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B. Com part -2 subsidiary paper -4 Monetary Theories and financial institutions

Unit -3 commercial Bank lecture-4

The Industrial Development Bank of India (IDBI) : IDBI was Established in July 1964 by the Govt. of India with a view to provide long term Financial assistance to industrial units in India. Earlier, IDBI functioned as a wholly Owned subsidiary of RBI, however, it was made autonomous in the year 1976. IDBI Has been primarily working with aim of removing lacunae from the pattern of Industrialization. It functions as an apex bank for the development banks engage din industrial financing. Therefore, it enjoys wider powers.

Functions :

1. Being an apex bank, it regulates industrial development in India, formulates schemes for new

projects, implements them and also tries to remove lacunae in the industrial pattern.

2. Provides technological and administrative help for the expansion and management of the industrial sector.

3. Provides refinance facility to IFCI and SFCs with the permission of Govt. of India.

4. It co-ordinates the activities of development financial institutions.

5. It helps in sale or purchase of industrial bonds / debentures.

6. It carries out research work by collecting information about market conditions, investment, technological progress etc., and the same is made available to the industrial sector.

IDBI can build its financial resources through shares, debentures, deposits from companies, borrowings from RBI and the Govt. of India. The total resources of IDBI amounted to Rs.71,783 Cr. in 2000-2001. It had provided total financial assistance to the tune of Rs.2,23,134 Cr. until March 2001. During 2003-04, IDBI had provided direct loan assistance of Rs.37,875 Cr.

IDBI's contribution to industrial development in India : IDBI enjoys an important place in the sphere of industrial finance.

The financial assistance provided by IDBI is classified into following three categories :

A) Direct financial assistance to industrial units : IDBI extends help to industrial units in the form of loans, subscribing to shares, debentures and underwriting.

It functions as the lender of last resort. Its functioning never comes in competition with other industrial financial institutions. Direct financial assistance from IDBI has helped many industrial enterprises survive in difficult times.

B) Indirect financial assistance to industrial enterprises : IDBI provides refinance to State Finance Corporations, State Industrial Development Corporations and Commercial Banks. Thus, it indirectly helps in the development of industries.

The indirect financial assistance also takes the form of rediscounting of bills, subscription to shares and bonds of financial institutions and seed capital assistance.

C) Assistance to Backward areas : IDBI has helped industrial units located in backward region or states in several ways. For example, it has provided long-term concessional loan assistance to industrial project located in backward regions. It also provides concessional refinance assistance to projects in backward regions and special concessions under bill rediscounting scheme. It has helped entrepreneurs in identifying economically viable project and has also provided technical assistance.