

A Study on Financial Assistance Programme of NEDFi: With Special Reference to the State of Assam

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Abstract:

Finance, which is rightly described as the life blood of industry, is a pre-requisite for the mobilization of the real sources for organizing production. The balance industrial development without ensuring the provision of adequate and timely finance is not possible. Finance is needed at the time of setting up of the industrial unit, expansion, modernization and diversification of the industrial unit. It also required running the unit.

North Eastern Development Finance Corporation Ltd. (NEDFi) established to provide financial assistance to micro, small, medium and large enterprises for setting up industrial, infrastructure and agro-allied projects in the North Eastern Region of India and also Microfinance through MFI/NGOs.

The study highlights the increasing gap between the sanctioning and disbursement of loans which reduces the utility of assistance because; the applicant (borrowers) may not get the required help at right time. If it would be continue in future then the objectives and the commitment they made at the time of establishment of corporation may not turn into reality.

Introduction:

The North Eastern Development Finance Corporation Ltd (NEDFi) is a Public Limited Company registered under the Companies Act 1956 on 9th August, 1995. It is notified as a Public Financial Institution under Section 4A of the said Act and was registered as an NBFC in 2002 with RBI. The shareholders of the Corporation are IDBI, SBI, LIC, SIDBI, ICICI, IFCI, SUUTI, GIC and its subsidiaries. The management of NEDFi has been entrusted upon the Board of Directors comprising representatives from shareholder institutions, DoNER, State Governments and eminent persons from the NE Region and outside having wide experience in industry, economics, finance and management.

NEDFi provides financial assistance to micro, small, medium and large enterprises for setting up industrial, infrastructure and agro-allied projects in the North Eastern Region of India and also Microfinance through MFI/NGOs. Besides financing, the Corporation offers

Consultancy & Advisory services to the state Governments, private sectors and other agencies. We conduct sector or state specific studies under its Techno-Economic Development Fund (TEDF) and are the designated nodal agency for disbursement of Govt. of India incentives to the industries in the North-East India under North–East Industrial and Investment Promotion Policy 2007 (NEIIPP 2007). NEDFi's promotional activities include NEDFi Haat, NEDFi Convention Center, NEDFi Pavilion etc.

NEDFi's mission is for the economic development of the North Eastern Region of India by identifying, financing and nurturing commercially and financially viable projects in the region.

The objectives of the study:

- To study the various forms of financial assistance provided by NEDFi to boost up the region in the economic development.
- To study the operational performance of NEDFi.

Methodology:

The research methodology is being followed in collecting the data and information about the role and policies of the NEDFi in the Industrialization of the North Eastern states. It includes data collection, data presentation and interpretation. The analysis of data was done by using simple statistical tools and taking the percentages of the data available for the study. Diagrams and tables are also used as suitable.

Significance of the Study:

The study has been carried out with the objectives of finding importance of industrialization and to encourage youth entrepreneur of the region so that they can open small scale and cottage industry for their livelihood. To-day's youths are not in a position to afford them to such expensive venture. Keeping this lacuna in mind the present study has been undertaken to invite and motivate them for self-employment. Hence the significance of the study lies.

Limitation of the Study:

The proposed study is not free from limitations. Since the study is confined on the data available from Annual Reports of NEDFi, for the states of Assam. Financial assistance programmes provided by NEDFi to the small and medium scale industries, some authentic information may also be left. So far as the analysis based on secondary data is concerned, the limitation of secondary data will also be applicable.

Operational Performance:

The operation of NEDFi may be examined with reference to the quantum of their assistance and pattern of distribution of assistance. This will give us an insight in to the efficiency of the Institution in the fulfillment of the objectives for which it was set up.

Year-wise Operational Performance of NEDFi: Growth of Sanctions and Disbursement

Table-1 shows the total amount of loans sanctioned and disbursed from the year 1996-97 to 2010-11. It also shows the fixed Index number (1996-97=100) and chain base index number to indicate the growth of sanctions and disbursements.

Fixed index numbers of total amount sanctioned have increased from 100 in 1996-97 to 4858.50 in 2010-11. It means an increase of more than 48.58 times in 15 years. The corresponding index numbers of assistance disbursed have increased from 100 in 1996-97 to 3246.02, i.e., an increase of 32.46 times in 15 years. Thus, it has been observed that, though, both sanctions and disbursement have increased over the years but the amount disbursed has comparatively decreased more than the amount sanction.

The chain-based index numbers have been calculated to show the increase or decrease in the total amount sanctioned or disbursed. It shows that in the year 1996-97, 1997-98 and 1998-99, the amount sanctioned has increased in comparison with the previous years, but in the year 1999-00 declined sharply to 78.48. in 2003-04, the chain-based index number went down to 77.59 as compared to 170.67 of 1997-98. In the year 2000-01, it is observed that the chain-based index number jumped to 228.70, but in the next year sharply declined to 77.59 and slowly increased to 194.13 in the year 2007-08. Again the chain-based index of amount sanctioned decline in following years, 128.71, 104.77 and 148.12 respectively.

The chain-based index number of amount disbursed is than 100 for all the years except in the years 1997-98, 1999-00, 2001-02, 2002-03, and 2004-05. The management of NEDFi claimed that the decline in the amount of loan sanctioned and disbursed was due general recession in that year and the increase in the amount was their efforts.

Table-1
Year-wise Index Number of Amount Sanctioned and
Disbursed by NEDFi in Assam

Year	Amount Sanctioned (in lacs)	Fixed Index Number	Chain Index Number	Amount Disbursed (in lacs)	Fixed Index Number	Chain Index Number
1996-97	682	100.00	100.00	615	100.00	100.00
1997-98	1164	170.67	170.67	227	36.91	36.91
1998-99	2198	322.29	188.83	1062	172.82	467.84
1999-00	1725	252.93	78.48	932	151.54	87.76
2000-01	3945	578.45	228.70	3360	546.34	360.52
2001-02	3166	464.22	80.25	2472	401.95	73.57
2002-03	3401	498.68	107.42	2170	352.85	87.78
2003-04	2639	386.95	77.59	2964	481.95	136.59
2004-05	4084	598.83	154.76	2285	371.54	77.09
2005-06	7053	1034.16	172.70	5342	868.62	233.79
2006-07	8545	1252.93	121.15	6680	1086.18	125.05
2007-08	16588	2432.26	194.13	8872	1442.60	132.81
2008-09	21351	3130.65	128.71	13071	2125.37	147.33
2009-10	22370	3332.84	104.77	13512	2197.07	103.37
2010-11	33135	4858.50	148.12	19963	3246.02	147.74

Sources: Annual Report NEDFi,

Quantum of Assistance Disbursed:

NEDFi has made considerable headway in assisting business undertakings. It has step up its activities in the last 16 years of its life. Till March, 2011, 916 projects were being promoted by NEDFi in varied fields of industry.

An analysis of annual sanctions and disbursements of NEDFi in recent years reveals a remarkable growth, in the year 2010-11, NEDFi sanctioned loans worth Rs. 33135 lacs as against only Rs. 682 lacs in the year 1996-97. The disbursements increased from 615 lacs in 1996-97 to Rs. 3360 lacs in 2000-01 and to Rs. 19963 lacs in 2010-11.

A worrying feature of NEDFi has been that while their loan sanctions recorded a considerable progress except in the year 1999-00, and 2001-02 to 2003-04, the magnitude of the increase in disbursements was less pronounced except in the year 2003-04. This is evident from the percentage share of disbursements in the total assistance sanctioned which decline from 90.18 percent in 1996-97 to 19.50%, 48.32%, 54.03% in the years 1997-97, 1998-99, and 1999-00 respectively and again to 53.48% in the year 2007-08. During the year 2003-04 amount of disbursed is 100 percent against the amount sanctioned. (See table 2). The average percentage of amount of disbursements against the total amount sanctioned is 63.26 percent.

So the increasing gap between the sanctioning and disbursement of loans reduces the utility of assistance because the applicant may not be able to get the required help at right time.

Table-2
Sanctions and Disbursement by NEDFi in Assam
Under different schemes: (Rs. In lacs)

Year	Amount sanctioned	Amount Disbursed	Percentage
1996-97	682	615	90.18
1997-98	1164	227	19.50
1998-99	2198	1062	48.32
1999-00	1725	932	54.03
2000-01	3945	3360	85.17
2001-02	3166	2472	78.08
2002-03	3401	2170	63.80
2003-04	2639	2964	112.32
2004-05	4084	2285	55.95
2005-06	7053	5342	75.74
2006-07	8545	6680	78.17
2007-08	16588	8872	53.48
2008-09	21351	13071	61.22
2009-10	22370	13512	60.40
2010-11	33135	19963	60.25
Total	132045	83527	63.26

Sources: Annual Report of NEDFi

Year wise amount of sanctioned, disbursements and Number of projects:

From the following table-3 it can be cleared that in the year 1996-97 the project sanction was only 2 and in the subsequent years the number of project sanction is increased to 91 in 2003-04, and highest number of project sanction in the 2004-05 i.e., 129. In the following years the number of project sanctioned were decline to 72 and 70 in the year 2009-10 and 2010-11 respectively. The amount disbursed against the amount sanction was also below the average level which is not a good sign for industrial development of the state to employ the available resources. In the year 2004-05 the total number of project sanction was highest i.e., 129 but the amount disbursed against the amount sanctioned was just 55.95 percent it means quantitative not a qualitative performance.

Table-3

Year wise amount of sanctioned, disbursements and Number of projects sanctioned as on 31st March, 2011 (Rs.in lacs)

Year	Amount sanctioned	Amount Disbursed (%)	Number of Projects
1996-97	682	615 (90.18)	2
1997-98	1164	227 (19.50)	12
1998-99	2198	1062 (48.32)	13
1999-00	1725	932 (54.03)	25
2000-01	3945	3360 (85.17)	37
2001-02	3166	2472 (78.08)	49
2002-03	3401	2170 (63.80)	69
2003-04	2639	2964 (112.32)	91
2004-05	4084	2285 (55.95)	129
2005-06	7053	5342 (75.74)	110
2006-07	8545	6680 (78.17)	98
2007-08	16588	8872 (53.48)	66
2008-09	21351	13071 (61.22)	73
2009-10	22370	13512 (60.40)	72
2010-11	33135	19963 (60.25)	70
Total	132045	83527 (63.26)	916

Sources: Annual Report of NEDFi

Micro Finance Scheme:

The Micro Finance Scheme, an effective instrument for financial inclusion, was launched to meet the needs of smaller entrepreneurs in the remote areas, especially in the villages and small towns of the region. Through this scheme, NEDFi supports Non-Government Organizations (NGO) for on lending to the “needy” (preferably Self-Help Group or individual) for taking up productive activities in the field of agriculture, micro industries and service sectors including transportation, etc. During the financial year 2010-11, aggregated loans sanctioned under the scheme were Rs.33.35 Crore covering 21 projects and 51304 beneficiaries.

Till the end of March 2011, the Corporation succeed to reach out to 159983 beneficiaries [of which 83% are women] in the NE Region through 421 NGOs/MFIs (Micro Finance Institutions)/CBOs of 8 North Eastern States with cumulative sanctions and disbursements amounting to Rs.101.19 crore and Rs.95.45 crore respectively. In Assam, total cumulative sanctions and disbursements figures are over Rs.80 crore and Rs.77 crore.

Table-4

Summary of amount sanctioned and amount disbursement under Micro Finance in Assam (as on March, 2011) (Amount Rupees in Lakh)

Item	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Total
Amount sanction	40	119	154	243	93	150	501	1170	1344	1196	3031	8025
Amount disbursed	26	82	145	204	140	140	499	515	1120	1490	3346	7710
%disbursement.	65	69	94	84	155	93	100	44	83	125	110	96

Source: Annual Report 2010-11, NEDFi.

The percentage of amount disbursed under micro finance scheme against the amount sanctioned is above the average level in 2004-04, 2006-07, 2009-10 and 2010-11 years and all other years are below the average level. But the percentage of amount disbursement in the state is in good position which signifies the performance of the corporation as high level. It can be cleared from the above table.

Conclusion:

Analysis of the operations of the NEDFi reveals that NEDFi has played an important role in the development of industries in the states of Assam. Besides, giving loans, other credit facilities, this also has offered equity participation to a large extent, which is really praiseworthy. The biggest recipient of the NEDFi's assistance has been the private sector corporate enterprises. The performance of NEDFi has been really commendable, particularly in carrying out promotional functions for the development of these backward East state

In near future NEDFi will have to come up with more new and innovative schemes to encourage industrial development, self employment in the North East region. Hence it has to play a major role in promoting industrialization in the North Eastern States of India.

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