

## CHAPTER - I

### INTRODUCTION -

#### 1.1 SIGNIFICANCE OF INDUSTRIAL DEVELOPMENT -

Industrial development is the basis of economic development of a number of countries especially in developing countries like India. It has been the experience in India that since the independence period, inspite of larger allocation of financial resources to agricultural sector, number of programmes implemented to achieve agricultural development, agricultural sector has not achieved the objectives of more production, exports, employment generation, equitable distribution of land. The number of persons employed in agricultural sector is 65% but its contribution to national income is not satisfactory, and its growth rate is 2.2%. On the contrary, the number of persons employed in industrial sector as compared to agricultural sector is smaller but its growth rate is higher and its contribution to national income is also higher.

The credit of this progress goes to increasing allocation made to this sector in all the five year plans.

#### 1.2 STATEMENT OF THE PROBLEM :

The promotional role of IDBI has been studied for research as it is the apex financial institution set

up by government in 1964. Since then number of industrial policies has been formulated. To what extent IDBI has worked? To understand this the problem has been taken.

1.3 REFERENCE TO EARLIER STUDIES :

A number of studies has been made earlier. All these books have studied financial institutions in Foreign countries and pointed out the emergence of these financial corporations to restructure the war-time distorted economy of the west in past war period, by supplying long term loans for replacement of machinery, modernisation, etc. W-Diamond, Shirley Boskey have written books on "Development Banking". These books pointed out the role these development banks can play in developing industries in a number of ways i.e. along with supply of finance, helping the entrepreneurs in management, marketing etc.

In recent times S.L.M. Simha has studied all the Financial Institutions called as "Term lending financial intermediaries against the back ground of Diamond and Boskey's Development banking concepts." Dr. M.Y. Khan has studied all these institutions in his "Financial system in India". In his "New Issue Markets" he has studied the constraints on financial institutions in respect of raising of adequate finance in response to the growing need of long term finance in with growing industrialisation.

In the present study only one institution has been selected for intensive study.

1.4 THE OBJECTIVES OF THE STUDY :

- 1) To know the theory behind the financial institutions.
- 2) To know the need of such institutions in India.
- 3) To study the various aspects of Industrial Development Bank of India.
- 4) To study the operations of Industrial Development Bank of India.
- 5) Evaluate its performance.

1.5 METHODOLOGY :

There are number of development banks in India among which only one development bank, The Industrial Development Bank of India is taken for study. Therefore case study method is adopted here.

1.6 USE OF IDBI REPORTS, BULLETINS.

Use of IDBI annual reports, RBI bulletins, RBI reports and other books Journals has been made, major trust is on primary and secondary data. The data collected is presented in relevant tables, with a view to evaluate the performance of IDBI according to the

policies and objectives for the attainment of which IDBI has been set up.

1.7

SCHEME OF STUDY.

The first chapter is introducing chapter in which the statement of problem objectives of the study, limitations of the study and tools and methods used for the studies is given.

The second chapter deals with theory of development banking. Here the emergence of development banks, the role and objectives of the development banks and the procedure followed by the development banks are discussed.

The chapter three deals with features of Industrial Development Bank of India. Chapter four studies the resources of Industrial Development Bank of India. Here the capital, Market borrowings, Reserve and Reserve fund, Borrowing from RBI, Borrowings from Government of India, Deposits from companies, Borrowings in foreign currencies, Development Assistance fund, other sources ( mainly receipt of interest and commission etc. ) and total resources of Industrial Development Bank of India has been discussed.

In chapter five operational policies of Industrial Development Bank of India is examined and statistical information about the IDBI has been furnished.

Chapter six studies promotional Activities of Industrial Development Bank of India and some statistical information about IDBI has been furnished. Critical appraisal of the performance from various aspects is made.

The seventh concluding chapter summarises the findings of the preceeding chapter and tries to make certain suggestions about the future development of Industrial Development Bank of India.