2009-10	23.48	23.48	100.00
Cumulative during the period	841.4	794.91	94.47

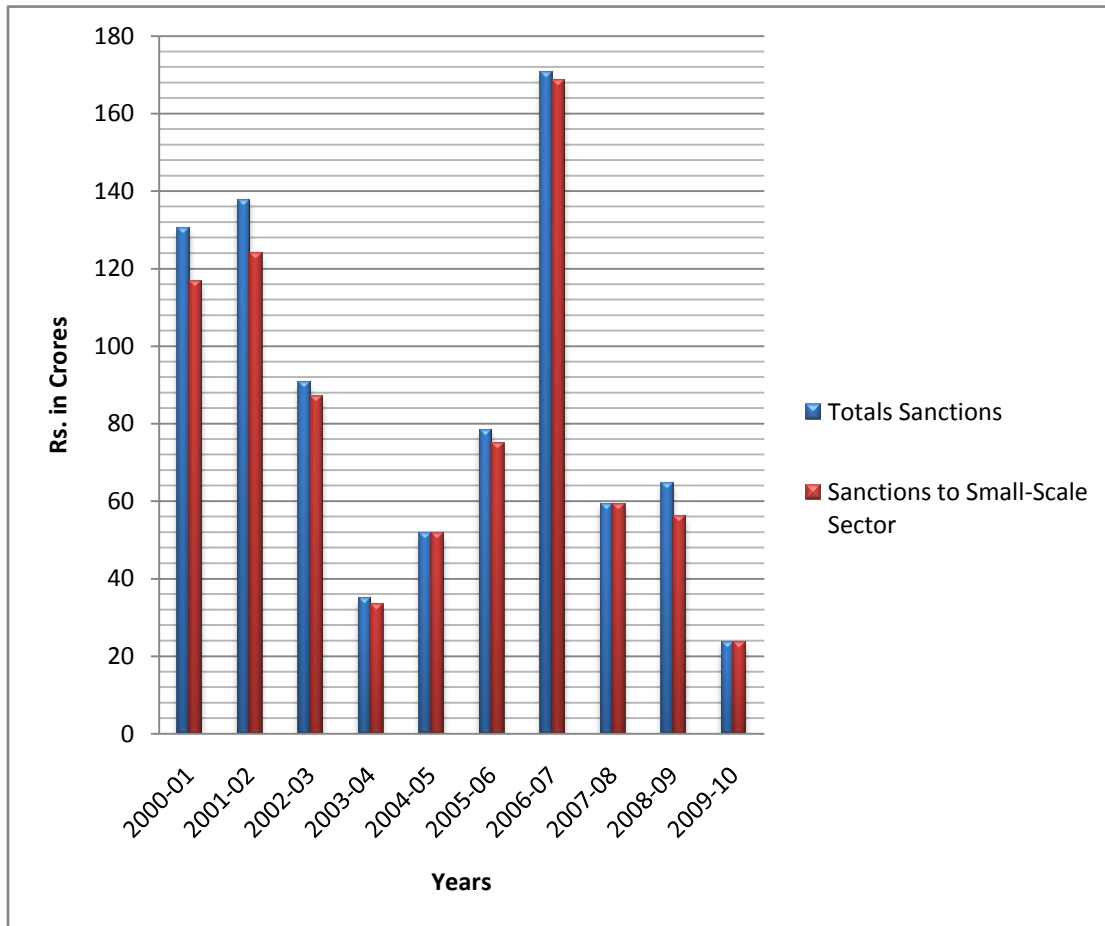
Coefficient of correlation between (1) and (2) = 0.99

T-value (significant at 5 percent level) = 28.43

Source: Annual Reports of HFC

**Graph-2**

**Assistance Sanctioned to Small –Scale Sector by HFC**



The aggregate sanctions to small-scale sector decreased from Rs. 116.72 crores in 2000-01 to Rs. 23.48 crores in 2009-10, thus showing a negative growth of 397.10 percent during the period. The sanction to small-scale sector touched an all time high of Rs. 116.72 crores in 2000-01 due to increase in overall sanctions. Thereafter, the sanctions to small-scale sector witnessed a declining trend. This may be due to decline in overall sanctions from Rs. 130.37 crores in 2000-01 to Rs. 23.48 crores in 2009-10.

During the period, the share of small-scale sector to the total loans sanctioned varied between 87 to 100 percent, which is quite healthy and shows the commitment of the Corporation towards the development of small-scale sector in the State. The average assistance sanctioned to

small-scale sector during the period under review comes to healthy 94.47 percent. This also shows the healthy performance of the Corporation.

The coefficient of correlation between the two variable viz. total sanctions and sanctions to small-scale sector by HFC during the entire period was 0.99. The t-value of the coefficient of correlation being 28.43 was significant at 5 percent level. This indicates that there is significant relationship between the two variables.

### **Assistance Disbursed to Small-Scale Sector by HFC**

The small-scale sector is a major contributor towards the economy of Haryana. It is one of the largest employers in the region. The SSI sector accounts for significant contribution in the manufacturing sector and exports. Had it not been for the help provided by HFC, the SSI sector would not have been such a big player in the economy of the state.

The assistance disbursed to small-scale sector by HFC has been depicted in Table No. 3 and Graph 3 respectively.

**Table – 3**  
**Assistance Disbursed to Small-Scale Sector by HFC**  
**(Rs. in Crores)**

<b>Year</b>	<b>Total Disbursed (1)</b>	<b>Disbursed to Small- Scale Sector (2)</b>	<b>(2) as Percentage of (1)</b>
2000-01	54.65	51.00	93.45
2001-02	71.98	67.94	94.38
2002-03	70.98	66.33	93.45
2003-04	30.93	29.43	95.18
2004-05	26.95	26.95	100.00
2005-06	40.35	37.80	93.68
2006-07	67.09	64.56	96.22

2007-08	54.98	54.98	100.00
2008-09	23.94	23.94	100.00
2009-10	21.38	21.38	100.00
Cumulative during the period	463.23	444.31	95.91

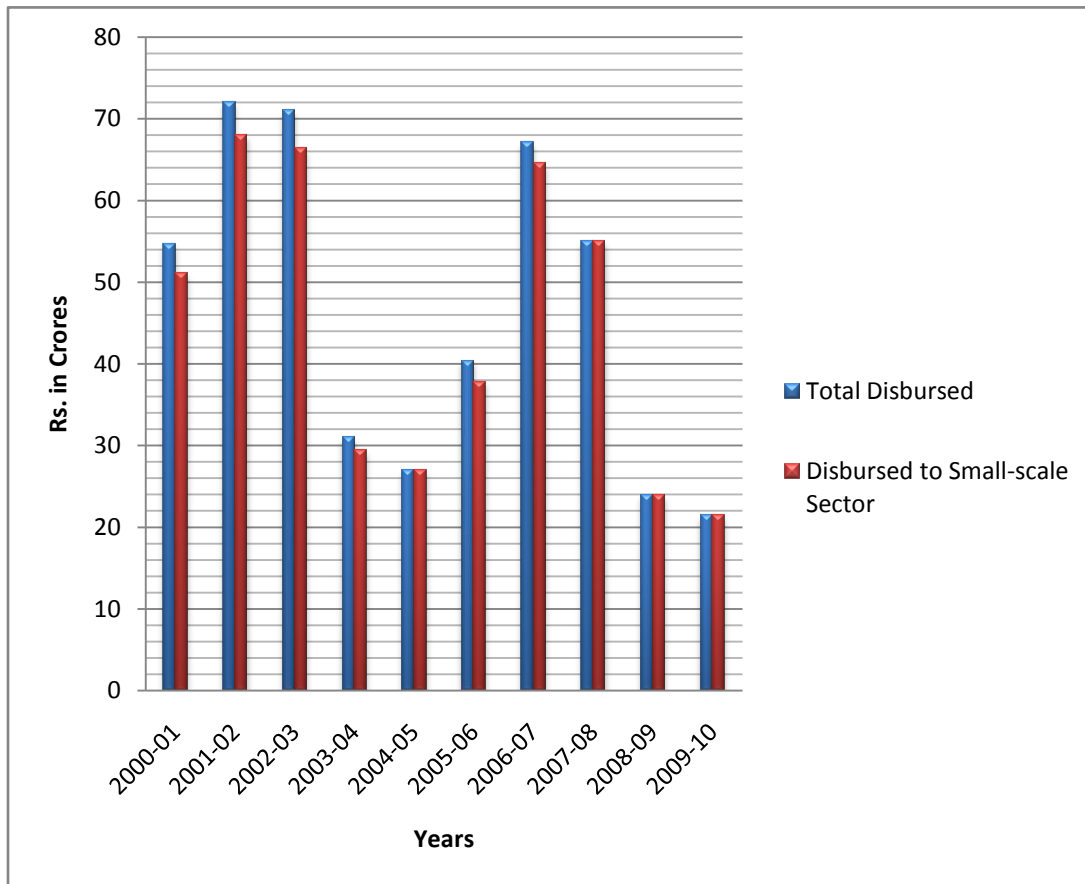
Coefficient of correlation between (1) and (2) = 0.99

T-value (significant at 5 percent level) = 46.51

Source: Annual Reports of HFC

**Graph-3**

**Assistance Disbursed to Small –Scale Sector by HFC**



The disbursements to small-scale sector by HFC declined from Rs. 51.00 crores in 2000-01 to Rs. 21.38 crores in 2009-10, thus showing a decline of 138.54 percent. During the period, the percentage of loans disbursed to small-scale sector out of total disbursements ranged between 71 to 100 percent. The disbursements made to small-scale sector out of total loans disbursed also showed growth from 85.24 percent in 2000-01 to 100 percent in 2009-10. However, the average disbursement made to small-scale sector out of total disbursements was 84.15 percent.

The coefficient of correlation between the two variables viz. total disbursements and disbursements to small-scale sector by HFC during the entire period was 0.99. The t-value of the coefficient of correlation being 46.51 was significant at 5 percent level. This indicates that there is a significant relationship between the two variables.

### **Assistance Sanctioned to Economically Weaker Section by HFC**

The economic development of a region cannot be possible without improving the economic condition of the majority of its population. The institutional development banking infrastructure setup in the country had contemplated a very important role for HFC in the empowerment of economically weaker sections of the State of Haryana. The performance of HFC towards the weaker sections is not sufficient.

The total assistance of loans sanctioned vis-à-vis loans sanctioned to economically weaker sections by HFC has been depicted in Table No. 4 and Graph 4 respectively.

**Table – 4**  
**Assistance Sanctioned to Economically Weaker Sections by HFC**

**(Rs. in Crores)**

<b>Year</b>	<b>Total Sanctions (1)</b>	<b>Sanctions up to Rs. 5.00 lacs (2)</b>	<b>(2) as Percentage of (1)</b>
2000-01	130.37	1.57	1.20
2001-02	137.72	1.96	1.42

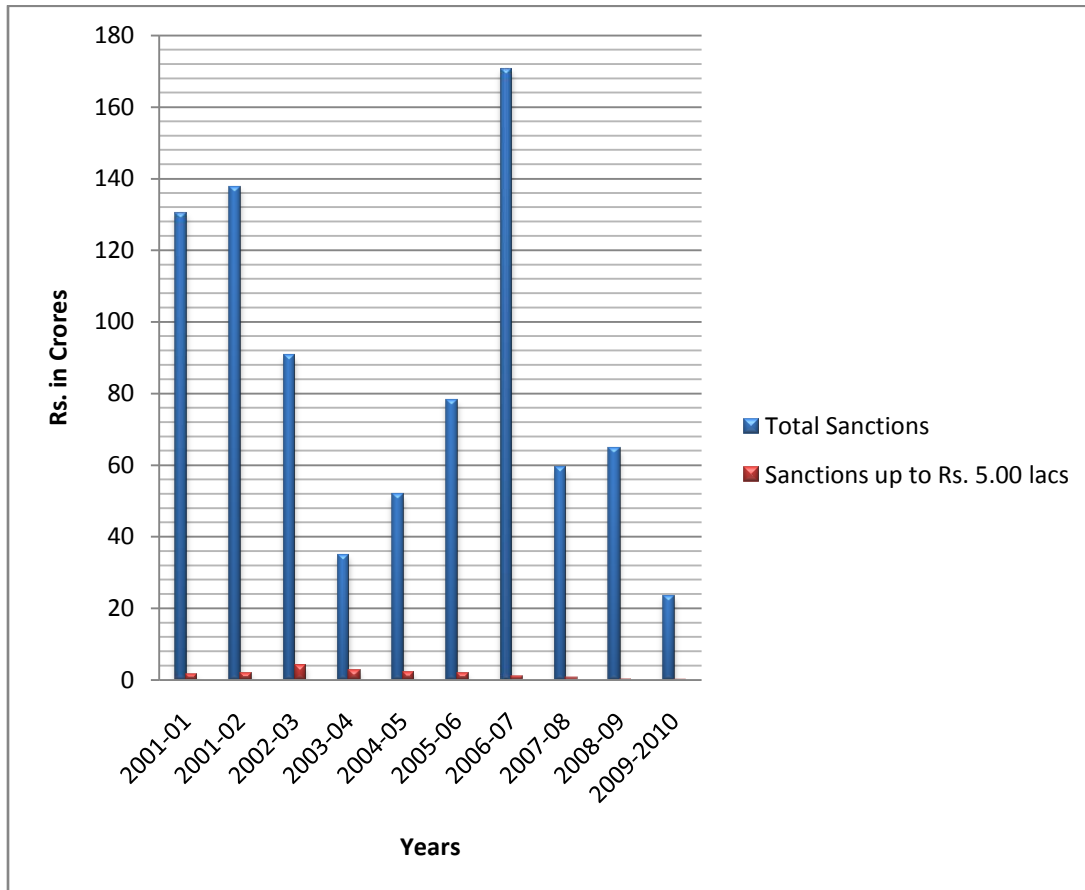
2002-03	90.66	4.13	4.56
2003-04	34.88	2.8	8.03
2004-05	51.7	2.24	4.33
2005-06	78.18	1.87	2.39
2006-07	170.67	0.91	0.53
2007-08	59.17	0.49	0.83
2008-09	64.57	0.17	0.26
2009-10	23.48	0.06	0.26
Cumulative during the period	841.4	16.2	1.93

Coefficient of correlation between (1) and (2) = 0.8

T-value (significant at 5 percent level) = 0.22

Source: Annual Reports of HFC

**Graph – 4**  
**Assistance Sanctioned to Economically Weaker Sections by HFC**



It may be observed, that sanctions to weaker sections (entrepreneur who avail loans up to Rs. 5.00 lacs have been presumed as economically weak) by HFC declined from Rs. 1.57 crores in 2000-01 to Rupees .06 crores in 2009-10, thus showing a negative growth of 2516 percent. The share of sanctions to weaker sections out of total sections also increased from 1.20 percent in 2000-01 to 8.03 percent in 2003-04, thereafter it has start declined trend. The role of sanctions to weaker sections out of total sanctions ranged between 0.26 to 8.03 percent. However, the average sanction to economically weaker sections out of total sanctions was 1.93 percent.

### **Assistance Sanctioned by HFC on the Basis of Constitution/ Organisation**

The financial strength of borrowers and the extent of security offered are closely associated with the form of organization of any business unit. The sole proprietor is not viewed as a separate entity from his business unit when the question of liability comes up. His liability, therefore, covers all his possessions. Moreover, the possession of a single proprietor is likely to be less than those of group of persons in partnership organizations where each partner is responsible for all the debts and obligations of the firm. Their personal properties are also taken into common corpus to clear off the financial obligations of the firm. The lender, therefore, has a better security in partnership organizations. The private companies preserve the virtues of partnership and acquire the merits of company form of ownership. Since the liability of the shareholders of any company is limited to their shareholdings, the lenders have to be extra cautious. In the small-scale sector where the mortality rate is high, security problems become the prime consideration.

While advancing loans, the Corporation considers the constitution of the borrowing concern in view of the above limitations for the purpose of documentation. The data presented in this section show that the HFC has sanctioned and disbursed loans to industrial concerns organised as private, public companies, partnership firms and sole proprietors.

The breakup of the total assistance sanctioned by HFC according to the type of organization has been shown in the Table No. 5.

**Table-5**  
**Constitution-wise Assistance Sanctioned by HFC**

**(Rs. in Crores)**

<b>Year</b>	<b>Public Ltd. Companies</b>	<b>Private Ltd. Companies</b>	<b>Partnership Concerns</b>	<b>Proprietary Concerns</b>	<b>Total</b>
2000-01	11.46	78.12	14.94	25.86	130.38 ( 15.49)
2001-02	15.32	67.62	15.32	39.45	137.73 ( 16.36)
2002-03	8.37	37.80	19.65	24.84	90.66 ( 10.77)
2003-04	3.93	16.37	4.64	9.94	34.88 ( 4.14 )
2004-05	0.20	20.97	8.44	22.09	51.70 ( 6.14)
2005-06	3.07	41.16	9.53	24.40	78.16 (9.28)
2006-07	1.28	99.05	12.56	57.77	170.66 (20.28)
2007-08	5.00	5.84	33.98	14.34	59.16 (7.03)
2008-09	0.00	23.91	20.01	20.65	64.57

					(7.67)
2009-10	1.85	8.76	1.24	11.63	23.48
					(2.79)
Cumulative during the period	50.48 (6.00)	399.6 (47.50)	140.31 (16.67)	250.97 (29.82)	841.4 (100.00)

Source: Annual Reports of HFC

(Figures shown in parenthesis indicates percentages)

The table reveals that sanction to constitution-wise units have been declining every year. Up to end March 2010, the cumulative sanctions by HFC was Rs. 841.4 crores in which the maximum share has been sanctioned to Private Ltd. Companies (47.50 percent) of total sanctions, share of proprietary concerns was 29.82 percent followed by 16.67 percent to partnership concerns. A lot of change has come in sanctions to various organisations every year.

From the table and above analysis it is clear that the emphasis of the Corporation is on granting loans to Private Ltd. Companies.

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