

## **PERFORMANCE OF FINANCIAL ASSISTANCE PROGRAMME OF NEDFi: AN ANALYSIS**

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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, balance industrial development, generation of employment and economic development of the region. Finance is needed at the time of setting up of the industrial unit, expansion, modernization, diversification and running of the industrial unit. The balance industrial development without ensuring the provision of adequate and timely finance is not possible.

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 work tried to present an alarming feature of NEDFi, that the term sanctions recorded a considerable progress, the degree of the increased in disbursements was less pronounced which are presented as percentage.

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.

**Keywords:** Haat, databank, Agro-allied.

### **Introduction**

The role of financial institutions in the economic growth process has long been recognized. In India, the special financial institutions have been developed to provide finance for industrial activities in all the regions, so as to sustain equitable industrial growth in the country. Finance is a basic element and a powerful lubricant for industrial and economic development of a country. It is the non-substitutable growth catalyst and facilitates in growth process. In spite of this the commercial banks were not interested in fulfilling the long-term credit needs of the Industry. So, the Government of India accepted the need for the establishment of Financial Institutions to meet the long term credit requirement of Industry. Industrial Development Bank of India (IDBI), Industrial Financial Corporation of India (IFCI), Industrial Credit and Investment

Corporation of India (ICICI), Small Industrial Development Bank of India (SIDBI), Industrial Reconstruction Bank of India (IRBI), etc. and at state level State Finance Corporation (SFC), State Industrial Development Corporations(SIDC), etc.

The North Eastern Development Finance Corporation Ltd (NEDFi) is a Public Limited Company registered under the Companies Act 1956 on 9<sup>th</sup> 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.

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 by identifying, nurturing commercially and financially viable projects in the region.

The work 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 the corporation may not turn into reality.

### **The objectives of the study**

- To highlights financial assistance provided by NEDFi to boost up the region for economic development.
- To highlights the operational performance of NEDFi.

### **Methodology**

The methodology is being followed in collecting the data and information about financial assistance and disbursement of the NEDFi in the Industrialization of the North Eastern states. It includes data collection, data presentation and interpretation. Most of the data collected is of secondary in nature. The data's are collected from the annual reports of NEDFi, statistical hand book of assam and Economic Survey. 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 work has been carried out with the objectives of highlighting the increasing gap between the sanctioning and disbursement of loans for industrialization and to encourage youth

entrepreneur of the region so that they can open small scale and cottage industry for their livelihood with proper financial assistance. To-day's youths are not in a position to afford them to such expensive venture. Keeping this lacuna in mind the present work 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 and economic survey 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 of NEDFi**

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.

### **Quantum of Financial Assistance Disbursed**

NEDFi has made considerable headway in assisting business undertaking through its intermediaries i.e. Non-Government Organization (NGO), Voluntary Associations (VA), and Entrepreneurs Associates (EA) etc. It has stepped up its activities in the last fifteen years of its establishment. Till March, 2011 2205 Nos. of projects was promoted by NEDFi in various fields of industry, business enterprise, entrepreneurs etc.

An analysis of amount sanctions and disbursements of NEDFi in recent years reveals a remarkable growth in the year 2010-11 sanctioned loans worth Rs42139 lakh and Rs. 13872 lakh in 2006-07 against the amount sanction Rs.682 lakh in the year 1996-97. The disbursement increased from Rs615 lakh in 1996-97 to Rs.9424 lakh in 2006-07 and Rs28138 lakh in the year 2010-11.

An alarming feature of NEDFi has been that while their term sanctions recorded a considerable progress, the magnitude of the increased in disbursements was less pronounced. This is evident from the percentage share of disbursements in the total assistance sanctioned which declined from 90.32 percent in 1996-97 to 60.62% in 2000-2001 and again raised slightly to 79.43% percent in 2005-2006 and again declined to worst position of 41.66% percent in 2007-

2008. In the year 2008-09 the percentage of disbursement on sanction was slightly increase to 68.98% and in the year 2010-11 it was just above the average level of disbursement that is 66.77%. The average disbursement on sanctions by the corporation was 62.56% in 2010-11. The performance of disbursements are below average level in the year 2004-05, 2007-08 and 2009-10 i.e., 58.61%, 41.66% and 62.41% respectively.

So, the increasing gap between the sanctioning and disbursement of loans reduces the utility of assistance because the applicant (borrowers) may not get the required help at right time. Summing up it is discovered that the objectives and the commitment they made at the time of establishment may not turn into reality.

The following table shows the performance of NEDFi as on March, 2011.

**Table -1**

**Year-wise amount sanctioned and disbursed as on March, 2011 (Rs. In Lakh)**

year	Sanctions Rs. Lakhs	Disbursements Rs.Lakhs	Projects sanctioned
2004-05	8932	5235	(58.61%) 238
2005-06	13132	10431	(79.43%) 285
2006-07	13872	9424	(67.94%) 300
2007-08	27945	11643	(41.66%) 164
2008-09	26689	18409	(68.98%) 173
2009-10	33341	20808	(62.41%) 211
2010-11	42139	28138	(66.77%) 198

Sources: *Annual Report of NEDFi*

Note: figures shown in the brackets represent percentage disbursement on sanctions.

### **Schemes of Financial Assistance**

The various schemes of financial assistance programmes provided by NEDFi are:

**a) Project Finance:** It provides long-term assistance for setting up of new industrial and infrastructure projects as well as for expansion, diversification and modernization of existing industrial enterprises. Following are the different Project Finance Scheme (PFS)- Micro Finance Scheme (MFS); Working Capital Term Loan (WCTL); Equipment Finance Scheme (EFS); North East Entrepreneurs Development Scheme (NEEDS); Jute Enterprise Development Scheme (JEDS); Women Entrepreneurs Development Scheme (WEDS); Scheme for North East Handloom and Handicrafts (SNEHH).

**b) Central subsidies scheme:** NEDFi has been designated as Nodal Agency for administration of Central Transport Subsidy; Central Capital Investment Subsidy; Working Capital Interest Subsidy; Comprehensive Insurance Scheme by the government of India.

**c) Other services of NEDFi:** North East Databank; North East Research and Development Center; Techno Economic Development Fund.NEDFi Haat.

#### **Net Portfolio of loans and other credit facilities**

It is evident from the percentage share of different schemes in the total financial assistance that terms loans and soft loans are becoming popular. The Corporations net portfolio of loans and other credit facilities increased during last seven years. In 2004-05 it was Rs.132.1 Crores, and it becomes Rs. 189.4 Crores during 2005-06, Rs. 276.49 Crores in the year 2006-07, which is 43% percent of previous year. In the year 2007-08 the net portfolio of loans and other credit facilities of the corporation stood up Rs. 331.73 Crores, which is 32.28% percent of the total assistance and 19.97% percent higher than the previous year, the net portfolio of loans and other credit facilities aggregating Rs. 526.37 crore as on 31<sup>st</sup> March,2010. This is 24% higher as compared to Rs. 425.71 crore as at 31st March, 2009. The Corporation had cumulative book size i.e., net portfolio of loans and other credit facilities aggregating Rs. 668.07 crore as at 31<sup>st</sup> March, 2011.This is 27% higher as compared to ` 526.37 crore as at 31st March, 2010.

The following table shows the Net Portfolio of loans and other credit facilities by NEDFi.

**Table- 2**

#### **Year-wise Net portfolio of Loans and Other Credit facilities of last seven years**

<b>Year</b>	<b>Net portfolio of Loans and other Credit facilities.</b>
2004-05	132.1 Crores
2005-06	189.4 Crores
2006-07	276.49 Crores
2007-08	331.73 Crore
2008-09	425.71 crore
2009-10	526.37 crore
2010-11	668.07 crore

**Sources:** Annual Reports of NEDFi

#### **State-wise Assistance Sanctions and Disbursement made by NEDFi**

The state-wise distribution of financial assistance provided by NEDFi in the North Eastern States is shown in (Table No-3). It is clear from the table that the relative share of

assistance in state of Assam and Meghalaya occupied a lion's share, i.e., 64.44% percent and 18.49% percent respectively against the total amount assistance sanctioned up to 31<sup>st</sup> March, 2011 and the remaining share of 17.07% goes to six other states of North East States, namely; Arunachal Pradesh-8.16% percent, Manipur 1.37% percent, Mizoram-1.00% percent, Nagaland-1.75% percent, Sikkim- 1.25% percent and Tripura-3.54% percent respectively which is negligible.

It can be concluded that the corporation's assistance and disbursement are mainly concentrated on two states. It seems that distribution of financial assistance is not proportional. Hence, it is found that there is inequality in the above sanction and disbursement made by the NEDFi which is against the opinion of balance regional development.

**Table -3**

**State-wise Sanctions and Disbursement (As at 31<sup>st</sup> March, 2011) Rs. In Lacs**

Name of state	Sanctions	Percent	Disbursement	Percent
Arunachal Pradesh	16723	8.16	10899	8.50
Assam	132046	64.44	83527	65.16
Manipur	2807	1.37	2594	2.02
Meghalaya	37882	18.49	22940	17.90
Mizoram	2045	1.00	1424	1.11
Nagaland	3577	1.75	2600	2.03
Sikkim	2562	1.25	1125	0.88
Tripura	7269	3.54	3074	2.40
Total	204910	100	128183	100

**Source:** Annual Report of NEDFi

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

Table 4 shows the total amount of loans sanctioned and disbursed from the year 2004-05 to 2010-11. It also shows the chain base index number to indicate the growth of sanctions and disbursements. The base year is (2004-05=100)

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 all the year the amount sanctioned has increased significantly except in the year 2008-09, the chain base index number declined to 298.80 from 312.86. In the following years, it is observed that the chain base index number is in the raising trend, i.e. 74.48 and 98.50 respectively.

The chain based index numbers of amount disbursed is more than 100 for all the year except in the year 2006-07. The management of NEDFi had been passive on decline in the amount of loan sanctions and disbursement in those years and claimed the increase in the amount was due to their own efforts.

It is observed that the increasing trend in amount disbursement is good sign for the entrepreneurs.

**Table-4**  
**Year-wise Index Number of Amount Sanctioned and**  
**Disbursed by NEDFi in NE States**

<b>Year</b>	<b>Amount Sanctioned (in lacs)</b>	<b>Fixed Index Number</b>	<b>Chain Index Number</b>	<b>Amount Disbursed (in lacs)</b>	<b>Fixed Index Number</b>	<b>Chain Index Number</b>
2004-05	8932	100	100	5235	100	100
2005-06	13132	147.02	147.02	10431	199.26	199.26
2006-07	13872	155.31	105.64	9424	180.02	90.35
2007-08	27945	312.86	201.45	11644	222.43	123.56
2008-09	26689	298.80	95.51	18409	351.65	158.10
2009-10	33341	373.28	124.92	20808	397.48	113.03
2010-11	42139	471.78	126.39	28138	537.50	135.23

**Sources:** Annual Report NEDFi,

## Conclusion

Analysis of the operations performance of the NEDFi reveals that it has played an important role in the development of industries in the states of North East India. Besides, giving loans, other credit facilities, and it 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 North East states of India. Besides its financing activities, NEDFi has also played up their role as catalyst for economic development of the North East by way of Non-Government Organization (NGOs), Self Help Group, Voluntary Associates, Individual etc. and Infrastructure activities for on-lending to the people for self-employment projects.

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

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