CHAPTER TWO
THEORETICAL FRAMEWORK AND METHODOLOGY

2.1 Theoretical Framework

2.1.1 Role of Development Banks:

The term ‘role’ has a wide number of uses and that the aspects of role playing vary with the specific contexts and the prevalent norms of the uses thereof. ‘Role’ also refers to the expected functions of individuals and organizations. In this light, the present study makes an attempt to examine the role played by development banks in the process of industrialization of Assam. In the study, the two regional level development banks, namely AFC and NEDFi, are considered for evaluation of the role of development banks. For clarity of the role of development banks and a suitable way to examine the same, reference may be made to a number of studies that illustrates their role in the process of industrialization. These studies relate to the role of development banks, both, that has been demonstrated so far and that is expected of development banks in the future.

Development banks, as observed by Sharma (1989), must be a dynamic body that is capable of acting and reacting according to the needs of its environment. In India, these institutions have developed a distinct identity as a financial intermediary, catering to the needs of industrial development. The wide variety of roles played by development banks in India accordingly includes dispersal of financial assistance, development of backward areas, rural development, promotion of entrepreneurship and small scale industries (SSIs) and the revival of sick units (Desai, 2009). The foremost role of development banks is to cater to the financial needs of industries, especially term finances. It is highly expected of a dynamic financial sector that it effectively and adequately promotes and sustains productive activities by providing needful financial products. Development banks also perform a wide variety of functions to promote industries in the country. It has been observed in this light, that development banks are an institutional mechanism functioning
as an active agent for promoting a balanced process of economic development (Gupta, 1993). Here, economic development is synonymously used with industrial development. The role of development banks originates from the economic policy perspectives of the country. Most often economic objectives may be directed to bring forth a more balanced growth. The advancement of backward areas is often a vital role of development banks (Sharma, 1989). In the present times also development finance is regarded as vital by a number of economists. The role of development banks is affected by their history and legacy, i.e. their experiences over the years and by the changing contexts of the world economy, the aspects of economic liberalization, privatization and increased globalization of world trade finance. But the fact remains that development banks continue to hold an important position in accelerating development and that development finance is rightly the key to sustainable development (Bruck, 2005).

These reflections on the role of development banks set the directions of examining their role in fostering industrial development in Assam. Accordingly, the present study makes an effort to evaluate and assess the efficiency and efficacy of the development banks, more particularly, the regional level development banks in their dispersal of financial assistance to Assam. The study also examines the rationality of the procedures, terms and conditions of financing by AFC and NEDFi. This exercise seeks to reflect the superiority and alternatively, inadequacies or shortcomings of these institutions in performing their role as institutions designed to sub-serve the process of accelerated industrial development. Besides, an attempt to examine the success of these institutions in promoting industrial development in the state is made. Each of these different dimensions of the present study on the role of development banks are illustrated as under.

2.1.2 Operational Performance of Development Banks in Assam

A study on development banks, their role in industrialization or their performance analysis is necessarily accompanied by an evaluation of the financial assistance sanctioned and disbursed by them to any region. This is because imparting financial assistance for promoting industrialization was the main motive behind the initiation of development
banks in the country and hence this can be stated to be their ‘prime operational concern’. Therefore, their achievement in the context is considered as vital. The literature on the study of development banks in Assam, too, contains such an exercise. Goswami (1988 b) finds that cumulative up to 1987, the share of assistance received by northeastern states from the all India development banks was only 12% of the total assistance disbursed, out of which the share of IDBI was the largest. As he suggests, the northeast India being economically backward it is worth analyzing the contribution of development banks to the region. A study by Borpujari (1994) also observes that the total assistance sanctioned and disbursed by the all India development banks to the northeast region of the country is far too less compared to the rest of the country. On the basis of his analysis for the period 1988-89 to1992-93, the study concludes that IDBI or for that matter, the all India development banks, namely, ICICI, IFCI, IRBI and SIDBI have failed to address the concern of regional imbalances in their operations.

Earlier studies have confirmed that the all India development banks have performed poorly in serving Assam and the states of northeast India in the contexts of dispersal of financial assistance. Various justifications or arguments have been offered in this light. In the context, a study by Biswasroy et al. (2006) notes that these all India development banks offer assistance to large scale industries and that the northeast India does not have such industries and therefore the region could not attract adequate assistance. Despite all the justifications the fact remains that development banks were tools to strengthen the industrial machinery of the country and enhance the pace of industrialization through provisioning of financial assistance. The genesis of the regional level development banks in India also reflects the inadequacy of the all India level development banks in fostering industrialization. Accordingly, an analysis of the trend and pattern of financial assistance of the regional level development banks to Assam is held necessary.

Sikidar (1982) undertook a reasonably large period for an analysis of the loan assistance sanctioned and disbursed by Assam Finance Corporation. While he concluded that AFC is a major financial institution of Assam its contribution to the states of Manipur, Meghalaya and Tripura is far too less. Besides, he also finds discrepancy between loan
sanctioned and disbursed, the later being less, though for the period 1967-1971, disbursement was higher than the amount sanctioned. Das (2000) in her study reflect that cumulative upto 1998 the bulk of assistance of AFC has gone to Assam, the industrially or economically affluent state in north east India. However, this study do not make any year-wise analysis of loan sanctioned or disbursed, neither does it include any state-wise or institution-wise comparison of flow of financial assistance of AFC for the period. Accordingly, in the present study, the trend and pattern of financial assistance sanctioned and disbursed to Assam by the regional level development banks, AFC and NEDFi is studied. The study attempts at a comparative analysis of the same with the all India level development banks, namely, IDBI, ICICI, IFCI, IRBI and SIDBI to gauge the role of the former in this context.

2.1.3 Role of development banks in the light of their functional performance

Adequate availability of finance is the most important pre-requisite for the success of a modern business enterprise. Financing fixed capital requirements, financing working capital and financing modernization and expansion of existing plants are the reasons for which finances are sought by industries. However, entrepreneurs cannot raise sufficient capital personally and because of which a developed and more diversified financial system becomes necessary. It was to meet the medium and long term financial requirements of industries, that development banks were initiated in the country.

The history of development banks in the country has been rather short-lived. With the initiation of economic reforms, an era of discontinuation of this development-finance framework has set in the country. In this light, an assessment of the functional role of development banks is made. The term ‘function’ here is used in a comprehensive way to mean a mode of action or activity by which a thing fulfils its purpose (Illustrated Oxford Dictionary, 2008). The function of development banks is conceived as consisting of the broad range of activities, consisting in procedures, terms and conditions of term-lending and the developmental functions as performed by development banks. Also an analysis of
the impact of development banks on the industrialization of the state is included to this aspect of the study.

Similar approaches to assessing the role of development banks has been undertaken in several studies in the context of different development banks specific to different regions or states of the country. Gupta (1993) has made an elaborate study on the procedures, terms and conditions of lending of development banks in Himachal Pradesh. Kaur (1999) conducted an analysis of the views of the borrowers of Punjab Financial Corporation on the procedures, terms and conditions of lending, and the effectiveness of developmental functions of the concerned organization. Shoba Rani and Appa Rao (2010) in their study on Andhra Pradesh State Finance Corporation had analyzed the views of the employees and also the borrowers of the same on the various parameters of functional performance analysis, including, procedures, terms and conditions of lending. Sudheer et al. (2010) made a similar study of the procedures, terms and conditions of two regional development banks functioning in Kerala, namely Kerala Financial Corporation and Kerala State Industrial Development Corporation, on the basis of the perceptions of a sample of borrower concerns. The study further analyzed the growth and assets structure of the functioning industrial borrower concerns with a view to evaluate the effectiveness of the financing of development banks. Another study consisted of a comparative analysis of the functional performance of SIDBI in Kerala with the other term financing institutions functioning in the state, from the data collected from a sample of industrial borrower concerns (Reji, 2004). This study was confined to a sample of districts of the state.

Following thereof, the role of the regional level development banks is sought to be studied in the light of the procedures, terms and conditions of providing term loans, the perception of the necessity of the development functions and the impact cast by them in the industrialization of Assam. To make the study more purposeful in the present context of financial reforms, a comparative study is made of the functional role of the regional level development banks namely, AFC and NEDFi with that of other term financing institutions functioning in the state.
2.1.4 Promotional Role of Development Banks in the Process of Industrialization in Assam

Studies on the role of development banks and their performances are analyzed conventionally in the context of their quantum of lending, recovery performances and profitability. There is witnessed the world over, a recent trend of discontinuation of the development bank framework. The prime reason cited in the context is the poor financial performance of such institutions. Unprofitably captivating scarce resources, though not justified, yet there exists a parallel set of belief that development banks still have a case for sustenance in a country like India. It is held that, mere dependence on a single set of parameters, like profitability, recovery or amount of lending, to judge the performance of development banks does not reflect the fulfillment of the objectives of such institutions. That proper measurement framework for DFIs were missing till the 1990s and studies heavily relied on traditional accounting data and financial ratios that suit best on profit-oriented institutions and do not reflect the social returns of development finance. It is also argued that, the lack of appropriate performance measures has led to ‘partial and often misleading’ assessments of development finance institutions which may have extended the life of fundamentally unviable institutions and increased the overall loss to society (Yaron, 2004).

Since earlier times, various studies on development banks have also upheld the need to separately examine the success of development banks in fulfilling their objectives of promoting industrialization. Saxena (1970) in evaluating the operations of the different development banks functioning both at the all India level and the regional level discusses at length, their different developmental functions to promote industrialization and their performances in the context. Gupta (1993) in examining the role of development banks of Himachal Pradesh also studies the non-financial promotional schemes designed by the development banks functioning in the state to promote industrialization. Dangwal (1999) in studying the contribution of Uttar Pradesh Financial Corporation in the industrial development of Uttar Pradesh analyses its quantum of assistance under the different schemes to promote industrialization in the state. The study in addition also highlights the

Evaluating the promotional role of development banks is in recent times conceived in a broader sense. The analysis is contained in terms of ‘outreach’ of development banks. Outreach is any organization’s involvement with or influence in the community, especially in the context of social welfare (Illustrated Oxford Dictionary, 2008). A framework of assessing the development banks that has gained momentum since the early 1990s proposes two criterion of assessment, namely, the outreach and self sustainability (Yaron, 2005). Self-sustainability measures the extent to which a development finance institution is subsidy independent, i.e. how far the institution’s income covers its concessionary funds. The term outreach, on the other hand, is typically used to refer to the effort by microfinance organizations to extend loans and financial services to an ever-wider audience. Outreach is a measure of social benefits met out by an organization. Outreach of a development bank is the extent to which it has met the pre-determined objectives with which it was initiated. Schreiner’s (2002) six aspects of outreach can be used in analyzing outreach of development banks (Yaron, 2005). Various ways have been developed to analyze performance of institutions based on these six aspects. Woller (2006) designed a social performance measurement tool to measure social performance based on these aspects of outreach, which can be used to analyze the outreach of development banks (Thorne and Charlotte, 2009).

The present study conceives the promotional role of development banks as the analysis of the entire gamut of functions of the regional level development banks, AFC and NEDFi; both financial or otherwise, that it performs to achieve the objectives with which it were initiated. It may well be noted in this context that AFC and NEDFi were initiated to bring about industrial and overall economic development in Assam and in northeast India. Therefore, any positive change in industrial development of Assam, brought about by these
regional level development banks would rightly mean a benefit to the society, or a higher outreach, implying a positive social return.

2.1.5 Social Performance Scorecard

‘Social Performance Scorecard’ is a tool developed to empirically measure an organizations social performance or outreach. The method consists in that information against different parameters or indicators of social benefits is combined in a useful way to yield a comprehensive report on the overall performance of the concerned organization. The indicators or parameters of social benefits relate to several broader aspects or dimensions of social benefits. The social performance scorecard consists of levying scores to each indicator on the basis of the performances of the organization on a pre-determined point scale (Woller, 2006). This scorecard tool has several benefits for analyzing social performance of organizations. It allows for analyzing performances at three levels, i.e. individual indicator level of social benefit; a definite ‘aspect’ level of social benefit and lastly the overall performance level of the organization. The scorecard analysis also allows for comparison of performance of two or more organizations in the extent of meeting up to their social obligations.

The underlying rationale behind this tool is that measuring performance of organizations is necessary to manage performance and that when an organization sets a distinct social mission; the measurement of social performance which is its success in its mission becomes a core business activity (Woller, 2006). This tool contains a social performance scorecard and a social audit by a team of members external to the organization. This social auditing is to validate the information contained in the scorecard and rate the concerned organization on a standardized scale to demonstrate its social performance, so that it can be compared to similar institutions. But such social auditing is beyond the scope of the present study in reference to time and resources. So the analysis presently is carried on the basis of the social performance scorecard alone.
2.1.6 Dimensions of social benefits:

Schreiner (2002) proposed ‘six aspects of outreach’ which he regarded and as has been adapted by later studies as a proxy measure for the social benefits or impact of development finance. These have also been adapted in developing the social performance scorecard. These are explained below. Illustrating the meaning of these aspects is significant for the present study in that it would highlight the parameters of analyzing the promotional role, adapted in the same.

1. **Dimension of Breadth:** Breadth of outreach is the number of clients (Woller, 2006). The wants and needs of the target clientele (say, the poor for microfinance institutions) far exceed the resources earmarked for them, which signifies the importance of measuring the breadth of outreach.

2. **Dimension of Scope:** This dimension measures the number of distinct types of products and services offered (Schreiner, 2002). Development banks besides extending financial assistance also performs other activities that relate to boosting industrialization in a region. These imply the various industrial extension services like entrepreneurial development, technological assistance, marketing assistance, etc. The underlying implication of this aspect is that, greater the scope, greater is the probability that the client’s needs and wants are met.

3. **Dimension of worth of Outreach:** It is the value of products and services consumed by clients (Schreiner, ibid). Worth of outreach is the subjective gain that clients receive from the organization. It depends on the terms of financial contract, tastes, constraints and opportunities of borrowers. The measurement of worth is important particularly in the present light of disappearance of DFIs in the country. As worth is difficult to exactly ascertain one way of measuring worth may be taken as the client’s willingness to pay (Schreiner, ibid).

4. **Dimension of cost of Outreach:** Cost of outreach refers to the cost of borrowing. It includes the transaction cost and price cost (Schreiner, ibid). Transaction cost like transportation charges and communication expenses are those expenses borne
by clients in the process of borrowing. Price cost is the direct cash payments made by clients like interest charges and fees.

5. **Dimension of Depth of Outreach:** Depth of outreach is the value that the society attaches to the net gain of a client (Schreiner, ibid). If the society gives more weight to female clients than more such clients would mean more depth of outreach and so on.

6. **Dimension of Length of Outreach:** Length refers to the time frame of supply of services of an organization (Schreiner, ibid). Since it is difficult to measure length, as it entails future events, a proxy of length can be the financial sustainability of the organization (Woller, 2006).

### 2.2 Methods and methodology

2.2.1 **Period of the study:** The present study is conducted in the backdrop of economic reforms that is from 1991-92 to 2009-10, concentrating primarily on the five year period 2005-06 to 2009-10, for analyzing the functional role and promotional role of development banks. The period of the study has not been even due to unavailability of required data. The time period of the study is marked by widespread restructuring, closure or privatization of development banks both in the world perspective as well as in the country.

2.2.2 **Data base and Source:** The present study is based on both primary and secondary data. Secondary data has been collected from various published sources including various journals, newspapers, government reports, Economic Survey, Assam-various issues, various issues of the annual report of NEDFi and AFC, the various issues of the Report of Development Banking in India, published by IDBI and the internet. The functional role as well as the promotional role of development banks in the context of the study is based on primary data collected for the purpose.
2.2.3 Data collection-Tools and Techniques and Sample Design: Primary data has been collected for studying two aspects of the present study, firstly the functional role and secondly, the promotional role of development banks. The procedures, tools and techniques adapted in the context are outlined below.

a. Study of the promotional role: Primary data was collected from both NEDFi and AFC, for the purpose of studying the promotional role of the same. Direct personal interview was conducted with the officials of the two organizations, on the basis of a well-structured and pre-tested schedule prepared for the purpose. The schedule is attached in annexure 5A. This schedule has six sections relating to six different dimension of the concerned analysis. This study was made during 2010-11.

b. Study of the functional role: A multistage stratified sampling design, with a judicious blending of purposive and random sampling technique has been used in collecting the primary data required for studying the functional role of development banks. The functional role of development banks has been evaluated on the basis of a sample study of term loan beneficiary industrial concerns of the regional level development banks, taking term loan during the period 2005-06 to 2009-10 vis-à-vis term loan industrial beneficiaries (of the same period) of other sources of term finance operating in the state. A list of borrowers was collected from the respective offices of AFC and NEDFi both, taking loans during the period 2005-06 to 2009-10. For the comparative analysis a list of borrowers of other institutional sources was necessary. Accordingly, a list of registered MSMEs was collected from the Commissionerate of Industry and Commerce, Govt. of Assam, to arrive upon the necessary information. This study of the functional role was conducted mainly during the period 2010 to 2013. The second stage of the sampling was conducted during the period 2010 to July, 2011, while the third stage of the same was conducted during 2011 to 2012 continuing till July, 2013.

Adhering to time and resource constraints two districts, one having a high concentration of term loan beneficiaries and the other having a low concentration of term loan beneficiaries of development banks (AFC and NEDFi) during the period, namely
Kamrup(Metropolitan) [hence forth referred to as Kamrup(M)] and Morigaon were selected purposively in the first stage of sampling. Of the term loan beneficiaries of development banks (NEDFi and AFC) 377 such units existed for Kamrup(M). For Morigaon there were 12 units in the concerned list taking loans in the stated period.

The second necessity for the study was to arrive at a stratified random sample of industrial concerns, with term loans, both assisted by development banks and by other institutions of term financing. This stratification was done on the basis of whether the unit was a micro, small or medium one. The definition for the same was taken of the 2006 definition of MSME enterprises, as contained in the MSMED Act, 2006 [available online]. Therefore, in the second stage of the study, on the one hand, a complete enumeration of the enterprises assisted by development banks in the two districts was conducted. This task was intended to identify the micro, small and medium units along with the nature of their business, that is whether manufacturing or service for borrowers of development banks. Again, in the second stage of the study a complete enumeration of the enterprises from the list of registered MSMEs was done. This was because information of term loan borrowers of other institutions functioning in Assam was not available to the researcher from any known source. The task had the purpose of identifying registered MSMEs taking term loans from other term lending institutions functioning in the state during the stated period. In this second stage, only this elementary information was collected. The second stage of sampling was conducted using direct interview method.

The results of the second stage of sampling are shown in the following table 2.1. In the second stage of sampling conducted, there resulted 213 units [205 units of Kamrup(M) and 8 units of Morigaon] taking term loan from development banks. Of this, there were 103 micro units (98 of Kamrup(M), 5 of Morigaon), 87 small units (84 of Kamrup(M), 3 of Morigaon), and 23 medium scale units of Kamrup (M) in the two districts. In the second stage, the comparison group revealed that, for Kamrup (M) a total of 196 units and for Morigaon a total of 25 units was found to have taken term loans in the stated period. Excluding the term loan beneficiaries of development banks (NEDFi, AFC, SIDBI and NSIC), there remained 196 units [175 units for sampling in Kamrup (M) and 21 in
Morigaon]. This included, 86 micro units, [68 micro units in Kamrup (M) and 18 micro units in Morigaon], 86 small units [83 small scale units in Kamrup (M) and 3 units in Morigaon] and 24 medium scale units [of Kamrup(M)].

### Table 2.1: Sample size in the second stage of sampling

<table>
<thead>
<tr>
<th>Districts</th>
<th>Development Banks assisted units having term loans</th>
<th>Other Banks assisted units having term loans</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Micro</td>
<td>Small</td>
</tr>
<tr>
<td>Kamrup[M]</td>
<td>98</td>
<td>84</td>
</tr>
<tr>
<td>Morigaon</td>
<td>05</td>
<td>03</td>
</tr>
<tr>
<td>Total</td>
<td>103</td>
<td>87</td>
</tr>
</tbody>
</table>

**Source: Field study**

In the third stage, a random sample of each stratum was drawn for the comparative study for the either categories and the desired information was collected through a well-structured and pre-tested schedule prepared for the purpose. The schedule was tested first on few units and necessary changes were included thereof. This schedule is attached in annexure 4A. The schedule consists of four sections dealing with the different dimensions of studying the functional performance of development banks.

For the two categories of borrowers, 25% of units of each scale of enterprises, micro, small and medium, of each district were randomly selected for the third stage of sampling and required data was collected thereof. The sample of term loan beneficiaries of development banks in the two districts consisted of 54 units of which 26 were micro units, 22 small scale units and 6 were medium scale units. The sample comparison group had 50 units, of which, 22 were micro enterprises, 22 small scale enterprises and 6 medium scale enterprises. These results of the third stage of sampling are shown in the following table 2.2. Accordingly, the total sample units in the study are 104.
Table 2.2: Sample size in the third stage of sampling

<table>
<thead>
<tr>
<th>Districts</th>
<th>Development Banks assisted Units having term loans</th>
<th>Other Banks assisted Units having term loans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Micro</td>
<td>Small</td>
</tr>
<tr>
<td>Kamrup[M]</td>
<td>25</td>
<td>21</td>
</tr>
<tr>
<td>Morigaon</td>
<td>01</td>
<td>01</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>22</td>
</tr>
</tbody>
</table>

*Source: Field study*

2.2.4 Field Experience

A sample of industrial concerns borrowing from the regional level development banks, AFC and NEDFi in the two districts, namely Kamrup (M) and Morigaon were studied. During the survey it was found that some of the regional level development banks assisted units are not functional presently. For the purpose of studying the functional role, a comparison group of industrial concerns taking term loans from other term lending institutions in the state was desired. For the purpose a list of registered MSMEs was collected from the Commissionerate of Industries and Commerce, Ministry of Micro, Small and Medium Enterprises. It was very unfortunate to the researcher to find that many such units also were shut down for a long period for reasons not known to the researcher. For a number of enterprises when contacted over phone, respondents stated that their industries though registered could not see the light of the day since inception.

It must be mentioned that, when informed of the purpose of the study, some respondents, refused to discuss about the financial matters of their concern. In most instances, the employees whom the researcher met had initially extended cooperation to the researcher. But this is to the extent of the second stage of the survey conducted, which is to identify the nature and scale of operation of the unit. It needs to be mentioned that the researcher received a pleasant cooperation from the micro units. Barring a few exceptions, such interactions were comparatively less pleasant for medium and small scale enterprises.
For the purpose of studying the promotional role of development banks, direct interview with the officials of NEDFi and AFC was conducted. Several sittings were necessary for the purpose. The researcher received a pleasant cooperation in the context. The officials of both the organizations took keen interest in the assessment of their respective institutions in this light, making a number of suggestions which were incorporated in the study.

### 2.2.5 Data Processing and Analysis

The present study of the role of the regional level development banks, AFC and NEDFi has been conducted in three aspects, namely, operational performance of development banks, functional performance and their promotional role. Operational performance consists in analyzing the trend and pattern of flow of financial assistance from development banks to Assam. This analysis is carried out on the basis of secondary data collected from various published sources. This is a comparative analysis conducted in two parts that is, analyzing the pattern of assistance and also the trend of assistance. The pattern of assistance of all India development banks and the region-level development banks is compared on the basis of two variables,

a. Total financial assistance sanctioned and

b. Total financial assistance disbursed

A region-wise analysis of the pattern of assistance of the two categories of development banks is made to study their pattern of dispersal of financial assistance. The said analysis uses statistical tools like averages, percentages, line diagrams. Besides, assistance to per lakh population of each region is deduced to study the region-wise allocation of financial assistance by the all India development banks. Further in the context, the trend of sanctions to Assam is studied for the all India Development Banks and the regional level development banks to identify the difference, if any, in the same. This study is based on two growth rates computed for the purpose, namely,

i. **Simple Growth Rate:** \( g = \{ (Y_t - Y_{t-1})/Y_{t-1} \} \times 100 \), where, \( g \) = simple growth rate, \( Y_t \) = sanctions to Assam at year \( t \)
ii. **Trend Growth Rate:** For the purpose, an exponential curve of the form \( Y = ab^t \) is fitted to the given data. Here, \( Y_t = \) sanctions to Assam at year \( t \), \( a \) and \( b \) are coefficients. Thereafter, the trend growth rate ‘\( g^{**} \)’ of sanctions (estimated) is calculated: 
\[ g^{**} = \left( \frac{Y_t' - Y_{t-1}'}{Y_{t-1}'} \right) \times 100, \]
where, \( g^{**} = \) growth rate, \( Y_t' = \) (estimated) sanctions to Assam at year \( t \).

Secondly, the functional role of development banks is analyzed. Function here, is conceived as consisting of the broad range of activities, namely, procedures, terms and conditions of term-lending and the developmental functions as performed by development banks. Also a study of the impact of development banks on the industrialization of the state is included to this aspect of the study. The present evaluation is done by comparing the data of a sample of industrial concerns taking term loans from NEDFi and AFC, during the period 2005-06 to 2009-10 with that of industries taking term loan from other institutions during this period. Two districts were selected for the study, that is Kamrup (Metropolitan) and Morigaon. The study is based on primary data collected for the purpose. Statistical tools like t-test for sample mean differences, pie-charts and percentages are used for the purpose of the present analysis.

Thirdly, an attempt is made to gauge the promotional role of the regional level development banks. Promotional role of development banks is the analysis of the entire gamut of functions of the regional level development banks aimed at achieving the objectives with which they were initiated. It may well be noted in this context that AFC and NEDFi were initiated to bring about industrial and overall economic development in Assam and in northeast India. The promotional role is measured by way of a social performance scorecard. Under this method, scores against different indicators of social benefits are levied on the basis of the performance of the organizations. These are combined in a useful way to yield a comprehensive report on the overall performance of the concerned organization. The reporting against each indicator is made on the basis of primary data collected for the purpose.