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FINANCIAL INSTITUTION (FIs)

Financial Sector plays an indispensable role in the overall development of a country. The most important constituent of this sector is the financial institutions.

The financial institutions have traditionally been the major source of long-term funds for the economy. They provide assistance to new enterprises, small and medium firms as well as to the industries established in backward areas. Thus, they have helped in reducing regional disparities by inducing widespread industrial development. The Government of India, in order to provide adequate supply of credit to various sectors of the economy, has evolved a well developed structure of financial institutions in the country. These financial

institutions can be broadly categorized into All India institutions and state level institutions, depending upon the geographical coverage of their operations.

At the national level, they provide long and medium term loans at reasonable rates of interest. They subscribe to the debenture issues of companies.

Though, the state level institutions are mainly concerned with the development of medium and small scale enterprises, but they provide the same type of financial assistance as the national level institutions.

have been set up

All India Development Banks

AIDB includes those development banks which provide institutional credit to not only large and medium enterprises but also help to promotion and development of small scale industrial units.

(i) Industrial Development Bank of India (IDBI) - It was established in July 1964 as an Apex financial institution for industrial development in the country. It caters to the diversified needs of medium and large scale industries in the form of financial assistance.

(ii) Small Industries Development Bank of India (SIDBI) - Small Industries Development Bank of India was set up by the Government of India in April 1990 as a wholly owned subsidiary of IDBI. It is the principal financial institution for promotion, financing and development of small scale industries in the economy. It aims to empower the Micro, Small and Medium Enterprises (MSME) Sector with a view to contributing to the process of economic growth, employment generation and balanced regional development.

Industrial Finance Corporation of India Ltd (IFCI Ltd) - It was the first development finance institution set up in 1948 under the IFCI Act. It aims to provide financial assistance to industry by way of rupee and foreign currency loans, shares, bonds and debentures.

Industrial Investment Bank of India Ltd (IIBI) - was set up in 1985 under the Industrial Reconstruction Bank of India Act 1984, as the principal credit and reconstruction agency for sick industrial unit; it serves industry mainly in medium and large sector.