CHAPTER VIII

Prelude
CHAPTER - VIII

PRELUDE

INTRODUCTION:

Development banking has come a long way since its establishment in the post-independence period. There are about two hundred development banks in the entire world till 1994 and India's share is just around fifty. The development banks were established to eradicate the regional and industrial backwardness of the areas, where it is established with the additional aim of developing other related promotional activities.

The history of development bank started in India in the year 1948 with the establishment of IFCI. The new dimensions of growth necessitated the urge for setting up of the development banks to meet the challenges of changing economic environment. Establishment of IFCI was followed by SFCs in different states in 1951, ICICI in 1955 and followed by IDBI in 1964. These are the prime movers in instilling the entrepreneurial culture among the budding industrialists of the country. These development banks have the additional responsibility of creating a good atmosphere for promotion of infrastructure development in the N.E. Region and dispersion...
of assistance in the rural and backward areas, hill states, and in no-industry districts.

The chief concern of the present enquiry is to reach certain conclusions about the functioning of the development financial institutions in the North Eastern Region and to make certain suggestions for improvements in them to make them more efficient instruments of industrial change. We summarise the broad findings and suitable recommendations as follows:

**INFRASTRUCTURE & ENTREPRENEURIAL DEVELOPMENT**:

The N.E. Region is handicapped by infrastructural problems which are due to economic, social, political, geographical, cultural, technical, legal and natural factors. These factors obviously affects infrastructural development in the Region.

It is therefore imperative that the executives and staff of development banks, situated in the Region, must have knowledge and background of this part of the country. This can be done through in-service training programmes, so that they have adequate background of the infrastructural inadequacies.
Lack of infrastructural facilities which add to the risk and uncertainty of new entrepreneurs, lack of properly developed means of transport and communication cheap and regular power supply, well developed capital and money market in the Region are the major reasons of poor finance by IDBI and other institutions. People donot approach them due to these causes.

Development banks are not meant only for providing finance to entrepreneurs who approach them. They have the obligation to create a culture of industrialisation and as such promote a class of entrepreneurs. IDBI and other financial institutions, would do well to pay their attention in this sphere.

Sociological problems leads to political unrest which is one of the factors contributing to economic underdevelopment of the Region. It is an admitted fact that different insurgency groups operates in states like Manipur, Mizoram, Assam, Tripura and Nagaland. Such groups have lately surfaced in Meghalaya and Arunachal Pradesh. There is a total unrest of peace in the Region since last 20-25 years till date. There is loss of total industrial peace. People fear for establishing enterprises due to extortion, killing and kidnapping.
Development banks will naturally find it difficult to carry on their developmental and promotional work under such situation.

It is the primary responsibility of the State Governments of the region to counter such moves and help to solve the sociological problems so that economic development process may be taken up in proper environment.

Whatever the form of economic and political setup in the N.E. Region, entrepreneurship is essential for economic and industrial development. Entrepreneurs are shy in this part of the country in undertaking risks, associated with new motivations. We have seen in Gujarat (Aurangabad) Noida (Delhi) Ghaziabad, Punjab, Madras and West Bengal, private entrepreneurs have played the crucial role in establishing enterprises, taking the advantages of financial institutions. Entrepreneurs is to take risk and uncertainty. Unfortunately we do not come across sizeable enterprising entrepreneurs in the Region.

The chief characteristics of an entrepreneurs are not so much his venturesomeness, nor his motivation to make profit, but his capacity to lead other man in a common
undertaking and his inclination to introduce innovations, in the early stage of industrialisation.

The value system prevailing in the N.E. States, minimise the importance of industrial incentives, material rewards and acceptance of new ideas and objectives. The cultural value system within the seven states is not favourable to economic developments. Extreme inequalities in the society for distribution of income and wealth is also stands on the way of growth of entrepreneurship.

The existence of present small entrepreneurs in the N.E. States, who are engaged in manufacturing consumer goods and in plantation (in Assam and Tripura) and mines (in Meghalaya) tends to become monopolistic and quasi-monopolistic. They develop personal and political contacts with the government officials, enjoy a privilege position, and receive preferential treatment in financial, taxation, export etc. It is they who start new industries.

We have observed that due to the aforesaid reasons, the infrastructural development and industrial development in the N.E. Region is far from satisfactory. Government and developmental agencies involved in the process
of growth in the N.E. Region have yet to concentrate on these aspects.

IDBI has its associates NEITCO, NECON and other training and promotional institutes in the N.E. Region, but their activities and performance are very poor. They are providing training to SSIs and entrepreneurs like outdated blacksmith, bellmetal etc. etc. of the N.E. Region.

These institutions should guide, monitor and help prospective entrepreneurs of the Region to propagate medium and large scale industries to utilise full natural resources of the Region, so that the basic idea of the development banks can translate to the mind of the entrepreneurs as an engine of growth.

Professionals like doctors, engineers and other skilled personnel in the Region prefers a job rather than to grow a business enterprise of their own. They do not find any place to expose their risk bearing leadership in the field of business. There is no dearth of dormant entrepreneurs in the Region. They have the qualities of innovation and imitative.
The development financial institutions should arrange regular training for medium and large scale entrepreneurs and outline a clearcut strategy, policy, operational procedure and prevailing external environment of the areas where development banks are located. The immediate job of the development banks is to invigorate and rejuvenate this dormant entrepreneurial wealth and come forward to explore such skills.

The British Government did not allow and encourage the native entrepreneurship in the N.E. Region. The colonial rule discouraged the skills of the Region, however only after independence and during eighties, there is a movement for industrialisation in the N.E. States. N.E. States are still the pioneer workshop for small and cottage industries only and could not develop properly. However, after the creation of the development banks, the SSIs are slowly developing in the Region.

Development banks should come forward and arrange for necessary assistance with the help of NIRD, SISI, IIT, NEHHDC and NEC.
PROMOTING INDUSTRIAL PROJECTS:

Since the inception of IFCI, ICICI and IDBI till March, 1993, they have assisted 2272 MSIs and LSIs in the country, however number of projects established in the N.E. Region was only 48, which may termed as unsatisfactory.

It is suggested that they should diverted their resources from rich region to the backward N.E. Region to bridge the gap of regional imbalances. The capital incentive scheme of Government of India should be tiedup with the development banks to clear and finance the projects, so that the industrial houses who are facing financial trouble are freed from dangerous threat of closure.

IDBI can provide assistance to spur the growth of large scale industries in the N.E. Region with proper coordination with N.E. Council, in the public sector or in private sector as per the mutual decision, to accelerate the industrial growth.

IDBI has introduced quite a few new schemes in the country. But the schemes donot have any effect in this Region.
IDBI can implement its various national schemes like Mahila Udyam Nidhi (MUN), Mahila Vikas Nidhi (MVN), National Equity Fund Scheme (NEFS) and Special Scheme for Ex-Serviceman (SSES) in this Region through SFCs, SIDCs, NEITCO and other developmental institutions.

The contribution of IDBI and other all India financial institutions has changed the industrial face of N.E. Region, particularly in Assam after 1982. But they should also provide more assistance through openings of some special windows. The performance of NEITCO and NEC is very poor. TCOs can be improved by augmenting their executives' knowledge and latest technology, skill and reorienting their outlook in future.

The NEITCO have to play a catalytic role at local level in promoting industrial projects by assisting latest knowhow, technology and to activate dormant entrepreneurs of rural N.E. Region.

As per our findings it seems that only three development banks - namely ICICI, IFCI and IDBI are working in the Region, but other sixteen all India financial institution should also offer finance/assistance in the Region.
It is a landmark accretion in the history of development banks in the N.E. Region that during last two decades IDBI has assisted maximum number of industrial units in this Region which are mostly located in Assam.

IDBI and All India Financial Institutions should create an investment climate and explore resources in other States also. AIFIs should open some management development institutions, regional co-ordination committees, and entrepreneurship development institutes in the Region. The movement for wide industrial development could be undertaken provided there is no political influence.

We have seen that in the entire N.E. Region, except Tripura and Arunachal Pradesh, a few industrial units had come forward for IDBI's assistance. It is observed that the capacity of entrepreneurs of this Region to avail IDBI's assistance is extremely conservative in comparison to the counterparts in the other parts of the country, despite the policy formulation, rates of interest etc. This anomaly creates an industrial vacuum in formation of financial as well as technical capital in the Region. The entrepreneurs of this Region has not come forward for assistance, may be due to lack of entrepreneurship motivation training, for building up
trade and industry. It may be one of the causes, that the Britishers did not allow the people of this Region to know in depth about the meaning of industrialisation. In the N.E. Region, traditional attitudes discourage the full utilisation of human resources due to feeling of repugnance towards work culture.

The special incentive schemes, as adopted in the States of Haryana and Punjab, may be adopted by the Governments of the N.E. States, to encourage the entrepreneurs. The schemes like State and Central capital incentives, power, interest and road transport subsidy etc. are not properly effected in this Region. Neither the State capital investment subsidy nor the transport subsidy is released in time to boost up the financial position of the entrepreneurs in this Region.

Transport subsidy should be allowed from the point of loading on percentage basis and Modvat procedure for excisable goods must be released through establishing a regional central Modvat office at Guwahati or Shillong. Due to fall in the money value the present capital investment subsidy should be enhanced from 30 percent to 50 percent, to encourage the entrepreneurs and IDBI should take up the matter with the central industry ministry.
All necessary positive steps as mentioned above are to be initiated by the Governments of the N.E. Region, both at state and central level to gear up infrastructure impediments that stands in the way of utilisation of funds made available.

On the other hand to accelerated the pace of industrial development and to motivate young entrepreneurs to avail the opportunities of IDBI and other financial institutions in the Region, Government of India should declare these States, as a special category States, to avail the benefits of various subsidies and rebate in respect of bank interest, sales tax, income tax, and excise duty etc.

PERFORMANCE OF ALL INDIA FINANCIAL INSTITUTIONS:

With a massive investment of ₹.43565.5 crore (cumulative) by IDBI and ₹.99419.9 crore by AIFIs (cumulative) in all the sectors of the country during the period 1988 to 1993 end March, the highest share of investment (above 80 percent) goes to the private sector, it becomes highly imperative that IDBI and other development banks are fulfilling its social obligations and become commercially agile. The above investments are about two percent, of the GDP. The extended and increasing volume of
amount invested by the IDBI and other AIFIs are indication of their growing popularity among the industrial circle.

It appears that AIFIs along with IDBI are concentrating on a few traditional industries. The important objectives of diversification of industries has not been achieved to the expected extent. Even innovation has not received proper attention. Modernisation schemes did not get much attention during last 10-15 years. To meet the short term liquidity requirements AIFIs have miserably failed to gear up its position or improve it. It has been observed that more than one forth of the financial institutions' assistance has gone to creation of new venture and two third was invested in expansion and in modernisation. Meantime other developing countries are coming up with latest and modern technology.

Hence non-traditional diversified industries should be brought to the purview of AIFIs and IDBI. Modernisation and renovation needs special attention.

IDBI and other development banks are increasing its annual budget provisions and releasing funds, for States. These are not properly verified. Backward States of
N.E. Region, Jammu and Kashmir are not getting proportionate assistance, thereby creating regional imbalances. Despite probable business acumen and entrepreneurial enthusiasm, these States could not enter in the industrial map of the country till date. States like Uttar Pradesh, Maharashtra, Gujarat, Karnataka are accounted for the majority of assistance year after year which results in rich States becoming richer and poor States becoming poorer over the years.

A proper verification is required with national parameters and a suitable representative, high level committee has to be established keeping IDBI as leader, to accommodate the poor and industrially backward States like N.E. Region, Jammu and Kashmir etc. A thorough overhauling of sanctioning system is required.

IDBI and other development banks are providing maximum direct finance to the industries. These are not through any investment holdings of corporate securities like developed countries USA, UK or Japan. For proper development of Indian money market development banks should invest in the corporate securities of profitable ventures. Had it been adopted by AIFIs and IDBI, a portion of the amount (₹.3000.00 crore) of stock and security scam could have been avoided.
AIFIs and IDBI in particular should at least invest a portion of its fund in highly profitable corporate securities. An expert panel should be constituted with financial experts to determine the nature and mode of organisation and securities. Preferably in the oil, gas, tea and export oriented corporate sectors.

All India Financial Institutions and IDBI have miserably failed to revive sick industries and invite young skills for revival of the sick and closed units. A very small portion of funds are earmarked for the purpose. Even, the Government of Assam's proposal for re-opening and revival of Ashok Paper Mills Ltd. has not been honoured.

This scheme needs substantial growth. A special fund may be created under this head and after annual scrutiny of sick but profitable units' funds may be placed under disposal of the unit for revival.

The operations of IDBI and AIFIs in terms of assisted amount in areas of overdue instalments, both principal and interest has been increasing. Provisions for bad and doubtful debts are also made on average basis without ascertaining the liabilities of the individual units. These
are due to insufficient care in sanctioning loans and advances. IDBI alone accounts for the major portion of advances made available for Assam. But the quality of the advances creates only sick, difficult, irregular and problematic frozen accounts. IDBI has yet to recover the huge loans.

Proper audit report, frequent verification of production and sales of the units has to be carried out by IDBI and AIFIs, to avoid loss of faith and to provide suitable suggestions to the units for gearing up of production and profit. Contents of the flash reports are to be maintained properly by the IDBI and AIFIs during the currency of the loan.

Development banks can contribute enough towards the distressing situation that is so evident in the N.E. Region - namely that, industrial progress be not merely an activity of relevance to an area, but becomes truly relevant to the Region's economy as such. Apart from any consideration of social obligations, long term prospects for industrial growth, which the IDBI and AIFIs are expected to serve, depends not merely on aiding industry but also on cultivation of total consumption capacity, the cutting potential of a
pair of scissors cannot be increased by sharpening only one blade, both blades must be equally long and equally sharp (supply and demand of fund).

Development banks can shape their investments and order their priorities, so that the products aim at meeting rural requirements more and more. In doing this the role of appropriate technology is important. Low prices suited to rural income levels ought to be the criterion relating to technology, rather than a sophisticated product beyond the reach of rural areas.

Development banks can help improve non-farm incomes by not merely the attention they pay to backward N.E. Region, but also by arranging with their borrowers that small components and sub-assemblies required in the industrial process, as well as processing of agricultural inputs into industry are progressively done in rural areas.

All India Financial institutions through their branches or through small industry organisations or even through a scheme of operation through commercial banks, can help establish small scale low capital production units and processing facilities in rural areas, so that in compact
continuous blocks of villages, production to meet the local needs may be increased, processing of local produce takes place locally, and extra income is generated in the rural areas. Development banks can undertake programmes of action oriented research as to how best they can contribute to the strengthening of inter-sectoral linkages between industry and agriculture.

Suggests that, these can be done in two ways. There can be organised research establishments financed by any AIFIs whether independently or in universities or economic institutes or the like, which can probe into the matter, suggest outlines for pilot experiments and evolve strategies based on such probes. AIFIs may adopt villages and see for themselves what the missing links are out of the experience of several such adoptions, it may be possible to evolve suitable guidelines for action.

**LOAN APPRAISAL BY IDBI:**

The senior executive meetings, meetings of the Board of Directors or Senior Officers of the IDBI, authorised to accord approval for project proposals are not meeting frequently. They take policy decision as also scanning loan applications of huge amount of rupees without much gesture or
heated discussion over or probe into the technical feasibility and commercial viability of the project. The meetings are centralised at its regional or head office. They never come into contact with prospective entrepreneurs particularly in this backward areas.

This aspect needs further modifications.

IDBI receives applications, only on the strengths, which are bankable projects and traditional group of industries. IDBI also insist on 10 percent promoters fund (which is akin to margin money) before sanctioning any loan. This seems to be a burden on the entrepreneurs.

It is suggested that the promoter's fund be reduced to 5 percent.

The points noted in the flash report are very critical for some entrepreneurs and it should be simplified.

The interest rates applicable for N.E. Region as a backward area during 1993-94 are similar to that of all India picture (21.5 percent - and under process of enhancement) and
for differential rate structure for different classes of loans, sanctioning of loan application requires minimum three months period by IDBI, yet there is no denying the fact that mounting arrears and increasing number of defaults occur because of poor standard of technical and financial appraisal. There is doubt that the old figures and factors are often considered for sanctioning a project to avoid latest available appraisal due to non-qualified experts.

It needs to be rearranged and executives should be trained properly to keep up with latest information and procedure.

IDBI provides and arranges quite a few numbers of training to its executives as per annual reports of 1988 to 1993. But the poor appraisal standard, delays in the scanning of loan applications and growing number of loss making units call for an emphasis on the role of more effective training.

The comparison of IDBI's financial scanning, overtime, does not make a happy reading, but its relative performance for scanning of loan application in the N.E. Region vis-a-vis AIFIs and other development banks of the country provides some scope for complacency.
The functioning of IDBI's executives are of that bureaucratic culture has enshrouded its corporate personality. Their attitude towards the organisation is not satisfactorily commercial and nor adequately developmental or promotional in its outlook.

The very character of the IDBI and other AIFIs has been defeated as there is no autonomy in any division. It fails in striking an optimum balance between the requirements of operational autonomy and control.

There is a truth that mere lending of development finance without proper introduction and effective implementation of development plan would, at best be tantamount to much cry and little wool. The slow and unbalanced growth in the Region can be solved by formulating resource based comprehensive area programme of integrated development. As we see that IDBI and other AIFIs have been assigned the major responsibility of financing large scale and well dispersed industries to bring about development without deprivation. But excepting Assam and Meghalaya, all the other five N.E. States are fully deprived of the IDBI and other AIFIs assistance over the years.
The success in this regard requires a substantial shake in the organisation structure of IDBI. Ex-officio nominees of the Board of Directors and retired advisers should be replaced who have no interest and involvement in the goal oriented performance of the bank.

The senior executive meeting and other executive committee and advisory committees should meet more often, much more at different places of capital of N.E. States to enable them to probe into the viability and feasibility of a project before promoting it.

The General Manager and other executives are frequently transferred. They should be allowed a fairly long tenure in the office to facilitate continuity and specialisation in administration and allowed the leaders to get innovative things done.

IDBI and other development banks are certainly on the threshold of all round progress from the aspect of dispersal of financial assistance but there are some services aspects which needs urgent attention for the N.E. Region.
In the IDBI, ICICI and IFCI offices at Guwahati, loan applications are piling day to day. Applications should be processed expeditiously.

Multiplicity of official procedure has resulted in the weakening of internal control and deteriorating customer services is increasing day by day. Even amongst the organisations like NSIC, SIDC, NEITCO, AFC and State Industries Department, there is no co-ordination.

IDBI as a leader of development banks in the Region can lead a coordination committee which will assist in hastening the pace of industrial activity, in the backward N.E. Region.

**IDBI'S INVOLVEMENT IN N.E. REGION:**

During 1985-1993 IDBI has launched at least ten new schemes viz. - bill re-discounting, re-finance of bankable projects, revival of sick industries, National Sericulture Project (NSP), Small Industries Development Fund (SIDF), Small Road Transport Operators (SRTO), Exchange Risk Administrative Fund (ERAF), Energy Audit Subsidy (EAS), Equipment Finance for Energy Conservation (EFEC).
However in the N.E. Region these schemes have no exposure at all. They have not at all implemented the schemes where there is a lot of scope.

IDBI should see to it that the schemes are implemented throughout the country simultaneously. Similarly, this type of attitude only creates and enhances social tension.

There are certain schemes which cover assistance for setting up of training cum production centres and for organising skills, upgradation and management upgradation programmes. The aim is to improve rural and urban areas and the economic status of underprivileged poor women. There is none in the N.E. Region who has availed such an opportunity.

As such it is suggested that wide publicity is necessary to get the popularity and proper implementation of these schemes.

The public sector units financed by IDBI are controlled mostly by politicians - chairman or a bureaucrat chairman who do not have any commercial background. Although earlier to 1980-81 the public sector units financed by IDBI in India and in the N.E. Region as a whole, were maintained a
healthy tradition of having an industrialist - chairman. Assam Tea Corporation is having an industrialist - chairman and earning profit from 1991 to 1994. The Government sector units are thus deprived of the benefits of professionalism, initiative, dynamism and objective decision making.

IDBI, should observe a strict rule for appointment of professional industrialist as a Chairman in the Government sector units.

In the N.E. Region and other parts of the country state or central cadre IAS, Managing Directors are posted, who are lack of specialised knowledge of an industrial enterprise like textile, jute, cement, etc. The frequent and quick turnover of the incumbent make the matter more worse. Subsequently they have failed to contribute substantially to the health and organisational effectiveness and operational efficiency of the units.

However, a few private sector units are claiming credit for having made a record progress amongst the top ranking IDBI financed units.
Over thirty years of its operations, loans sanctioned and disbursed by IDBI in Assam, have steadily increased except a few years. Unfortunately, the overdues have also increased. This is due to the faulty decision taken by IDBI at the time of sanctioning the assistance. IDBI's total finance in the Region seems to be a "non-performing assets".

It can be properly maintained by observing the principles strictly as referred in the flash report.

From our analysis it appears that all assistance accorded by IDBI in the N.E. Region are either medium or large scale units which fall under the heading of non-SSI sector. Co-operative sectors are not properly covered or remained uncovered. SSI sectors are also not covered properly. Private concerns have had a lion's share in the assistance. After 1991 a very few SSI units are getting financial assistance from SIDBI and IDBI and its major share has been extracted by private limited companies.

The industry-wise, capital-wise and amount-wise verification of assistance from SIDBI discloses that the tiny and genuine SSI sector have failed to have access to the SIDBI.
Therefore there is substance unsatisfaction in the criticism that SIDBI as a part of IDBI have not succeeded in reducing concentration of wealth.

IDBI has very recently undertook a major survey and research activity for the backward areas and N.E. Region (Yet to be made public). The work was carried out by a team of highly competent experts. The survey result and our findings are similar in nature to that of financial assistance extended by the IDBI and AIFIs in the N.E. Region.

One of the important findings of the survey relates to the inter-sectoral linkage between industry and agriculture in the Region. The finding is that, in all the backward States, (more particularly in the N.E. States) the linkage are far from adequate and large majority of the population have been bypassed.

From the above, the following conclusion may be arrived at:

With better developed linkages, though the inter-sector transmission of growth impulses could have been more profound, and in a number of ways; agricultural growth might
have provided increased stimulus to manufacturing industries engaged in the processing agricultural crops and vice-versa. Growth in agricultural productivity and consequent lower unit costs of food and other agricultural commodities would have facilitated non-agricultural expansion under conditions of stable prices for major wage goods.

It could also have resulted in increased foreign exchange earnings on the agricultural commodities traded abroad. Agricultural growth could have better stimulated the growth of agro-input industries such as fertilizer, farm tools and implements, in the backward areas like N.E. Region. The resultant increase in agricultural incomes also would have stimulated the demand for non-agricultural consumer goods. As the rural income grew these would have further stimulated the demand for non-agricultural consumption goods. The growth in non-agricultural incomes would have led to larger increases in the consumption of products from domestic agriculture, thereby strengthening the cost innovation in the sector.

It may be very easy to retort that IDBI and AIFIs have a specialised function, that they can do little in the field of rural and backward area (like N.E. States) and that
their success will be eroded by diffusion of effort into new fields. Area oriented industrial policy will, overtime, be self defeating and lead to industrial stagnation and social unrest; within the limits of their potential, AIFIs cannot overlook the imperative need of today and tomorrow - namely to help, vitalise the rural economy, increase farm and non-farm rural incomes, reduce rural unemployment and forge strong links between agriculture and industrial growth. AIFIs and IDBI alone cannot achieve this, except as a supplement to strong governmental and institutional support, efficient planning and policy strategies.

The unpublished survey reports gives us the hope that, sooner, rather than later - they will find ways in which to involve themselves in activities which would, in the medium and long run promote inter-state and sectoral linkage, expand markets and develop complementarity between industry and agriculture, between the rural and urban sectors, between the development of production capacity and development of consumption capacity.

IDBI should try to invest and locate projects of high profile in public and co-operative sectors also. IDBI is the chief co-ordinator in the N.E. Region amongst all
development banks, it has to instill a spirit of commitment amongst all the development banks and its executives to satisfy the increasing demand raised by the entrepreneurs in the sphere of developmental process. It should work like an engine of socio-economic growth of N.E. Region for creating an investment climate for the 21st century.

We find from the study that the loans and advances of IDBI and AIFIs are not fully secured in the N.E. Region. Financial institutions are very scared about spreading over their business into the remote areas. For example, the commercial banks and other financial institutions are getting only rupees sixty thousand from the Deposit Guarantee Corporation of India.

To safeguard the loans and advances of the IDBI and other financial institutions it is suggested that there should be a loan guarantee corporation under the statutory control of Government of India for this Region, particularly to safeguard the loans and assistance provided to the units, which are facing hard financial position. It is observed that most of the IDBI financed units in this Region are defaulters. This is due to the reasons already discussed.
It is also observed that disparities are there within the Region, keeping aside the regional imbalances. The major part of the assistance extended by IDBI and other financial institutions are concentrated in Assam over the years preferably in and around Guwahati, district Kamrup and lower Assam belt, mostly concentrate, in the cement and textile industries. Though there is more potentiality in other sectors also in Assam and other States of the Region. Moreover the industries which are not covered by IDBI and other development banks, as yet, are more profitable and less capital incentives. The basic aim of developing backward areas of the entire Region has not been properly followed.

IDBI has financed a certain cement and textile industries in the Region, particularly in Assam, while the Government of India is giving more stress on food processing industries in the Region, IDBI should come forward with the recommendations of their industrial potential survey and perspective plans. IDBI should also come with a concrete plan for underwriting facilities for such proposed industries in the N.E. Region.

In case of industries aided by IDBI to name a few - Vinay Cements Ltd., Umransu Cements Ltd. and most of the
textile mills; all of them are misutilising and syphoning the funds to some other sectors as per the books of accounts of the units and IDBI's record. They have not refunded anything during the loan period, to IDBI.

IDBI should effectively check such units and matter of such default cases must be placed before the proposed tribunal or to process legal action. The followup is closely associated with basic lending. IDBI, from its offices merely post the followup letters and thus fulfil its responsibility. IDBI may form a team to followup officers, state-wise, and to pay routine visit to the units at the cost of the loanees.

SIDBI along with IDBI can carryout a detail survey in the Region, to demarcate various industries for extending financial assistance to SSI units that too also in the remote and suburban areas.

N.E. Region is a goldmine for various unexplored industrial units. We find that the IDBI and other development banks never tried to develop these sectors. Only traditional industries in the medium and large sectors are being assisted. Ultimately a day will come when the cement, textile
and hospital services will be saturated in the Region with huge non-performing assets for IDBI.

We find that the industrial units financed by IDBI in the N.E. States are not profit making as per the position of the defaulting cases. Most of the units are obtaining and procuring raw materials from outside the State and except cement all have to look to a market outside the State. Huge transportation and marketing expenditure create a negative climate on such units.

Hence we suggest that all the development banks and institutions operating in this Region should review its policy for promoting industrial units on the basis of availability of raw materials locally and a free open market within the Region.

N.E. Region is a treasure of natural resources like petroleum products, gas, coal, limestone, tea, timber, various types of spices etc. The resources are like a blended mosaic. However, no attempt has been made by IDBI or other financial institutions till 1994 to explore these or invite applications for establishing such industries in the Region; we can have industries of all three categories (SSIs, MSIs
and LSIs) in the Region as per availability of locally available resources.

We suggest hereunder state-wise potentiality of industries on the basis of locally available resources. IDBI should come forward and adopt a policy to mobilise industrial activity in the Region and to invest its scarce funds in those industries.

A list of state-wise potential industries are suggested below:

Assam (General) : Concentrate fruit juice, wood and wooden works, pineapple concentrates, ginger, coir, caffeine and tea based industries.

Assam (Flood Prone Areas) : Brick klin, rice mills, jute, jute based, mustard oil mills.

Meghalaya : Lime, timber, coal, fruit juice, spices and fruit processing, e.g. pineapple concentrates.

Mizoram : Timber, fruit juice, spices, pineapple concentrates, handloom and handicrafts.
Manipur: Handloom, fruitjuice, tinned fish, handicrafts, timber products.

Tripura: Caffeine, handloom and handicrafts, jute, mechanical bricks, fruit juice (pineapple) concentrates, spices.

Nagaland: Handloom and handicrafts, fruitjuice concentrates, timber, spices.

Arunachal Pradesh: Timber, fruitjuice, handloom and handicrafts.

All the seven States have got enough scope for development of hotels and tourism industries also.

Very recently (July '94) Government of India has sanctioned an amount of Rs.25.00 lakhs for establishment of a fruitjuice testing laboratory at Jorhat in Upper Assam. We donot find any reason for this laboratory - while there is no such industries related to food and fruit processing in Upper Assam. A fruit juice concentrate industry in the medium scale under NERAMAC is working at Nalkata, in Tripura State.
We suggest that NEC, NERAMAC, AHIDC, all the industries departments of seven States, AIFIs, IDBI and SIDBI can form a strong high level body to promote the above industries. This way IDBI can also regain its loss fame.

SIDBI has also assisted a few medium and big SSIs in the Region since its inception, but all the SIDBI financed units are also facing losses.

We find that SIDBI can assist and promote the following types of industries in the Region; under SSI sector which has got a local market:

Pharmaceuticals, coir products, rubber goods, brooms, supari, cane and bamboo, bell metal, poultry, fishery, agricultural tools and implements, silk, ivory works.

Hollow bricks, redpine furniture, lime stone, washable distempers, varnish, colours, straw boards, plywood, wall boards, sodium silicate, barbed wires, black board, chalk pencils, parentral fluids, puzzolana lime, sand lime tiles and jallies, spices grinding, potato chips.
A special case study on an IDBI financed unit, i.e. Assam Syntex Limited was covered in Chapter-VIII. A few suggestions on the revival of the Mill have been incorporated in the following few lines:

In the winter session of Assam Assembly 1993 the entire ruling and opposition MLAs in the session fought for the revival of a privately owned Company - "India Carbon Limited" and passed a resolution, unique in its nature, for supply of raw materials by the concerned agency (Gauhati Refinery) at a concessional rate. But the State owned Textile
Polyester Mill (ASL) which was almost non-functioning could not draw any sympathy from the legislators. The Mill could not be saved from closure. Still there is time to make united efforts by the MLAs to pressurised the Government to re-open the Mill as early as possible.

Most of the IDBI financed units in the N.E. Region are either facing serious threat of closure or huge financial losses over the years.

It is advised that either the units should be converted to a public limited company or hand over to a purely private concern. Government as an welfare state concentrate on policy making and social welfare activities of the state and not to run its own business for earning profit. Experience shows that all Government undertakings are facing huge losses and as such all the units facing financial losses should immediately privatise or converted into public limited companies. In case of the Mill (ASL) Government of Assam, AIDC, management and labour union should immediately chalk out a total plan of action to revive the Mill for the greater public interest, for the interest of the invested fund of IDBI.
Government of Assam, if desire, can release the instalments of subsidy in a phased manner. Discount sales of Mills product must be stopped after revival. A good team of professional either on a full or part time basis to be appointed to workout revival and functioning of the Mill.

Government of Assam, on their part may relax the excise duty, sales tax, and other burdens of the Mill for a couple of years. Through, Ministry of Textile, Government of India a fixed quota of VSF may be released to the Mill on a regular basis. Alternatively, we suggest, that Ashok Paper Mills (since declared sick) may be converted to a viscose fibre producing unit.

For available electricity, non-stop supply of power, a heavyduty captive power plant should be established within the Mill premises as is being done by Prag Bosimi Synthetics Limited.

The working capital of the Mill, should be enhanced. Accommodation can be made with SBI or form other financial institutions. If it goes for public issues, there will not be any problem of working capital. It will be more ideal than the former.
Inefficient staff and executives must be trained or immediately retrained; we may expect better service from fresh recruitment of professionals.

As the Mill had already started its own composit unit, it is not possible to assemble all the divisions in one place on technical grounds. But the best idea will be to start a production centre of its own for readymade garments on the line of "MANAS" or "APOL" fabrics.

As already mentioned that the Mill is packed with non-qualified and deputed directors, who unfortunately have little time, little specialisation and little involvement in the day to day affairs of the Mill.

The tendency of bureaucratisation in addition to other negative implications, has given rise to the practice of undue ministerial and official interference which has eroded the operational autonomy of the Mill. Furthermore the appointment of the Chairman on political consideration and spending huge sum of money in this post caused a huge financial loss.
We suggest that full time professional directors be appointed and the post of chairman can be merged with managing director as chairman cum managing director.

However, a nominated director of IDBI should be placed at the disposal of the Mill, if it is considered necessary.

CONCLUSION:
Development banking has made substantial contribution in the development of industrial culture in the country. However, this is mostly a post-independence phenomena, when most of the development banks were established in the country. It must be admitted that Government of India's decision to establish these banks from 1948 onwards was a step in the right direction. In a country where private initiative for setting up of industries was very lukeworm, these government sponsored development banks did a tremendous job in promoting and developing many industries throughout the country.

Against this background not much can be said about the success story of development banks in the North Eastern Region. May be, the development banks are not alone
responsible for this state of affairs. But in a Region where entrepreneurship is always at a premium, these development financial institutions including the IDBI could have done much more than what it has done so far.

William Dimond's fond hope that the creation of development banks has been a "highly useful effort to solve the problem of industrial and agricultural development" has remained a wishful thinking at least in this part of the country. However, as we have already stated at different places of our earlier pages, that these development banks have still a very important role to play in the industrial and agricultural development of the North Eastern Region. Perhaps this hope may be materialised with the concerted effort of the development banks, state governments and willing entrepreneurs who really desire to contribute their effort for the development of the Region.