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Q Explain the Institution for project financing in India for Small and medium Scale entrepreneurs.

⇒ Commercial Banks:

The Scheduled Commercial Banks (SCBs) in the country (288) comprise the State Bank of India (SBI) and its associated banks (8), nationalised banks (19), private sector banks (32), regional rural banks (RRBs) (196) and foreign banks (23). The commercial banks started taking initiation in financing SSIs in a greater way only after the bank nationalisation in July 1969. Normally, the commercial banks provide assistance for working capital requirements of SSIs. It is interesting to mention that the bank credit to Small Sector as a percentage to total bank credit is on increase year after year. For example, it increased from 22% in March 1993 to 27% in March 1995.

⇒ Other financial Institutions:

→ Industrial development bank of India (IDBI)

Prior to 1964, there was not any apex organisation to co-ordinate the functions of various financial institutions. Then, V.V. Bhatt rightly

Pointed out that the Country Needed a central development banking institution for providing "dynamic leadership in the task of promoting a widely diffused and diversified and yet viable Process of industrialisation. The Industrial Development Bank of India (IDBI) was established on July 1, 1964 Under the Act of Parliament as the principal financial institution in the country. The IDBI has shown its Particular interest in the development of small Scale Industries.

⇒ Industrial Finance Corporation of LTD India

LTD (IFCI):

The Government of India Set up the Industrial Finance Corporation of India (IFCI) under IFCI Act in July 1948. Since July 1, 1998, it has been brought Under Companies Act, 1956.

The financial resources of the IFCI are constituted of the following three components:
(i) Share Capital, (ii) Bonds & Debentures; and
(iii) Other Borrowing. The IFCI started its

lending operations on a modest scale in 1948. In recent years, the IFCI has started new Promotional Schemes, such as (a) interest Subsidy Scheme for women entrepreneurs; (b) consultancy fee Subsidy Schemes for providing marketing assistance to small-scale industries; (c) encouraging the modernisation of tiny small-scale ancillary units; and (d) control of pollution in the small and medium scale industries. The IFCI had also failed to take any action against some practices.

⇒ Industrial Credit and Investment Corporation of India Ltd. (ICICI):

The Industrial Credit and Investment Corporation of India Ltd. (ICICI) was set up in January 1955 under the Indian Companies Act with the primary objective of developing small and medium industries in the private sector. The ICICI assists all sectors, that is, the private sector, the joint sector, the public sector and the co-operative sector.

⇒ Industrial Reconstruction Bank of India (IRBI):

The government of India Set up the Industrial Reconstruction Corporation of India (IRCI) in April 1971 Under the Indian Companies Act mainly to look after the Special problem of 'Sick' Units and provide assistance for their Speedy reconstruction and rehabilitation. Through its Merchant Banking Services, IRBI enables Units in the process of amalgamation, merger and reconstruction. Equipment leasing was, In fact, an extension of the IRBI hire-Purchase Scheme.

⇒ Life Insurance Corporation of India (LIC):

The Life Insurance Corporation of India (LIC) was established Under the LIC Act in 1956 as a wholly-owned corporation of the government of India, on nationalisation of the life insurance business in the country. LIC offers a variety of Insurance policies to extend Social Security to Various Segments of Society. It also provides loans for

Various purposes like housing, water supply, rural electrification, etc.

⇒ Unit trust of India (UTI):

The Unit trust of India (UTI), established under an Act of parliament in 1964, mobilises savings of small investors through sale of units and channelises them into corporate investments. Over the years, the UTI has introduced a variety of schemes to meet the need of diverse sections of investors. The UTI also provides assistance to the corporate sector by way of term-loans and underwriting/direct subscription to shares/debentures.

⇒ State Financial Corporations (SFCs):

The Industrial Finance Corporation of India (IFCI) set up in 1948 used to provide financial assistance to only large-sized industrial undertaking. The main functions of SFCs has been to provide long-term finance to small and medium sized industrial units organised as proprietary, partnership, co-operative, public or private

Company concerns.

⇒ State Industrial Development Corporations (SIDCs):

The State Industrial Development Corporations (SIDCs) were incorporated under the Companies Act, 1956, in the Sixties and early Seventies as wholly-owned state government undertakings for promoting industrial development. The main functions of SIDCs are to provide assistance in the form of term-loans, Underwriting direct subscription to shares/debentures and guarantees. They also undertake a variety of promotional activities like preparation of feasibility reports, etc.

⇒ Small Industries Development Bank of India (SIDBI): With a view to ensuring larger flow of financial and non-financial assistance to the Small Scale Sector, the government of India set up the Small Industries Development Bank of India (SIDBI) under a special Act of the Parliament in October 1989 as a widely or wholly-owned subsidiary of the IDBI.

⇒ Export - Import Bank of India (EXIM Bank):

The export - Import Bank of India, commonly known as the EXIM bank, was set up on January 1, 1982 to take over the operations of the International finance wing of the

IDBI and to provide financial assistance to exporters and importers to promote India's foreign trade. Expansion/diversification programmes claimed the maximum share (54.3%) of EXIM Bank's sanctions in 1994-95, followed by new projects (33.2%) and modernisation/acquisition of equipment (12.5%)