Presentation
on
Financial Institutions'

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Financial institution is an institution that provides financial services. It is a link between investors and borrowers i.e. it takes funds from those who are having in excess and lends to those who are in need of the funds. There are three major types of financial institutions

- Depository Institutions i.e. banks, societies, trust companies etc.
- Contractual Institutions i.e. insurance companies and pension funds
- Investment Institutions i.e. investment banks, underwriters and brokerage firms

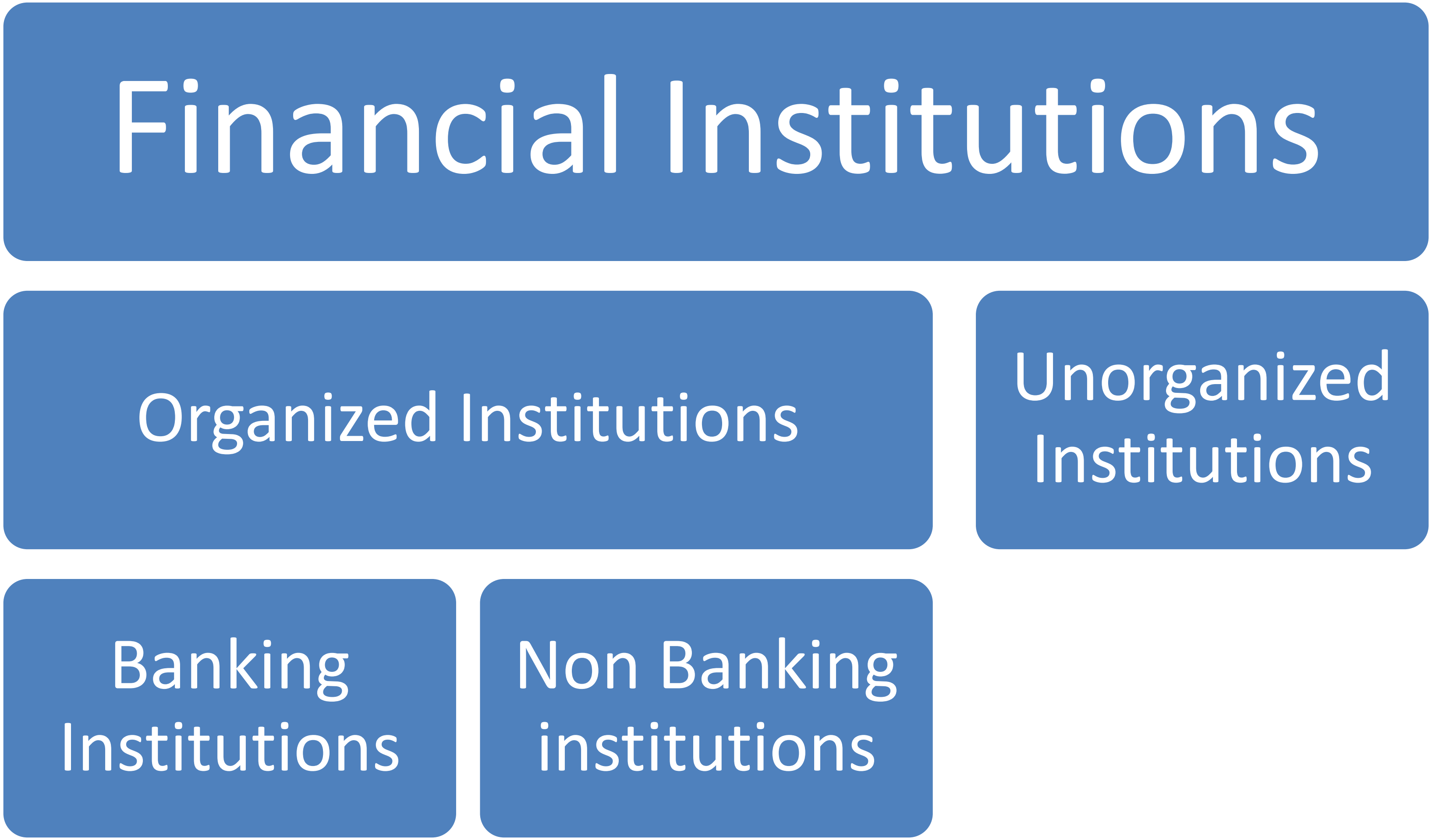
Features of Financial Institutions

1. Link between borrowers and lenders
2. Financial institutions caters to the needs of every individual
3. Provides liquidity
4. Provides the way to utilize the surplus funds
5. Acts as a barometer of the economy

Role of financial institutions

1. Helps to bring closer savers and users
2. Helps to provide funds to the needy concerns
3. 3. ensures availability of financial services to households and individuals
4. Brings equality
5. Generation of new employment opportunities
6. Helpful in capital formation
7. Provides developmental and support services
8. Enhances the standard of living
9. Helpful in economic development of the country
10. Helpful in creating peaceful environment

Classification of Financial institutions



Unorganized Institutions

- **Indigenous Bankers:** Indigenous bankers constitute the ancient banking system of India. Private money lenders used to the only source of finance prior to the establishment of commercial banks. They used to charge high rate of interest and exploit the customers to the largest possible extent. The indigenous bankers are of three types

- Those who deal in banking business (multani bankers)
- Those who combine banking business with trade (Marwaris and bengalies)
- Those who deal mainly in trade and have limited banking business

Organized Institutions

Banking Institutions: It is an institution that accepts deposits from the public and grant loans to the general public. It also provides some other services like locker facility, bill discounting.

According to Indian Banking Companies Act, " Banking company is one which transact the business of banking which means the acceptance for the purpose of lending or investment, of deposits of money from the public repayable on demand or otherwise and withdraw able by cheque, draft order or otherwise."

Types of banks

Commercial banks

Public sector banks

Private sector banks

Regional rural banks

Foreign banks

Co-operative banks

Commercial banks: These are the type of retail banks that provides services like accepting deposits, advancing loans and credit creation.

Functions of Commercial Banks:

1. it accepts deposits from the public.
2. it grants loans to the public.
3. it collects cheques, bills, drafts and other value added services.
4. it provides locker facility for the security of valuables
5. it also provides agency and developmental functions like purchase of foreign exchange, financing various sectors of societies

Scheduled Banks

- Included in the schedule II of Reserve Bank of India

Non-Schedule Banks

- Not included in the schedule II of RBI Act, 1934

Scheduled banks are required to satisfy the following conditions

- The bank must have a paid up capital of five lakhs.
- The bank must be carrying on a business of banking in India.
- It can be a public sector bank, private sector bank, foreign bank or a co-operative bank.
- It must ensure RBI that its operations are not detrimental to the interest of depositor.
- It must be a co-operative society and not a single owner or partnership firm.

Public sector banks: these are the banks which are owned, controlled and managed by the Government. I simple words, these are the type of banks in which more than 50% of the shareholding lies with the Government. The shares of these banks are listed on stock exchanges.
For example: State bank of India, Punjab National bank, Oriental bank of commerce, Punjab and Sind bank, Canara bank ETC.

Private sector banks: a private bank is that in which there are few partners and these attend personally to its management. Banks whose ownership vests in the private sector are called private sector banks. For example: AXIS bank, Yes bank, Federal bank, indusind bank, HDFC Bank

Regional Rural banks: these are the banking organizations created to serve the rural areas with banking and financial services. These are scheduled banks which are governed by Regional rural bank Act, 1976. the objective was to provide credit and other facilities to small and marginal farmers, agricultural labourers. These banks were set up to supplement the commercial banks and co-operative banks in catering credit requirements of rural sector. For example: Punjab Garmin bank

C-operative Bank: a co-operative bank is a financial entity created by its members who are the owners as well as customers of the bank. It is a banking organization wherein people join voluntarily on equal basis for the betterment of their economic interests. Co-operative banks are those banks which are established in accordance of State Co-operative Credit Societies Act. These banks come under the purview of State Government

Foreign bank: Banks which are registered or incorporated outside India, are known as Foreign Banks. These have an office or branch in India. A foreign bank that is obligated to follow the regulations of both the home and host countries. For example: HSBC (Hongkong Shanghai Banking Corporation, Standard Chartered Bank.

Foreign banks perform the following functions:

1. Provide finance for power generation, telecommunication and mining projects in India.
2. Help foreign companies and Indian companies enter into joint venture and collaborations.
3. Managing data and information systems by using latest technology
4. Help in bringing together FII’s and the Indian companies

Non- Banking Financial Institutions

a. All India developmental financial institutions (DFI)

1. Industrial credit and investment corporation of India
2. Industrial development bank of India (IDBI)
3. Infrastructure development finance company (IDFC)
4. Industrial finance corporation of India
5. Small industries development bank of India

b. Investment institutions

1. Life insurance corporation of India
2. Unit trust of India

c. Specialized financial institutions

1. Export- import bank of India
2. National bank for agriculture and rural development

d. State level developmental financial institutions

1. State financial corporation
2. State industrial development corporations

a.1 Industrial credit and investment corporation of India

- **ICICI Bank Limited** is an Indian multinational banking and financial services company headquartered in Mumbai, Maharashtra with its registered office in Vadodara, Gujarat. As of 2018, ICICI Bank is the second largest bank in India in terms of assets and market capitalization. It offers a wide range of banking products and financial services for corporate and retail customers through a variety of delivery channels and specialized subsidiaries in the areas of investment banking, life, non-life insurance, venture capital and asset management. The bank has a network of 4882 branches and 15101 ATMs across India and has a presence in 17 countries including India.
- ICICI Bank is one of the *Big Four banks* of India. The bank has subsidiaries in the United Kingdom and Canada; branches in United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar, Oman, Dubai International Finance Centre, China and South Africa; and representative offices in United Arab Emirates, Bangladesh, Malaysia and Indonesia. The company's UK subsidiary has also established branches in Belgium and Germany.

History of ICICI Bank

- ICICI Bank was established by the **Industrial Credit and Investment Corporation of India (ICICI)**, an Indian financial institution, as a wholly owned subsidiary in 1994. The parent company was formed in 1955 as a joint-venture of the World Bank, India's public-sector banks and public-sector insurance companies to provide project financing to Indian industry. The bank was founded as the Industrial Credit and Investment Corporation of India Bank, before it changed its name to the abbreviated ICICI Bank. The parent company was later merged with the bank.
- ICICI Bank launched internet banking operations in 1998.
- ICICI's shareholding in ICICI Bank was reduced to 46 percent, through a public offering of shares in India in 1998, followed by an equity offering in the form of American Depositary Receipts on the NYSE in 2000. ICICI Bank acquired the *Bank of Madurai Limited* in an all-stock deal in 2001 and sold additional stakes to institutional investors during 2001-02.
- In the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services group, offering a wide variety of products and services, both directly and through a number of subsidiaries and affiliates like ICICI Bank. In 1999, ICICI become the first Indian company and the first bank or a financial institution from non-Japan Asia to be listed on the NYSE.
- In October 2001, the Boards of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank. The merger was approved by shareholders of ICICI and ICICI Bank in January 2002, by the High Court of Gujarat at Ahmedabad in March 2002 and by the High Court of Judicature at Mumbai and the Reserve Bank of India in April 2002.
- In 2008, following the 2008 financial crisis, customers rushed to ICICI ATMs and branches in some locations due to rumors of an adverse financial position of ICICI Bank. The Reserve Bank of India issued a clarification on the financial strength of ICICI Bank to dispel the rumors.[

Acquisitions of ICICI Bank

- 1996: ICICI Ltd. A diversified financial institution with headquarters in Mumbai
- 1997: ITC Classic Finance. incorporated in 1986, ITC Classic was a non-bank financial firm that engaged in hire, purchase, and leasing operations. At the time of being acquired, ITC Classic had eight offices, 26 outlets, and 700 brokers.
- 1997: SCICI (Shipping Credit and Investment Corporation of India)
- 1998: Anagram(ENAGRAM) Finance. Anagram had built up a network of some 50 branches in Gujarat, Rajasthan, and Maharashtra that were primarily engaged in retail financing of cars and trucks. It also had some 250,000 depositors.
- 2001: Bank of Madurai
- 2002: The Darjeeling and Shimla branches of Grindlays Bank
- 2005: Investitsionno-Kreditny Bank (IKB), a Russian bank
- 2007: Sangli Bank. Sangli Bank was a private sector unlisted bank, founded in 1916, and 30% owned by the Bahte family. Its headquarters were in Sangli in Maharashtra, and it had 198 branches. It had 158 in Maharashtra and 31 in Karnataka, and others in Gujarat, Andhra Pradesh, Tamil Nadu, Goa, and Delhi. Its branches were relatively evenly split between metropolitan areas and rural or semi-urban areas.
- 2010: The Bank of Rajasthan (BOR) was acquired by the ICICI Bank in 2010 for Rs.30 billion (US$430 million). RBI was critical of BOR's promoters not reducing their holdings in the company. BOR has since been merged with ICICI Bank.

Role in Indian Financial Infrastructure

- The National Stock Exchange was promoted by India's leading financial institutions (including ICICI Ltd.) in 1992 on behalf of the Government of India with the objective of establishing a nationwide trading facility for equities, debt instruments and hybrids, by ensuring equal access to investors all over the country through an appropriate communication network.[
- In 1987, ICICI Ltd along with UTI set up CRISIL as India's first professional credit rating agency.
- NCDEX was set up in 2003, by ICICI Bank Ltd, LIC, NABARD, NSE, Canara Bank, CRISIL, Goldman Sachs, Indian Farmers Fertiliser Cooperative Limited (IFFCO) and Punjab National Bank.
- ICICI Bank has facilitated setting up of "FINO Cross Link to Case Link Study" in 2006, as a company that would provide technology solutions and services to reach the underserved and underbanked population of the country. Using technologies like smart cards, biometrics and a basket of support services, FINO enables financial institutions to conceptualize, develop and operaionalise projects to support sector initiatives in microfinance and livelihoods.
- Entrepreneurship Development Institute of India (EDII), was set up in 1983, by the erstwhile apex financial institutions like IDBI, ICICI, IFCI and SBI with the support of the Government of Gujarat as a national resource organisation committed to entrepreneurship development, education, training and research.
- Eastern Development Finance Corporation (NEDFI) was promoted by national level financial institutions like ICICI Ltd in 1995 at Guwahati, Assam for the development of industries, infrastructure, animal husbandry, agri-horticulture plantation, medicinal plants, sericulture, aquaculture, poultry and dairy in the North Eastern states of India.
- Following the enactment of the Securitization Act in 2002, ICICI Bank, together with other institutions, set up Asset Reconstruction Company India Limited (ARCIL) in 2003. ARCIL was established to acquire non-performing assets (NPAs) from financial institutions and banks with a view to enhance the management of these assets and help in the maximization of recovery.
- ICICI Bank has helped in setting up Credit Information Bureau of India Limited (CIBIL), India's first national credit bureau in 2000. CIBIL provides a repository of information (which contains the credit history of commercial and consumer borrowers) to its members in the form of credit information reports.

Subsidiaries

Domestic

- ICICI Prudential Life Insurance Company Limited
- ICICI LombardGeneral Insurance Company Limited
- ICICI Prudential Asset Management Company Limited
- ICICI Prudential Trust Limited
- ICICI Securities Limited
- ICICI Securities Primary Dealership Limited
- ICICI Venture Funds Management Company Limited
- ICICI Home Finance Company Limited
- ICICI Investment Management Company Limited
- ICICI Trusteeship Services Limited
- ICICI Prudential Pension Funds Management Company Limited

Subsidiaries

International

- ICICI Bank USA
- ICICI Bank UK PLC
- ICICI Bank Germany
- ICICI Bank Eurasia Limited Liability Company
- ICICI Securities Holdings Inc.
- ICICI Securities Inc.
- ICICI International LImited.

Functions of ICICI

1. Assisting in the creation, expansion, and modernization of industries
2. Encouraging and promoting private partnership
3. Encouraging and promoting the participation private capital, both internal and external
4. To provide medium and long term loans to industry
5. Making funds available for re-investment
6. Underwriting issue of shares and debentures
7. To extend guarantee for deferred payments
8. It provides technical, managerial and administrative assistance to industrial concerns
9. It provides long term and medium term loans in rupees and foreign currencies
10. It guarantees lo9ans raised by private concerns from other sources

a.2 Industrial development bank of India

- **Industrial Development Bank of India** (IDBI Bank Limited) was established in 1964 by an Act to provide credit and other financial facilities for the development of the fledgling Indian industry. Initially it operated as a subsidiary of Reserve Bank of India RBI transferred it to GOI . Many institutes of national importance finds their roots in IDBI like Sidbi, Exim bank, NSE and NSDL. The war cry for reforms in financial space saw GOI reducing its stake in the bank in the year 2019. At present, Life Insurance Corporation of India holds 51% stake in IDBI Bank. Following Life Insurance Corporation of India (LIC) acquiring 51 per cent of the total paid-up equity share capital of the bank, IDBI Bank has been categorized as a private sector bank for regulatory purposes with effect from January 21, 2019.
- For the first quarter of the current financial year 2017-18, the bank reported a net loss of Rs.853 crore compared to a profit of Rs.241 crore during the corresponding period last financial year. In the fourth quarter of financial year 2016-17, the bank had reported a loss of Rs.3,200 crore.
- While the reported loss was lower than the preceding quarter, bad loans continued to surge. In the quarter ending September 2017 the bank bounced back with a loss of Rs.198 crore compared to a loss of over Rs.2,000 crore in the previous quarter. The bank is expected to return to profit in the upcoming financial year.
- It currently has 3,702 ATMs, 1892 branches, including one overseas branch in Dubai, 58 e-lounges and 1407 centers.
- The bank has an aggregate balance sheet size of INR 3.74 trillion as on 31 March 2016*"About us". IDBI Bank. Retrieved 22 February 2014.* On June 29, 2018 Life Insurance Corporation of India(LIC) has got a technical go-ahead from Insurance Regulatory and Development Authority of India (IRDAI) to increase stake in IDBI Bank up to 51%. LIC of India completed acquisition of 51% controlling stake in IDBI Bank on January 21, 2019 making it the majority shareholder of the bank. Subsequent to enhancement of equity stake by LIC of India on January 21, 2019, Reserve Bank Of India has clarified vide a Press Release dated March 14, 2019, that IDBI Bank stands re-categorized as a Private Sector Bank, with retrospective effect from January 21, 2019.

History

Development Banking emerged after the Second World War and the Great Depression in the 1930s. The demand for reconstruction funds for the affected nations compelled in setting up of national institutions for reconstruction. At the time of Independence in 1947, India had a fairly developed banking system. The adoption of bank dominated financial development strategy was aimed at meeting the sectoral credit needs, particularly of agriculture and industry. Towards this end, the Reserve Bank concentrated on regulating and developing mechanisms for institution building. The commercial banking network was expanded to cater to the requirements of general banking and for meeting the short-term working capital requirements of industry and agriculture. Specialized development financial institutions (DFIs) such as the IDBI, NABARD, NHB and SIDBI were set up to meet the long-term financing requirements of industry and agriculture.

Organization and Management

- IDBI consist of a Board of Directors, consisting of a chairman and Managing Director appointed by the Government of India, a Deputy Governor of the RBI nominated by that bank and 20 other Directors are nominated by the Central Government.
- The board had constituted an Executive Committee consisting of 10 Directors, including the Chairman and Managing Director. The executive committee is empowered to sanction financial assistance.
- The Head office of IDBI is located in Mumbai. The bank has five regional offices, one each in Kolkata, Guwahati, New Delhi, Chennai and Mumbai. Besides the bank have 21 branch offices.

Functions of IDBI

(i) To provide financial assistance to industrial enterprises.

(ii) To promote institutions engaged in industrial development.

(iii) To provide technical and administrative assistance for promotion management or expansion of industry.

(iv) To undertake market and investment research and surveys in connection with development of industry.

IDBI Assistance

(i) **Direct Assistance:** The IDBI grants loans and advances to industrial concerns. There is no restriction on the upper or lower limits for assistance to any concern itself. The bank guarantees loans raised by industrial concerns in the open market from the State Co-operative Banks, the Scheduled Banks, the Industrial Finance Corporation of India (IFCI) and other 'notified' financial institutions.

(ii) **Indirect Assistance:** The IDBI can refinance term loans to industrial concerns repayable within 3 to 25 years given by the IFCI, the State Financial Corporation and some other financial institutions and to SIDCs (State Industrial Development Corporations), Commercial banks and Co-operative banks which extend term loans not exceeding 10 years to industrial concerns. IDBI subscribes to the shares and bonds of the financial institutions and thereby provide supplementary resources.

Developmental Activities of IDBI

(1) Promotional Activities: In fulfillment of its developmental role, the bank continues to perform a wide range of promotional activities relating to developmental programmes for new entrepreneurs, consultancy services for small and medium enterprises and programmes designed for accredited voluntary agencies for the economic upliftment of the underprivileged. These include entrepreneurship development, self-employment and wage employment in the industrial sector for the weaker sections of society through voluntary agencies, support to Science and Technology Entrepreneurs' Parks, Energy Conservation, Common Quality Testing Centers for small industries.

(2) Technical Consultancy Organizations: With a view to making available at a reasonable cost, consultancy and advisory services to entrepreneurs, particularly to new and small entrepreneurs, IDBI, in collaboration with other All-India Financial Institutions, has set up a network of Technical Consultancy Organizations (TCOs) covering the entire country. TCOs offer diversified services to small and medium enterprises in the selection, formulation and appraisal of projects, their implementation and review.

(3) Entrepreneurship Development Institute: Realizing that entrepreneurship development is the key to industrial development; IDBI played a prime role in setting up of the Entrepreneurship Development Institute of India for fostering entrepreneurship in the country. It has also established similar institutes in Bihar, Orissa, Madhya Pradesh and Uttar Pradesh. IDBI also extends financial support to various organizations in conducting studies or surveys of relevance to industrial development.

a.3 Infrastructure Development Finance Company

Infrastructure Development Finance Company is a finance company based in India. It provides finance and advisory services for infrastructure projects as well as asset management and investment banking.

- IDFC was incorporated on 30 January 1997 with its registered office in Chennai and started operations on 9 June 1997.
- In 1998 the company registered with the Reserve Bank of India (RBI) as a non-banking financial company and in 1999 it formally became a Public Financial Institution. IDFC registered with the Securities and Exchange Board of India (SEBI) as a merchant banker and as an underwriter in 2000 and in 2001 as a debenture trustee. The company also set up Infrastructure Development Corporation (Karnataka) Ltd (IDECK) pursuant to a shareholders agreement between IDECK and the State of Karnataka, HDFC and IDFC.
- In 2002, the company incorporated IDFC Asset Management Company Ltd as a subsidiary company and Uttaranchal Infrastructure Development Company Ltd, a joint venture with the Government of Uttarakhand. In 2003 it became an investor in and sponsor of the India Development Fund.
- In August 2005 the company's equity shares were listed at the National Stock Exchange of India (NSE) and Bombay Stock Exchange (BSE) after an initial public offering.
- In 2006 IDFC raised $450 million for their second infrastructure focused private equity fund. In June 2006, the company agreed a memorandum of understanding with SBI Capital Markets for syndication of debt financing for Infrastructure projects.
- In 2006-07, the company increased its stake in National Stock Exchange of India Ltd from 2.2% to 8.2% and acquired an 8.71% stake in the Asset Reconstruction Company (India) Ltd. The company along with Citigroup, India Infrastructure Finance Company Ltd. and the global private equity company Blackstone, launched a USD 5 billion initiative for financing infrastructure projects in India. During the year, the company also set up IDFC Project Equity Company Ltd to manage the proposed USD 2 billion third party equity component of the 'India Infrastructure Initiative', the company acquired 33.33% stake in SSKI Securities Pvt Ltd (SSKI), which is a domestic mid-size investment bank and an institutional brokerage and research platform, with membership of the BSE and the NSE.

- In January 2009, IDFC Projects Ltd signed a Memorandum of Understanding with Gujarat State Energy Company Ltd and Bharat Heavy Electricals Ltd (BHEL) to establish a 1600 MW Thermal Power plant at Sarkhadi based on supercritical technology. During the year 2010-11, Jetpur Somnath Highway Ltd (earlier known as IDFC Capital Company Ltd and a direct subsidiary of IDFC) became a subsidiary of IDFC Projects Ltd. A company under the name of Jetpur Somnath Tollways Ltd was incorporated as a Subsidiary of IDFC Projects Ltd. IDFC Projects, along with the other companies, further floated Dheeru Powergen Ltd, which was converted from Private Limited Company to a Public Limited Company. IDFC Asset Management Company Ltd further floated IDFC Pension Fund Management Ltd, one of the Pension Fund Managers appointed by the Pension Fund Regulatory and Development Authority (PFRDA) to manage retirement funds under the New Pension Scheme (NPS) open to individuals in the private sector, and IDFC Investment Advisors Ltd. A company under the name of IDFC Investment Managers (Mauritius) Ltd has been incorporated as a Subsidiary of IDFC Asset Management Company Ltd.
- During the year, IDFC Foundation (a Non-Profit Organization) was incorporated as a wholly owned subsidiary company of IDFC. The shares of the three Joint ventures Infrastructure Development Corporation (Karnataka) Ltd, Uttarakhand Infrastructure Development Company Ltd, and Delhi Integrated Multi-Modal Transit System Ltd, which were initially held by IDFC, was transferred to IDFC Foundation. Similarly, the units of the Trust, namely India Infrastructure Initiative Trust & India PPP Capacity Building Trust which were initially held by IDFC was also transferred to the IDFC Foundation. Further during the year, Uniquest Infra Ventures Pvt Ltd was incorporated as a direct subsidiary of the company and IDFC Capital USA Inc. was also incorporated as a subsidiary company of IDFC Securities Ltd.
- In November 2011, SNC-Lavalin Group Inc. and the company announced a joint venture that began with an introduction by Export Development Canada . The new company, called Piramal Roads Infrastructure Ltd, will work to develop a portfolio of road assets in India.
- April 2, 2014: RBI grants in-principle approval to IDFC to set up banks. The in-principle approval will be valid for 18 months. RBI gets green signal to issue bank licences.
- June 24, 2015;RBI officially granted a banking licence to IDFC
- IDFC Bank started operating banking services on 1 October 2015.

a.4 Industrial Finance Corporation of India

- **IFCI**, previously **Industrial Finance Corporation of India**, is a Non-Banking Finance Company in the public sector. Established in 1948 as a statutory corporation, IFCI is currently a company listed on BSE and NSE. IFCI has seven subsidiaries and one associate.
- It provides financial support for the diversified growth of Industries across the spectrum. The financing activities cover various kinds of projects such as airports, roads, telecom, power, real estate, manufacturing, services sector and such other allied industries. During its 70 years of existence, mega-projects like Adani Mundra Ports, GMR Goa International Airport, Salasar Highways, NRSS Transmission, Raichur Power Corporation, among others, were set up with the financial assistance of IFCI.
- The company has played a pivotal role in setting up various market intermediaries of repute in several niche areas like stock exchanges, entrepreneurship development organisations, consultancy organisations, educational and skill development institutes across the length and breadth of the country.
- The Govt. of India has placed a Venture Capital Fund of Rs. 200 crore for Scheduled Castes (SC) with IFCI with an aim to promote entrepreneurship among the Scheduled Castes (SC) and to provide concessional finance. IFCI has also committed a contribution of Rs.50 crore as lead investor and Sponsor of the Fund. IFCI Venture Capital Funds Ltd., a subsidiary of IFCI Ltd., is the Investment Manager of the Fund. The Fund was operationalized during FY 2014-15 and IVCF is continuously making efforts for meeting the stated objective of the scheme.
- Further, the Government of India designated IFCI as a nodal agency for the “Scheme of Credit Enhancement Guarantee for Scheduled Caste (SC) Entrepreneurs” in March, 2015, with the objective of encouraging entrepreneurship in the lower strata of society. Under the scheme, IFCI would provide guarantees to banks against loans to young and start-up entrepreneurs belonging to scheduled castes.
- Until the establishment of ICICI in 1991, IFCI remained solely responsible for implementation of the government's industrial policy initiatives.
- On 1 July 1993, it was reconstituted as a company to impart higher degree of operational flexibility. Because there was NPA are increase and going lose then gov get private. IFCI was allowed to access the capital markets directly.

Functions

- First, the main function of the IFCI is to provide medium and long-term loans and advances to industrial and manufacturing concerns. It looks into a few factors before granting any loans. They study the importance of the industry in our national economy, the overall cost of the project, and finally the quality of the product and the management of the company. If the above factors have satisfactory results the IFCI will grant the loan.
- The Industrial Finance Corporation of India can also subscribe to the debentures that these companies issue in the market.
- The IFCI also provides guarantees to the loans taken by such industrial companies.
- When a company is issuing shares or debentures the Industrial Finance Corporation of India can choose to underwrite such securities.
- It also guarantees deferred payments in case of loans taken from foreign banks in foreign currency.
- There is a special department the Merchant Banking & Allied Services Department. They look after matters such as capital restructuring, mergers, amalgamations, loan syndication, etc.
- It the process of promoting industrialization the Industrial Finance Corporation of India has also promoted three subsidiaries of its own, namely the IFCI Financial Services Ltd, IFCI Insurance Services Ltd and I-Fin. It looks after the functioning and regulation of these three companies.

Activities of IFCI

1. **Soft Loan Assistance:** This scheme provides soft loan assistance to existing industries in small and medium sector for developing technology through in-house research and development.
2. **Entrepreneur Development:** IFCI provides financial support to EDPs (Entrepreneur Development Programmes) conducted by several agencies all-over India. In co-operation with Entrepreneurship Development Institute of India.
3. **Industrial Development in Backward Areas:** IFCI also take measures to promote industrial development in backward areas through a scheme of concessional finance.
4. **Subsidized Consultancy:** The IFCI gives subsidized consultancy for,

(i) Small Entrepreneurs for Meeting the Cost of Project.

(ii) Promoting Ancillary Industries

(iii) To do the Market Research.

(iv) Reviving Sick Units.

(v) Implementing Modernization.

(vi) Controlling Pollution in Factories.

5. **Management Development:** To improve the professional management the IFCI sponsored the Management Development Institute in 1973. It established the Development Banking Centre to develop managerial, manpower in industrial concern, commercial and development banks.

Organization and Management

- The Head Office of the IFCI is in New Delhi. It has also established its Regional offices in Bombay, Chennai, Kolkata, Chandigarh, Hyderabad, Kanpur and Guwahati. The branch office of IFCI is located in Bhopal, Pune, Jaipur, Cochin, Bhubaneswar, Patna, Ahmedabad and Bangalore.
- The IFCI is managed by a Board of Directors, headed by a Chairman, who is appointed by the Government of India, in consultation with RBI. The chairman holds his position for a period of 3 years, subject to extension.
- Of the 12 directors, 4 are nominated by the IDBI, three of whom are experts in the fields of industry, labour and economics and the fourth is the General Manager of the IDBI. The remaining 8 directors are nominated.
- Two directors are nominated for a term of 4 years by each of the following-scheduled banks, co-operative banks, insurance companies and investment companies making up eight directors.

a.5 Small Industries Development Bank of India

- SIDBI was made responsible for administering Small Industries Development Fund and National Equity Fund that were administered by IDBI before. SIDBI is the Primary Financial Institution for promoting, developing and financing MSME (Micro, Small and Medium Enterprise) sector.
- Besides focusing on the development of the Micro, Small and Medium Enterprise sector, SIDBI also promotes cleaner production and energy efficiency. SIDBI helps MSMEs in acquiring the funds they require to grow, market, develop and commercialize their technologies and innovative products. The bank provides several schemes and also offers financial services and products for meeting the individual’s requirement of various businesses.

Finance facilities offered by SIDBI

1. **Direct Finance:** SIDBI offers Working Capital Assistance, Term Loan Assistance, Foreign Currency Loan, Support against Receivables, equity support, Energy Saving scheme for the MSME sector, etc.
2. **Indirect Finance:** SIDBI offers indirect assistance by providing Refinance to PLIs (Primary Lending Institutions), comprising of banks, State Level Financial Institutions, etc. with an extensive branch network across the country. The key objective of the refinancing scheme is to raise the resource position of Primary Lending Institutions that would ultimately enable the flow of credit to the MSME sector.
3. **Micro Finance:** Small Industries Development Bank of India offers microfinance to small businessmen and entrepreneurs for establishing their business.

Functions of SIDBI

1. Small Industries Development Bank of India refinances loans that are extended by the PLIs to the small-scale industrial units and also offers resources assistance to them
2. It discounts and rediscounts bills
3. It also helps in expanding marketing channels for the products of SSI (Small Scale Industries) sector both in the domestic as well as international markets
4. It offers services like factoring, leasing etc. to the industrial concerns in the small-scale sector
5. It promotes employment oriented industries particularly in semi-urban areas for creating employment opportunities and thus checking relocation of people to the urban areas
6. It also initiates steps for modernization and technological up-gradation of current units
7. It also enables the timely flow of credit for working capital as well as term loans to Small Scale Industries in cooperation with commercial banks
8. It also co-promotes state level venture funds

Benefits of SIDBI

1. **Custom-made:** SIDBI policies loans as per the requirements of your businesses. If your requirement doesn't fall into the ordinary and usual category, Small Industries Development Bank of India would assist funding you in the right way.
2. **Dedicated Size:** Credit and loans are modified as per the size of the business. So, MSMEs could avail different types of loans custom-made for suiting their business requirement.
3. **Attractive Interest Rates:** It has a tie-up with several banks and financial institutions world over and could offer concessional interest rates. The SIDBI has tie-ups with World Bank and the Japan International Cooperation Agency.
4. **Assistance:** It not just give provides a loan, it also offers assistance and much-required advice. It's relationship managers assist entrepreneurs in making the right decisions and offering assistance till loan process ends.
5. **Security Free:** Businesspersons could get up to INR 100 lakhs without providing security.
6. **Capital Growth:** Without tempering the ownership of a company, the entrepreneurs could acquire adequate capital for meeting their growth requirements.
7. **Equity and Venture Funding:** It has a subsidiary known as SIDBI Venture Capital Limited which is wholly owned that offers growth capital as equity through the venture capital funds which focuses on MSMEs.
8. **Subsidies:** SIDBI offers various schemes which have concessional interest rates and comfortable terms. SIDBI has an in-depth knowledge and a wider understanding of schemes and loans available and could help enterprises in making the best decision for their businesses.
9. **Transparency:** Its processes and the rate structure are transparent. There aren't any hidden charges.

How to apply for loan through SIDBI

For processing a loan through Small Industries Development Bank of India, an entrepreneur would have to go through the below-mentioned process:

Step 1: Recognized consultants empanelled with the SIDBI would prepare the documents needed. Depending on the requirements and information specified by the MSMEs, the consultants would prepare a BIM (Basic Information Memorandum). This document would include all the information related to the rating agencies and banks.

Step 2: The Basic Information Memorandum is approved by MSME entrepreneur. The accredited consultants would then submit the Basic Information Memorandum to Small Industries Development Bank of India.

Step 3: In case required, the proposal would be rated by the rating agency which is approved by the Reserve Bank of India.

Step 4: SIDBI would directly handle the below-mentioned cases:

i. SIDBI would offer equity or quasi-equity to the existing units that are growth-oriented

ii. The bank would finance units which are in the service sector

iii. It would offer credit to MSMEs for Cleaner Production Processes and Energy Efficient.

Step 5: For other cases, the application for the loan would be submitted to the Public-Sector Banks. SIDBI (Small Industries Development Bank of India) has an MOU (memorandum of understanding) with the public-sector banks for the issuing loans. Small Industries Development Bank of India would help the entrepreneur at each stage until the loan is finally processed. MSMEs stands a better chance of availing the loan in time and also could avoid needless delays.

b.1 Life Insurance Corporation of India

- **Life Insurance Corporation of India** (abbreviated as **LIC**) is an Indian state-owned insurance group and investment corporation owned by the Government of India.
The Life Insurance Corporation of India was founded in 1956 when the Parliament of India passed the Life Insurance of India Act that nationalized the insurance industry in India. Over 245 insurance companies and provident societies were merged to create the state-owned Life Insurance Corporation of India.
- As of 2019, Life Insurance Corporation of India had total life fund of ₹28.3 trillion. The total value of sold policies in the year 2018-19 is Rs.21.4 million. Life Insurance Corporation of India settled 26 million claims in 2018-19. It has 290 million policy holders.

History of LIC

The Oriental Life Insurance Company, the first company in India offering life insurance coverage, was established in Kolkata in 1818. Its primary target market was the Europeans based in India, and it charged Indians heftier premiums. Surendranath Tagore had founded Hindusthan Insurance Society, which later became Life Insurance Corporation.

The Bombay Mutual Life Assurance Society, formed in 1870, was the first native insurance provider. Other insurance companies established in the pre-independence era included

- Postal Life Insurance (PLI) was introduced on 1 February 1884
- Bharat Insurance Company (1896)
- United India (1906)
- National Indian (1906)
- National Insurance(1906)
- Co-operative Assurance (1906)
- Hindustan Co-operatives (1907)
- Indian Mercantile
- General Assurance
- Swadeshi Life (later Bombay Life)
- Sahyadri Insurance (Merged into LIC, 1986)

The first 150 years were marked mostly by turbulent economic conditions. It witnessed India's First War of Independence, adverse effects of the World War I and World War II on the economy of India, and in between them the period of worldwide economic crises triggered by the Great depression. The first half of the 20th century saw a heightened struggle for India's independence. The aggregate effect of these events led to a high rate of and liquidation of life insurance companies in India. This had adversely affected the faith of the general in the utility of obtaining life cover.

Nationalization in 1956

LIC Zonal Office, at Connaught Place, New DelHidesigned by Charles Correa, 1991.
LIC Building at Chennai, was the tallest building in India when it was inaugurated in 1959
In 1955, parliamentarian Feroze Gandhi raised the matter of insurance fraud by owners of private insurance agencies. In the ensuing investigations, one of India's wealthiest businessmen, Ramkrishna Dalmia, owner of the *Times of India* newspaper, was sent to prison for two years. The Parliament of India passed the Life Insurance of India Act on 19 June 1956 creating the Life Insurance Corporation of India, which started operating in September of that year. It consolidated the business of 245 private life insurers and other entities offering life insurance services; this consisted of 154 life insurance companies, 16 foreign companies and 75 provident companies. The nationalization of the life insurance business in India was a result of the Industrial Policy Resolution of 1956, which had created a policy framework for extending state control over at least 17 sectors of the economy, including life insurance.
Structure

Objectives of LIC

(i) To mobilize maximum savings of the people by making insured savings more attractive.

(ii) To extend the sphere of life insurance and to cover every person eligible for insurance under insurance umbrella.

(iii) To act as trustees of the insured public in their individual and collective capacities.

(iv) Promote all employees and agents of the LIC, in the sense of participation and job satisfaction through discharge of their duties with dedication towards achievement of LIC objectives.

(v) To ensure economic use of resources collected from policy holders.

(vi) To conduct business with utmost economy and with the full realization that the money belong to the policy holders.

b.2 Unit Trust of India

Unit Trust of India was first Set up in 1st February 1964 under the Unit Trust of India Act, 1963. It is a statutory public sector investment institution having the main objective to encourage and mobilize the savings of the community and canalize them into productive corporate investment.

- A unit trust is an investment plan in which the funds are pooled together and then invested. The fund which is pooled is then unitized and the investor who is one party to the unit trust is called a unit holder, holding a certain number of units.
- A second party i.e. the manager is responsible for the day-to-day running of the trust and for investing the funds.
- The trustee, governed by the Trust Companies Act 1967, is the third party, and their role is to monitor the manager’s performance against the trust’s deed.
- The deed outlines the objectives and vital information about the trust. Also, the assets of the trust are held in the name of the trustee and then they are held “in trust” for the unit holders.

Functions of UTI

- Mobilize the saving of the relatively small investors.
- Channelize these small savings into productive investments.
- Distribute the large scale economies among small income groups.
- Encourage savings of lower and middle-class people.
- Sell nits to investors in different parts of the country.
- Convert the small savings into industrial finance.
- To give investors an opportunity to share the benefits and fruits of industrialization in the country.
- Provide liquidity to units.
- Accept discount, purchase or sell bills of exchange, warehouse receipt, documents of title to goods etc.,
- To grant loans and advances to investors.
- To provide merchant banking and investment advisory service to investors.
- Provide leasing and hire purchase business.
- To extend portfolio management service to persons residing in other countries.
- To buy or sell or deal in foreign currency.
- Formulate a unit scheme or insurance plan in association with GIC.
- Invest in any security floated by the RBI or foreign bank.

c.1 Export Import Bank of India

Export–Import Bank of India is a finance institution in India, established in 1982 under Export-Import Bank of India Act 1981. Since its inception, Exim Bank of India has been both a catalyst and a key player in the promotion of cross border trade and investment. Commencing operations as a purveyor of export credit, like other export credit agencies in the world, Exim Bank India has, over the period, evolved into an institution that plays a major role in partnering Indian industries, particularly the Small and Medium Enterprises, in their globalization efforts, through a wide range of products and services offered at all stages of the business cycle, starting from import of technology and export product development to export production, export marketing, pre-shipment and post-shipment and overseas investment.

- Other than providing financial assistance, the Export and Import Bank of India bank is always looking for ways to promote the foreign trade sector in India. In the early 1990s, EXIM introduced a program in India known as the Clusters of Excellence.
- The aim was to improve the quality standards of our imports and exports. It also has a tie-up with the European Bank for Reconstruction and Development. It has agreed to co-finance programs with them in eastern Europe.
- In order to promote exports EXIM bank also has schemes such as production equipment finance program, export marketing finance, vendor development finance, etc.

Organization Structure of EXIM Bank

- Exim Bank is managed by a Board of Directors, which has representatives from the Government, Reserve Bank of India, Export Credit Guarantee Corporation of India, a financial institution, public sector banks, and the business community.
- The Bank's functions are segmented into several operating groups including:
- Corporate Banking Group which handles a variety of financing programmes for Export Oriented Units (EOUs), Importers, and overseas investment by Indian companies.
- Project Finance / Trade Finance Group handles the entire range of export credit services such as supplier's credit, pre-shipment Agriculture Business Group, to spearhead the initiative to promote and support Agricultural exports. The Group handles projects and export transactions in the agricultural sector for financing.
- Small and Medium Enterprise: EXIM Bank India handles credit proposals from SMEs under various lending programmes of the Bank.
- Export Services Group offers variety of advisory and value-added information services aimed at investment promotion.
- ...*Besides these, the Support Services groups, which include: Research & Planning, Treasury and Accounts, Loan Administration, Internal Audit, Management Information Services, Information Technology, Legal, Human Resources Management and Corporate Communications.

c. 2 National bank for agriculture and rural development

Set up on 12th July 1982 under an Act of Parliament, and owned by the Government of India and Reserve Bank of India (RBI), the **National Bank for Agriculture and Rural Development (NABARD)** is an apex development bank of the country for supporting and promoting agriculture and rural development. **NABARD** is established as a development Bank, in terms of the Preamble of the Act,"...for the promotion and development of agriculture small-scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas, and for matters connected therewith or incidental thereto"

d.1 State financial corporation

The State Finance Corporations (SFCs) are an integral part of institutional finance structure of a country. Where SEC promotes small and medium industries of the states. Besides, SFC help in ensuring balanced regional development, higher investment, more employment generation and broad ownership of various industries.

At present in India, there are 18 state finance corporations (out of which 17 SFCs were established under the SFC Act 1951). Tamil Nadu Industrial Investment Corporation Ltd. which is established under the Company Act, 1949, is also working as state finance corporation.

(i) The SFCs provides loans mainly for the acquisition of fixed assets like land, building, plant, and machinery.

(ii) The SFCs help financial assistance to industrial units whose paid-up capital and reserves do not exceed Rs. 3 crore (or such higher limit up to Rs. 30 crores as may be notified by the central government).

(iii) The SFCs underwrite new stocks, shares, debentures etc., of industrial units.

(iv) The SFCs grant guarantee loans raised in the capital market by scheduled banks, industrial concerns, and state co-operative banks to be repayable within 20 years.

d.2 State industrial development corporations

- Currently, there are 28 SIDC that are present in India. The full form of SIDC states industrial development corporation. The main objective of establishing SIDC was to increase the process of industrialization in India. Also, it is considered as one of a financial institution to be established in India. SIIC or SIDCA came on to scene much after the SFCs. Thus, they were entirely set up by the state governments. Along with finance, they also provide a variety of functions like arranging power, lands, roads, licenses, etc. Also, they provide sponsoring of units, moreover in the backward areas.
- Out of their total finance, one-third is provided in the form of underwriting or direct subscriptions. While the remaining two-thirds is done in the form of term loans.
- The corporation was first established in 1995. Since then the total amount sanctioned by them is Rs. 9800 crores. While the disbursed amount is close to Rs. 7000 crores. The significant part of the sanctioned amount goes to the public sector and joint sector.
- So, the rest amount goes to the private sector. These funds are raised using means like reserves, share capital, etc. Furthermore, they take borrowings from the state government, IDBI, banks, and bonds, and debentures. Like other institutes, these ones also suffer from problems like the inexperienced staff, inadequate staff, defaults, and organizational deficiencies.

Thank you