

# Efforts Made by State Government through MPFC to Improve Backward Districts in Madhya Pradesh During 1985-97

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**Abstract:** *Shortage of Water, Poor Agriculture, lack of Mineral and Energy Resources, Poor Industrialisation, typical Demography are some of the major issues because of which MP has always been topping list in the country as Backward State. State government's consistent initiatives has continuously improved the State and its economy. After the shift in the economic policy of market liberalisation in 1991 [1] growth phase has started in MP. The Govt. deployment of funds, manpower, energy, infrastructure has improved the situation. In the process many organisations were roped in and MPFC is one of the Financial Institutions & was made responsible through funds management. MPFC has played a critical role[2] of reaching to the poorest in state and helped them in establishing Small Scale Industries involving backward community and generating employment. MPFC has started various schemes at the remote village levels, where even transportation was a challenge during this time in 1985.*

**Keywords:** Demography, Backward Districts, Madhya Pradesh Financial Corporation (MPFC), Market liberalisation, Economic policy

## 1. Introduction

Madhya Pradesh has very large forest cover in the country and it also has a large tribal population. Deforestation and tribal displacement remained an issue in the state since beginning. The state had a good location and offers connectivity in all the directions but poor road network, poor communication, lack of industrialisation and many more such types of basic issues had remained major road blocks in its development.

Shortage of Water, Poor Agriculture, lack of Mineral and Energy Resources, Poor Industrialisation, typical Demography, Corruption are some of the major issues because of which Madhya Pradesh has always been lagging behind in comparison to other states, which were either, remained in this era, fast developing or developed. State government's consistent initiatives has continuously improved the State and its economy. Skilful management on the part of government could deal with it, efficiently. Gross State Domestic Product comparison in three decades as a percentage of that of top five states during study years, decades, is given in Table No.1.

**Table 1:** GSDP comparison(% age basis) in three decades of Top 5 States during 1985-97

Decade	1980-81	1990-91	2000-01
Top5 States	Punjab, Maharashtra, Haryana, Gujarat, West Bengal	Punjab, Maharashtra, Haryana, Gujarat, TamilNadu	Punjab, Maharashtra, Haryana, TamilNadu, Kerala
Percentage in top five states	100%	100%	100%
Bottom 5 States	Madhya Pradesh, Uttar Pradesh, Odisha, Rajasthan, Bihar	Madhya Pradesh, Uttar Pradesh, Odisha, Rajasthan, Bihar	Madhya Pradesh, Uttar Pradesh, Odisha, Rajasthan, Bihar
Percentage of that in top 5 states	56.3%	53.4%	44.2%

Divided Madhya Pradesh has lost its 30.47% of its mineral rich land area, 26.62% of its population, 41.25% of its forests, 21.93% of its agricultural produce and 23.38% of its cultivated area. The MP is required to take up some specific aspects of development.

MP is one of the states which is phasing difficulties of growth specially being the middle income group state, its growth continues to remain behind others. The analysis of industrial manufacturing shows that the industrial growth rate in MP was higher in 1990s in comparison to 1980s.

MPFC, Madhya Pradesh Financial Corporation is a premier Institute of MP State which has been engaged by MP Government to provide financial assistance and related services to Small & Medium size industries. MPFC has an organisational structure that determines the relationship between functions and positions, also subdivides and delegates roles, responsibilities and authority to carry out defined tasks. It is a framework within which the corporation arranges its line of authorities and communication and allocates rights and duties. MPFC operates on the basis of decentralisation of authority through branch network. It was constituted in 1955 under the state financial corporation act 1951. MPFC is extending wide ranging funds and non funds based services. It offers number of financial schemes to industries.

A study was conducted for a period 1985-1997 when the identified districts in MP were 45 and out of these 45 districts 39 districts were industrially and economically backward. These number of districts have gone up to 61 in the year 2001. Later the number has reduced due to improvement and due to division of the state.

## 2. Objective of Research Study

Objective is to analyse the degree of efforts and improvement level in the backward districts falling in economically and industrially backward category in Madhya

Pradesh through one of the Financial Institutions, MPFC during 1985-97.

### 3. Methodology

#### 3.1 Data Collection

The study is based on the method of descriptive analysis in comparative framework. The study relies upon secondary resources and main sources are State Statistical Organisation, State Planning Board, Directorate of Economics and Statistics, Madhya Pradesh Finance Corporation etc. The study covered small scale, medium scale units in MP. The data of MPFC has been collected, collated and analysed to obtain the results in this duration of the study.

#### 3.2 Declaration Yardsticks [9]

In the period of 1985-1997, the districts were identified as backward on the yardsticks as below:

- a) Distance of a District from big cities was more than 50 miles.
- b) Distance from an Industrial Centre was more than 50 miles.
- c) The population employed in secondary and tertiary economic activities was less than 25% of the state levels economic activities.
  - i. Where primary activities were considered as agriculture, fisheries, animal husbandries etc.
  - ii. Secondary activities were considered to be related to manufacturing &
  - iii. Tertiary activities were considered as service sector activities.
- d) Standard yardsticks were deployed on the district level to compare, basic levels of living standards of human being, in comparison with the state level basic standards of living, by less than 25% [4] on the following basic amenities:
  - 1) Per capita income
  - 2) Power consumption
  - 3) Road & Transportation availability
  - 4) Communication facilities
  - 5) Water availability
  - 6) Employment opportunity in industry
  - 7) Limit of Consumption of available infrastructure
    - i. Natural resources
    - ii. Forest –minimum consumption
    - iii. Minerals- minimum consumption

These yardsticks were developed after a lot of discussions on the subject matter and on the intervention of Planning Commission of Government of India. Two committees were formulated called as Pande committee and Banchu Committee in the December, 1969. These committees have concluded the given yardsticks, which were accepted by the government. On the basis of these yardsticks, economically

and industrially backward districts were declared in Madhya Pradesh[1].

#### 3.3. Description of Industries operational in Backward districts in MP

There were many different types of industries operational in the state MP however, some of the categories are mentioned below in table no. 2 in which predominant industries[7] were falling during period taken for study:

**Table 2:** Different types of Industries operational in MP State during 1985-97

Agriculture based	Forest Resources based	Mineral based	Demand Based	Job Based
Food Products	Paper	Cement	Engineering	Brick Klins
Cotton	Bidi	Potteries	Textiles	Clay
Sugar	Wood		Chemicals	Iron-mesh
Artificial fibre				
Jute				

The MPFC has been continuously making efforts in developing these backward districts through financial assistance. The MPFC is managing the funds disbursal despite several economical and political constraints and incentivising small scale and medium scale industries [7]. Management of financial disbursement in the backward areas has always remained a challenge.

### 4. Expectations

Money plays critical role in the growth. Growth depends upon the levels of Industrialisation and development of other activities like Hotel, Woman empowerment, entrepreneurs. During 1985-1997 being a long time of more than a decade, the perception was that substantial growth should be recorded. MPFC has played a crucial role in the improvement of backward districts through their various schemes, which have been operated by MPFC over the number of years. The schemes have covered all groups of society like woman to industries in backward areas. The measurement of growth is a subjective analysis and can't be directly quantified but can only be compared. Hence, an attempt to compare with existing yardsticks have been made.

### 5. Analysis of Data

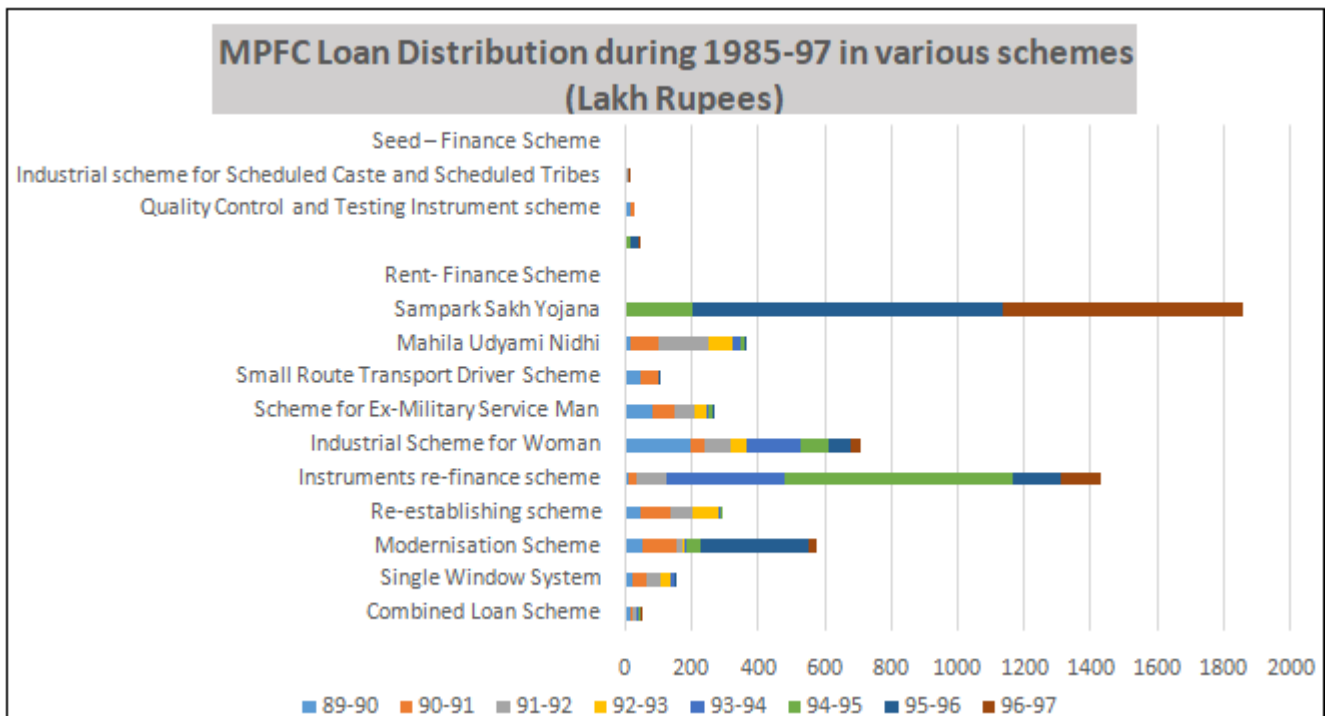
MPFC has operated a number of schemes through which funds have been given as loan for the industrialization of the districts. Details of various schemes, loans disbursed based on different sectors, nature of loan, type of loan, amount of loan etc. have been given in tables 3 to 6. MPFC Loan Distribution during 1985-97 in various Schemes floated in Backward Districts of Madhya Pradesh have been shown in the figure no.1.

**Table 3: Schemes operated by MPFC during 1985-91 Funds distributed**

Sr.	Name of schemes	85-86	86-87	87-88	88-89	89-90	90-91
01	Combined Loan Scheme	-	-	-	-	15.37	10.96
02	Single Window System	-	-	-	-	24.26	39.92
03	Modernisation Scheme	-	52.95	41.89	23.48	55.75	99.73
04	Re-establishing scheme	-	-	-	-	50.97	87.07
05	Instruments re-finance scheme	-	8.27	-	-	15.00	20.90
06	Industrial Scheme for Woman	-	9.19	-	141.99	198.01	40.47
07	Scheme for Ex-Military Service Man	-	-	-	56.62	84.39	68.54
08	Small Route Transport Driver Scheme	-	-	-	-	50.00	51.50
09	Mahila Udyami Nidhi	-	-	-	-	18.70	83.95
10	Sampark Sakh Yojana	-	-	-	-	-	-
11	Rent- Finance Scheme	-	-	-	-	-	-
12	Refinance scheme for Indian Small Scale Industries Development Bank	-	-	-	-	-	-
13	Quality Control and Testing Instrument scheme	-	-	-	-	18.00	10.30
14	Industrial scheme for Scheduled Caste and Scheduled Tribes	-	2.22	-	-	1.37	3.88
15	Seed – Finance Scheme	-	-	-	-	0.41	0.41
	<b>Total</b>	<b>0</b>	<b>72.63</b>	<b>41.89</b>	<b>222.09</b>	<b>532.23</b>	<b>517.63</b>

**Table 4: Schemes operated by MPFC during 1991-97 Funds distributed**

Sr.	Name of schemes	91-92	92-93	93-94	94-95	95-96	96-97
01	Combined Loan Scheme	8.42	4.00	5.40	2.07	0.75	0.45
02	Single Window System	41.48	34.87	8.85	2.20	0.65	-
03	Modernisation Scheme	18.78	4.00	10.25	38.07	323.75	27.56
04	Re-establishing scheme	67.17	75.53	4.73	11.10	-	-
05	Instruments re-finance scheme	90.00	-	352.03	687.42	141.30	122.50
06	Industrial Scheme for Woman	82.21	44.72	160.33	88.19	66.49	25.97
07	Scheme for Ex-Military Service Man	58.06	35.50	8.66	7.86	1.00	-
08	Small Route Transport Driver Scheme	-	-	-	-	4.00	-
09	Mahila Udyami Nidhi	152.10	69.02	24.15	12.60	0.40	-
10	Sampark Sakh Yojana	-	-	-	204.56	929.43	724.65
11	Rent- Finance Scheme	-	-	-	8.30	-	-
12	Refinance scheme for Indian Small Scale Industries Development Bank	-	-	5.10	15.20	22.35	1.25
13	Quality Control and Testing Instrument scheme	-	-	-	-	-	-
14	Industrial scheme for Scheduled Caste and Scheduled Tribes	4.36	-	0.50	1.50	-	7.25
15	Seed – Finance Scheme	-	-	3.80	-	-	-
	<b>Total</b>	<b>522.58</b>	<b>267.64</b>	<b>583.8</b>	<b>1079.07</b>	<b>1490.12</b>	<b>909.63</b>



**Figure 1: MPFC Loan Distribution during 1985-97 in various Schemes floated in Backward Districts of Madhya Pradesh**

**Table 5: Institutional Sector-wise Loans Classification & Distribution for SSI Units**

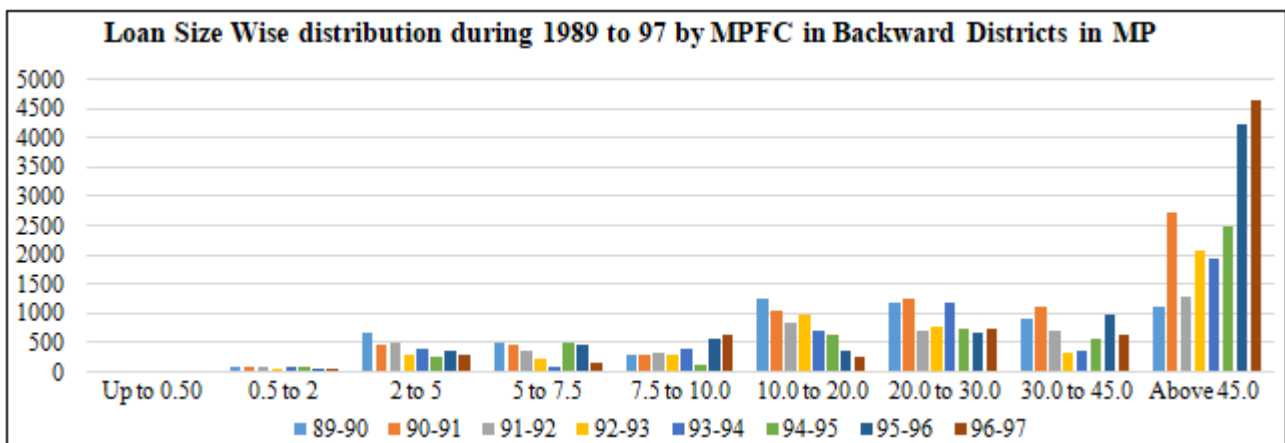
Type of Industries	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97
Public	121.36	207.49	277.09	360.37	89.95	34.81	6.50	73.04	256.39	204.92	432.50	456.47
Private	3924.73	5868.18	7856.38	9760.33	2057.81	2156.38	1433.62	1888.21	1544.42	1135.11	1380.74	1098.10
Sahakari	21.68	22.28	25.78	25.78	-	-	13.48	15.02	-	7.97	1.79	-
Partnership (Bhagidari)	3061.76	3810.59	4729.77	5511.55	635.01	702.47	584.00	614.64	709.54	815.03	724.22	627.10
Individual (Swatdhari)	1665.49	2165.34	2564.21	3070.71	681.15	687.6	509.14	583.57	540.01	684.92	583.08	562.02
Joint Hindu Family	13.79	13.79	13.79	42.72	20.97	2.50	-	-	-	-	-	-
Total	8808.81	12087.67	15467.02	18771.46	3484.89	3583.32	2546.74	3173.48	3050.36	2845.55	3122.33	2743.69

**Table 6: Size-wise Loans Classifications and amount disbursed**

Size of loan in Lac	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97
Up to 0.50	21.25	16.88	13.67	8.06	5.40	4.89	-	0.50
0.5 to 2	96.96	100.36	83.04	79.46	111.65	96.97	63.00	61.35
2 to 5	675.10	472.90	485.57	327.07	423.07	286.80	392.25	299.26
5 to 7.5	514.82	454.64	356.38	238.97	123.33	534.69	492.60	182.35
7.5 to 10.0	299.41	301.55	326.40	329.25	400.50	157.90	573.14	634.65
10.0 to 20.0	1271.37	1049.33	834.35	992.60	713.96	668.06	378.55	257.65
20.0 to 30.0	1187.71	1255.15	689.25	793.95	1193.50	751.96	673.15	741.30
30.0 to 45.0	929.95	1107.97	702.85	346.50	376.55	579.85	981.75	650.50
Above 45.0	1106.80	2733.60	1295.70	2110.0	1945.25	2495.25	4231.0	4640.50
Total	6103.37	7492.38	4787.21	5225.86	5293.21	5516.37	7785.44	7468.06

The Figure No.2 depicts the Loan Size Wise distribution by MPFC in between 1989-1997 in various backward districts of MP. The distribution pattern has been depicted in the

figure given where more disbursement can be seen in the highest range of above 45.00 Lakhs loan sought by various industries.



**Figure 2: Loan Size Wise Distribution in 1989-97 by MPFC in various Backward Districts of Madhya Pradesh.**

## 6. Findings & Conclusions

The status of districts could not be improved to a defined level so that these districts could have been brought above the tags of economically and industrially backward districts despite consistent efforts through MPFC in various districts of MP. However, it can certainly be drawn that levels of all the indicators had raised. General living standards in MP districts had improved and per capita income had also improved. But despite serious efforts of government these districts still remained below the tag and require more financial assistance alongwith improvement in infrastructural development. The total amount of funds as loan distributed every year ranged from 72.63 to 1490.12 Lakhs. Data clearly informs that maximum efforts were put in the year 1995-96 when maximum loan distribution has been done by MPFC. The maximum amount has been distributed by the agency for its scheme SAMPARK SAKH YOJANA where 929.43 Lakh rupees and 724.65 lakh rupees

had been distributed during 1995-97. At the same time it can be seen that Instrument Re-finance scheme was high on agenda which clearly spells that efforts were on to revive and survival of industries having low scale production and face tough competition with Large Scale Industries. The third highlight of the data findings was the disbursal of funds for Industrial Scheme for women and Mahila Udyami Nidhi wherein during 1993-94 around 160 lakhs was distributed as loan and 152.10 Lakhs rupees loan was distributed in 1991-92 respectively. This indicates schemes for women was focussed initially. The fourth outcome of the study shows that demand of loan remained very high in the highest disbursal capacity which is indicating that industries seeking higher amount have more inclination of getting loans for their project and which is a market driven strategy that more and more amount is required to sustain as a fact.

## 7. Limitation of Study

The study required upto date year-wise data of all the districts in MP, details of type of industries, number of industries, sector-wise data of finance, details of recovery etc. M.P. is not publishing detailed data which is the biggest limitation of the study.

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