

CHAPTER VI

Summary and Conclusions

In the previous Chapter the appraisal of performance of IFCI was made. Now in this Chapter, the Summary of the work done has been made, and some conclusions and suggestions are given.

1. A Development Bank is an effective instrument of economic development. It is intended to provide, the necessary capital, enterprise, managerial and technical know-how where these are clearly inadequate or non available and also assist in building up the financial and socio-economic infra-structure favourable to quick economic development.
2. When India became independent there was dearth of long term finance for industries. As the long term finance is the life blood of industry, the need for specialised financial institutions to meet the requirements of term finance was recognised in India. And to achieve the objective of rapid economic development, many such institutions were established, of which the IFCI is first one.
3. IFCI is not depending on central government for loan purposes and at the same time it is relying on market borrowings. The extent of financial assistance given by

IFCI to various sectors, industries will depend on the extent of financial resources raised by IFCI. It is found the needs of growing industrialisation and efforts of IFCI to supply the finances according to needs, are keeping pace with each other.

4. IFCI can increase activities largely. This may be possible in view of the New Issue Market that is emerging.
5. Direct Subscription into shares and debentures of industrial companies is one of the important functions of IFCI. The percentage of this operation is also very low.
6. Loans form the major portion of total financial assistance sanctioned by IFCI, the percentage being 88%. The loans consist of rupee loans as well as foreign currency loans. Out of the total loans sanctioned by IFCI the rupee loans constitute 85% and the remaining 15% are in the form of foreign currency.
7. As regarding the Industrywise distribution of financial assistance sanctioned by IFCI, it was inclined to assist traditional industries like sugar, cotton textiles etc. in the beginning. But in recent years, importance of these traditional industries declined and sophisticated goods industries have been given more importance. Thus a more even distribution among the various industries have been taking place.

8. It is seen that about 50% of the total financial assistance, sanctioned by IFCI, is to the Units coming up in backward areas. Thus the objective of regional balanced growth, and redistribution of productive assets seems to be satisfactorily fulfilled by IFCI.

But when we see the Statewise distribution of financial assistance, it is seen that proportionately more amount is still going to the advanced States like Maharashtra, Gujarat, Uttar Pradesh, Tamil Nadu, Andhra Pradesh etc.

9. IFCI's financial assistance to new and small entrepreneurs is also remarkable. Upto 1985, since its inception, it has granted 6.5% of the total financial assistance to new and small entrepreneurs. But still this assistance is quite limited. The reason might be perhaps, that there are independent and separate institutions like SEC, SIDC etc.
10. The emphasis of IFCI to give loans for the purpose of, Modernisation, diversification, expansion, rehabilitation is conducive for i) encouraging the entrepreneurs to introduce new and advanced technology, ii) to increase the productive capacity of the economy iii) to increase the competitive power in the World market of Indian Commodities.
11. Private Sector has dominated the IFCI. Major portion of its financial assistance (more than 60%) is given to

private sector, because of which the share of priority sectors, i.e. cooperative sector, and public sector, in the financial assistance has been declined.

12. IFCI is playing its promotional role very actively, through its various promotional schemes, like Risk capital fund, Benevolent Reserve Fund, Management Development agencies etc.

Thus, there are certain shortcomings in the working of IFCI, the major shortcoming being failure in achieving the objective of truly removing the regional imbalance. This may be due to other official policies which were not always in harmony with the policies and measures conducive to balanced industrial growth. The industrial policy statements have laid emphasis on decentralisation but had not achieved any results as none of the policies had led to the formulation of a detailed product plan.

It can be said that IFCI has done a reasonably good job. Its business had grown in size and complexity, to keep pace with the tempo of industrialisation. Though there are certain shortcomings, it can be hoped that IFCI's lending policy will change for better. It should adopt its lending strategy and activities towards realisation of national objectives in a still better and broader extent. However one has to bear in mind, that the financial institutions can play their role in industrial development or in correcting regional imbalances within the frame work

of a given locational policy, industrial policies, strategies etc. and not independently and separately. So whatever lacuhaes are found in the operations of IFCI are to be ascribed to a number of problems, such as lack of co-ordinations in relevant industrial, regional, locational and financial policies, existence of power structure etc.
