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

Unit-3 Commercial Bank

Main Development Banks in India : We shall now discuss the main Development banks in India.

The Industrial Finance Corporation of India Ltd. (IFCI) : IFIC Was established in 1948 by the Indian Govt. The share capital of IFCI is subscribed By IDBI, scheduled commercial banks, insurance companies and other financial Institutions. This corporation was

converted into public limited company since 1993.

This corporation complements the efforts of other development banks. It provides Loan assistance out of its resources, which are built through the sale of its debentures, Foreign exchange loan from the World Bank, acceptance of deposits with maturity Of more than 5 years and loans from the Reserve Bank of India.

• Functions :

- i) Providing long-term loans (up to 25 years maturity) to the production Units or purchasing debenture / bonds of same maturity.***
- ii) Providing guarantee to the loans up to 25 years of maturity raised by Production units.***

iii) Underwriting the share capital or debentures of production units and Making arrangement for their sale.

iv) Guaranteeing the sale of share capital or debentures and at time Purchasing them.

v) Guaranteeing the pending payments from importers

vi) Providing financial assistance to the large and medium enterprises

vii) Providing loans either in rupees or foreign currency.

Following factors are considered while issuing loan :

1) The importance of the project to the economy.

2) Installation cost and potential of survival.

3) Nature of the security mortgaged.

4) Availability of production technology and raw material

5) The quality of output and its importance to the country

6) Ability of the management etc.

• Working of IFCI : IFCI was the first to enter into the area of development banking. It has worked since its inception in an efficient manner-

1) Loans : It has approved loans of Rs.10,300 Cr. During 1948 and 1996.

Rs.2,120 Cr. Were distributed in the year 2000-2001.

2) Industrial Development : This Corporation has assisted in the development of industrial units from textiles, paper, chemicals, fertilizers, cement, food products, automobiles, machines, lead, rubber etc.

3) Capital raising : This corporation has helped in raising capital for large industries.

4) Training : Training facility is provided to the staff of financial institutions.

5) Risk capital : It has started providing risk capital since 1975 to the upcoming units at concessional rates of interest.

6) *Guidance to organizers : At Delhi, a department of merchant banking and allied services has been set-up to guide entrepreneurs in designing the project and raising required resources for the same*