CHAPTER V

CONCLUSIONS AND SUGGESTIONS
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Success in implementation of programs for planned industrial development depends, to a large extent, on the availability of adequate financial resources for a wide variety of projects. Since commercial banks in India patterned on the British model of banking, traditionally confined themselves mainly to financing working capital requirements of trade and industry, it was felt necessary to set up financial institutions to ensure adequate flow of assistance to industrial projects. It is true that financial institutions are specially designed to meet the requirements of finance for industry, but the lack of finance is not the only obstacle in the part of industrial development. There are a number of other pre-requisites for development which purely financial institutions cannot provide. Research and planning, new enterprise training facilities, industrial leadership and what might be called the industrial extension services are necessary if industrial development is to be accelerated. The promotional functions involve the formulation and development of a proposal, the mobilising and organisation of the various elements which are needed to give life to it and actively assisting in its execution. But, a development bank need not undertake the entire process itself. What is needed is that these banks should not only support but also supplant the initiatives of the entrepreneurs. These banks should help a half-baked, inadequate proposal to be transformed into a well-conceived, well-planned, financially well-disciplined enterprise for that it becomes
profitable to investors as well as to the economy.

As Mr. William Dimond of the World Bank, in one of his talks has put it, promotion involves formulation and development of a proposal, the mobilisation and organisation of the various elements which are needed to give life to it and finally its execution. Promotion is, in effect, the carrying out of entrepreneurial functions. A financial institution can contribute to the success of an enterprise at any of the various stages, involved in the promotion, viz., identification, formulation and execution. In order to perform this function, the development banks have to be imaginative and creative, dynamic and aggressive.

Development Financial Institutions play a vital role in the industrial economy of India. Ever since the inception of these institutions in the country, the greater needs of the industrial sector, are taken care of. In the context of commercial banks' inability/reluctance to provide term loans for the development of the industrial sector, and promotional activities such as provision of technical, managerial and administrative consultancy, efficient functioning of the Development Financial Institutions are viewed with high hopes and aspirations by the growing Indian economy in general and the industrial community in particular.

The present study is an attempt to appraise and compare the performance of IDBI, IFCI and ICICI in our country, to sense their contribution towards the move to industrialise the economy
by assisting financially as well as technically. An exertion has
been made to render some suggestions based on the analysis and
findings of the study, which will help in eliminating the loop-
holes in the functioning of these institutions and the very
objectives for which they are set up.

This chapter gives a brief outlook on the conclusions drawn
out of the study and some suggestions put forward to improve upon
the effective functioning of these Development Financial Institu-
tions.

The availability of resources at the right time and their
proper diversion in the productive means are the most important
part for the industrial development of any state or region or
country. The development of industries can bring about all-round
development in that area and will enhance the standard of living
of the people which can improve the economy as a whole in due
course of time.

It is of utmost importance to evaluate the operational and
financial performance of any organisation as it can throw light
into the efficiency with regard to financial planning and organi-
sation.

The operational performance of IDBI, IFCI and ICICI which
are studied by taking into account its total Assistance dis-
bursed, Assistance to backward area disbursement, to small sec-
tor, purpose-wise and sector-wise assistance disbursed show
that with regard to the total disbursement as well as backward
Area disbursement ICICI performed better as compared to IFCI and ICICI over the period of 10 years under review. In this regard the attention is called from the authorities of these DFIs to enhance its operational performance with regard to total disbursement as well as disbursements to backward areas.

An evaluation of performance based on Sector-wise analysis throws ample light in earthing-out the inclination of these DFIs towards certain sector(s). It is identified that towards the Public Sector IDBI was more inclined, by disbursing more to this sector, followed by IFCI and then ICICI. Whereas, Private Sector disbursement (% share in the total disbursement) by ICICI was more than that of IDBI and IFCI. An entirely different picture is viewed from Joint Sector and Co-operative Sector disbursement by these DFIs. In both the cases IFCI took the lead leaving IDBI and ICICI behind.

IDBI has gained applause from the New entrepreneurs as well as from Organisations wanted to adopt Expansion/Diversification as the disbursement to New Projects and for Expansion/Diversification by this institution outruns the other two. A different picture is seen with regard to disbursement to R/SA/OTH. ICICI's contribution was many times more than that of IDBI and more than double of IFCI. The Purpose-wise assistance provided by IDBI shows that a greater attention has been received by Modernisation purpose which highlights its policy of modernising the industrial sector. The move of IDBI, in this regard, is appreciable as the modernisation programs can bring about a better
structure and prospective for our industrial sector. At the same time, it is also noticed that IDBI's attention towards modernisation was considerably better (higher) in the nineties. In this situation it is suggested to keep up the move which can change radically the industrial structure of our nation and compete in the Global Market.

The contribution of IDBI, IFCI and ICICI towards the development of various industries in the country has been found increasing tremendously ever since their inception. The assistance provided by these institutions could remove the veil of lack of funds from the face of Indian industry, bring them to the list of top international corporates.

Industry-wise performance analysis has been made in this study to find out the present trend in disbursement to various industries and suggest course of action, keeping in mind the economic conditions, industrial structure, standard of living of the people and the Global Market conditions. Over the period of analysis it has been noticed that the share of each industry in receiving assistance from DFIS has been varied from year to year. The average percentage disbursement to a particular industry to that of total disbursements to all industries shows that the IDBI's best attention was received by Services Industry followed by chemical and Chemical Products industry. The least share has been received by Rubber Industry during the period under study. Whereas, with regard to IFCI's contribution, Textile Industry received the greater share and the least share was
received by Metal Products Industry during the study period. On the other hand, Chemical and Chemical Products and Rubber Industry has taken the maximum and least share respectively from ICICI.

In the light of the above analysis, it is suggested to increase the share of those industries which can generate higher employment opportunities and the industries which can reduce or a slight the burden of import of industrial products which in turn will help the Government to channelise or divert the foreign exchange in the developmental activities rather than importing such industrial products.

The greater needs of various industries in the States have been catered with the inception and extension of operations of Development Financial Institutions, especially IDBI, IFCI and ICICI in these States. The State/Region-wise performance evaluation has helped the researcher to find out the loop holes and/or deficiencies with regard to disbursement to various States/Regions by Development Banks.

With regard to Backward Area disbursement as well as total disbursement it has been observed that IDBI played a greater role by disbursing more amount than IFCI and ICICI. Alternatively, the quantum of disbursement was more by ICICI as compared to IFCI. It is noticed that when the maximum amount of total disbursement by IDBI has gone in favour of Maharashtra, least share was given to Arunachal Pradesh putting all the ten years period under review together. Whereas, backward area disbursement shows that greater share has given to Uttar Pradesh and Arunachal
Pradesh again figured with the lowest amount.

The state-wise disbursement by IFCI shows that with regard to backward area disbursement it was the turn of Madhya Pradesh to take the first position while, the total disbursement to Maharashtra has been found to be the highest. Whereas, Tripura came last in both the criteria and also it is worth noting that the State of Arunachal Pradesh received no assistance from IFCI during the period 1983-84 to 1992-93.

ICICI's greater and least attention has been received by Maharashtra and Arunachal Pradesh respectively with regard to total as well as backward area disbursements, taking the 10 year period of study under consideration.

It is suggested, in the light of the above points and the state-wise analysis, as North-Eastern States did not receive any assistance in many a years from these DFIs, specially from IFCI and ICICI. This trend should be avoided and there should be disbursements to these States every year equitably to bring them to the National Scenario and get rid of the feeling of being neglected.

The Region-wise analysis has come out with the fact that both IDBI and ICICI have given greater attention (maximum amount disbursed) with regard to total as well as backward area to the Western Region and the least to the North-Eastern Region. Whereas, IFCI's total disbursement was in favour of Western Region
backward area disbursement was for Central Region. While, the
least vent, in both the cases, to the North-Eastern Region. From
region-wise analysis it is tempting to suggest that more
attention than the present should be given to the North-Eastern
region, so that more and more industries can be set up, and the
existing ones can be expanded/diversified/modified, which will
remove/reduce the backwardness of this Region.

An important feature of industrial finance system in the
country is the participation of major investment institutions in
consortium financing with other All-India Financial Institutions
to meet the financial requirements of the industrial sector. In
the evolution of the structure of the development financing
institutions in India, the creation of specialised financial
institutions to cater to the financing needs of rehabilitation of
sick industrial units, export finance, agriculture and rural
development operation has been of great significance.

The creative role of a development bank does not end with
the appraisal of projects and sanctions of assistance. As a
matter of fact, this is the beginning of a long term relationship
and the Development Banks continue to contribute to the success
of the enterprise through post sanction monitoring of the pro-
ject. The follow-up report enables the development banks in
keeping a finger on the pulse of the enterprise, diagnosing the
problems and advising on their solutions.

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