Chairman’s Message

Dear Shareholders,

I feel great pleasure and honoured to extend warm welcome you all at the 65th Annual General Meeting of the Assam Financial Corporation (AFC) on behalf of the Board of Directors and Officers & Staff of the Corporation.

ECONOMIC OVERVIEW

At the beginning, let us have a look at the global economic landscape. The Global economy is estimated to grow at 3.9 % in 2019. In this backdrop, Indian economy fared pretty satisfactorily, notwithstanding the fact that the gross domestic product (GDP) remained flat at 6.90 % for FY2018, down from 7.20%
in the previous fiscal. India however, stood out to its growth promise with a projection of 7.5% growth per annum in GDP over the next three years. The world bank believes that India’s growth prospect remain solid supported by improved confidence, slowing inflation as well as robust investment supported by fresh policy impetus. India is expected to emerge as the world’s fifth largest economy in the near future.

The bank credit growth clocked at 13.23% in FY19 against 9.85% in FY18. However, increasing indebtedness in some sectors of the economy have impacted the asset quality of banks and this is a cause for concern. The gross non-performing advances (GNPAs) rose from 11.20 per cent in FY18 from 9.30% a year ago. The Reserve Bank of India cut the policy rate by 25 basis points during 2018-19.

India’s vast, mostly unregulated and fast-growing Shadow Banking Sector in the midst of CRISIS. This is fire that threatens to engulf much more than the Sector in which it has started and carries the potential to burn down important segments of the Indian Economy.

Good Many of the people cannot be and should not be spent and supporting bad prospects and bad loans that have come on the books not only because of bad decisions but also bad practices and malfeasance. All help is welcome but it must come with the caveat that those who have contributed to making this disaster will be held to account and brought to justice.

**STATE ECONOMY**

Our State, Assam, performed quite impressively during FY2019 and total GSDP growth is estimated at 12.40%.

It is seen from the economic scenario of the state that Assam is poised to grow
at higher rates of economic growth as projected by the State Government. The industry sector grew at rate 5.11% and 4.32% at current and constant prices respectively during 2016-17 (QE) with sectoral contribution of 28.72 % as per the Economic Survey of Assam 2017-18. Further, the service sector grew at an impressive rate of over 10% at current price and it constitutes 45.51% of the state economy during 2016-17(QE) as per the Economic Survey of Assam 2017-18. Both the sectors are employing a major proportion of the workforce in the state.

**IMPORTANCE OF MSMEs**

While agriculture provides for the largest quantum of livelihood in the state, we cannot over emphasize the important role played by MSMEs, which generate highest rate of employment and account for a major share in industrial production and exports from the state. This sector also immensely contributes towards development of our rural economy. Keeping that in view, Govt of Assam has been persistently emphasizing for growth in MSME sector. In line with the above policy of the Government, AFC has been consistently providing financial assistances to this sector.

As per the Economic Survey of Assam 2017-18, there are 45509 SSI/MSME units in Assam and providing employment to 2.69 lakh persons till the end of 2016-17. The average employment per unit of manufacturing enterprises in Assam is around 7(Seven) person during the period 2005-06 to 2016-17 and average investment per unit is ₹15.61 lakhs.

Micro, Small and Medium Enterprise (MSME) is an important sector in the economy of our state, particularly for growth of rural economy. It accounts for a sizeable contribution to the Gross Domestic Product (GDP) and creates large employment opportunity to the people as compared to large industries. The
MSMEs are generating higher employment opportunities at a comparatively lower capital cost as compared to large industries. It is believed that MSME has much more potential to address the structural problems such as unemployment, regional imbalances, unequal distribution of national income and wealth. It is understood that MSMEs have the comparative advantage over the cost and also the forward and backward linkages as compared to the other sectors. Hence, MSMEs play a crucial role in generating employment and also to boost the success of “Make in India” campaign. Looking at the importance and success of MSMEs, the government has also initiated a large number of schemes and programmes for the development of economy.

ENTREPRENEURSHIP DEVELOPMENT

The focus of the Corporation has always been the MSME sector. The Corporation plays a pro-active role in encouragement of first-generation entrepreneurs. The State Governments is also taking necessary steps to ensure that entrepreneur friendly policies are framed. The Corporation plays a facilitator role in encouraging the entrepreneurial development. During the year, the Corporation conducted the Business Development Programmes at its various Branch Offices which drew good response.

It is a matter of pride that the AFC has provided financial assistance to total 7318 projects both in service and manufacturing sectors under its various schemes since inception involving total loan amount of ₹ 29,399.84 lakhs sanctioned as on 31-03-2019. Today, we feel very proud to inform you that AFC has so far provided direct & indirect employment opportunities to more than 150000 unemployed youths of the state. In the microfinance operation which
was started from FY: 2009-10 the performance of the Corporation is highly encouraging. In this sector, AFC has sanctioned and disbursed total amount of ₹4187.26 lakhs and ₹3987.26 lakhs respectively as on 31-03-2019 under the prestigious “Chief Minister’s Micro Finance Scheme” and “Kanaklata Micro Finance Scheme” and provided financial inclusion & livelihood support to more than 35,000 women beneficiaries of the state.

**THE FUTURE OUTLOOK:**

In the current year and in the years to come in order to ensure sustainable growth in sanction, disbursement and recovery portfolios, the Corporation is focusing towards providing excellent customer service by reviewing its lending & recovery policies and improving upon its various processes and procedures. For the continuation of its lending activities for industrial development and employment generation to contribute to socio-economic development of the state and with a view to ensure sustainable growth, the AFC has made a long term strategic business plan and accordingly submitted proposals before the Govt. of Assam for continuous budgetary support. During the year the Corporation received soft loan support of ₹1500.00 lakhs from Govt. of Assam for expansion of its MSME lending and micro finance operation. The Govt. of Assam has further allocated a sum of ₹5.00 crores as soft loan and ₹1.00 crores as equity capital assistance in its budget of FY:2019-20. During the year 2019-20, the Corporation will further approach the state govt. with a request for continuation of Budgetary support in the form of soft loan and equity to the Corporation to sustain its future growth. Moreover, the Corporation has made a plan to submit a ₹3000.00 crores proposal to Govt. of Assam for availing fund from external funding agencies like World Bank, Asian Development Bank etc for the promotion of infrastructure development projects by extending lending to local contractors and enhance development of MSME sectors in the state. In
this connection, the Govt. of Assam has made token provision of ₹1.00 lakhs each for credit linkage of Externally Aided Projects and incentives for construction sector for creation of Capital Assets under SSH-CTA/SOPD-ODS in its budget 2019-20. We are hopeful that the Govt. of Assam will be kind enough to provide us sufficient amount of operating fund in the form of loan and equity for sustainable & consistent growth of AFC and at the same time to contribute towards the growth of MSME sectors in the state. In addition to this in view of encouraging performance in the microfinance sector the Corporation has also moved to the Govt. of Assam to provide budgetary support along with adequate equity support as the Corporation has been operating with a low capital base. The Corporation made principal repayment of ₹500.00 lakhs and interest payment of ₹607.40 lakhs to the Govt. of Assam during the year on account of soft loan support received from the Govt. of Assam.

The competition with the Commercial Banks and other financial Institutions will increase considerably with the creation of more banking institutions and consolidation among existing ones. Moreover, new customized/innovative financing schemes are being introduced by NBFCs & other financial institutions. Now, AFC need to divert from their traditional financing and need to look forward for niche market financing like 'Startup funding', 'Infrastructure financing' and other non fund based activities like 'Single Window Clearance Authority', 'Knowledge Sharing Centers'. Further, we will also explore the possibility of joint infrastructural development ventures for development of IT/Bio-Tech Parks /Commercial Malls/Textile Park/Public Transports System as part of new initiatives and diversification process. The State Govt. can help the AFC a lot by allocating valuable vacant lands in the prime localities with in and around Guwahati City owned by various Govt. Departments/Governmental Agencies/Registered Societies/Trust etc. for joint development. AFC would take care of all the financial ties up for development of those properties and more resources and Infrastructure development projects.
PERFORMANCE

It is my privilege to place before you the highlights of the Corporation’s performance for the FY:2018-19.

The Corporation has shown decent performance in the FY:2018-19 in its key portfolios as below:

- Overall sanction position was ₹2083.63 lakhs during the year as against ₹2287.75 lakhs in FY:2017-18 and ₹1740.00 lakhs in FY:2016-17;
- Overall disbursement position stood at ₹2014.51 as against ₹2095.90 lakhs in FY:2017-18 and ₹1606.70 lakhs in FY:2016-17;
- Total recovery of loan increased to ₹2588.56 lakhs from ₹2532.70 lakhs in the previous year registering a growth of 2.21%.

Management

The Board of Directors are experienced professionals in the fields of industrial and banking sectors. The Board’s consultative and participative discussions created better quality of decisions and adoption of good corporate governance practices. The Board of Directors are focused explicitly on strengthening financial regulations and supervision improving governance with full of transparency and accountability. The Executive Team under the stewardship of learned Managing Directors has successfully faced the challenging environment.

I take this opportunity to extend my gratitude to my colleagues on the Board for their excellent guidance and look forward for their valuable guidance in the years to come.
**Employees**

It is the strength of the employees at all levels that contributed to the Corporation’s success story so far. The dedication and commitment of the staff enabled the Corporation to continue with its operation significantly ensuring socio-economic development of the state. The experience and vision of the Executive team further enabled the Corporation to meet the challenges effectively and adequately.

I myself and on behalf of the Board take this opportunity to express our appreciation for the tremendous contribution of the employees in scripting the success story of the Corporation.

**LOOKING AHEAD**

It is the endeavour of the Corporation to adapt to the changing business environment there by always fulfilling the needs of our esteemed customers. The Corporation reassess its strengths and strategies on continuous basis to withstand the fierce competition. The Corporation strives to build a good loan portfolio, monitor the same on continuous basis and take concrete measures on real time to arrest non-performing assets.

**ACKNOWLEDGEMENT:**

I sincerely express my gratitude and acknowledge the valued support, assistance and guidance received from Govt. of Assam. On behalf of the Board of Directors, I would like to thank all our employees for their hard work over the last year as well as their willingness to embrace change. And I wish to thank our customers, shareholders and other stake holders for their trust and support they continue to give us. I am thankful to SIDBI, RBI, LICI, COSIDICI,
SBI, BOB, PNB and other State and National level financial institutions for their continued support and guidance.

I would like to appreciate the dynamic leaderships of the Managing Director, Management Team and Officers & Staff of the Corporation for their dedicated & sincere services & wholehearted efforts rendered for the betterment of the Corporation.

Best wishes for a happy, healthy, peaceful and prosperous life.

Thank you,

Sd/-

(Vijay Kumar Gupta)
Chairman

Place : Guwahati
Date : 30-07-2019