CHAPTER V

APPRAISAL OF THE PERFORMANCE OF IFCI.

5. In the previous Chapter, a Study of methods of raising finances adopted by IFG has been made. In this chapter the funds so raised and their allocation will be studied. It is through the allocation of funds that the IFCI plays its financial and promotional/developmental roles. IFCI has responded to the varied needs of development of priority sector industries, the entrepreneurs and the backward regions. One of the objectives behind the setting up of such financial corporations controlled by Government, patronized by the Central bank of the country and supervised from official level was to create a demand for funds so supplied", For this purpose necessary organisational and financial infra structures were created IFCI, accordingly has been creating a demand for the funds and allocating its resources to those sectors and channels which have received considerable attention from the Governments. An attempt will be made to know the extent of IFCI's achievements in respect of its financial role. In financial role, its contribution to the development of a new class of entrepreneurs, backward regions, industries in cooperative sector, public sector etc. will be studied.

5.1 Underwriting businessof IFCI.

Though the corporation was empowered to underwrite the issues of shares, bonds, and debentures, it remained

aloof from this field for a long time after its inception in 1948. The reason given was that, 'in view of the present situation in the money market and the stock exchanges, the corporation does not consider it advisable to undertake underwriting commitments for the time being. On these grounds it refrained from this activity till 1957. In fact when the conditions were not very attractive, it was the duty of such corporation to enter the market and create confidence in the minds of the people by their active participation. [2]

However, during the year ending June 1958, for the first time, jointly with the ICICI and LIC, the IFCI under wrote the issue of 6.1/2% redeemable and convertible debentures for Rs. 1.6 crores by a borrower concern from whom a loan of Rs. 4.5 lakhs was already outstanding. The Corporation's share in the above was Rs. 75 lakhs. The Table I shows the underwiring operations of IFCI, in detail for some latest years.

The total amount which devolved on the Corporation since its inception was 191.34 crores and

The percentage of total underwritings sanctioned from its inception upto 1985, to the total Financial assistance (net) approved by the Corporation since its inception, was 7.4% and that of disbursements was 2.9%.

TABLE I

Underwriting Operations

(Rs. in Crores)

Year	Equity Shares		Preference Shares		Debentures		Total	
	S	D	S	D	S	D	S	D
1981-82	15.65	1.89	0.13	-	3.20	-	18.98	1.89
1982-83	19.09	5.36	-	0.37	0.50	-	19.59	5.73
1983-84	38.68	4.73	-	0.10	-	-	38.68	4.83
1984-85	31.04	4.81	-	-	0.50	-	31.54	4.81

S - Sanctions

D - Disbursements or the amount devolved upon IFCI

Source - IFCI Annual Reports 1982-83 and 1984-85.

From Table I and the above statistical information it is seen that the underwriting function is sadly neglected by IFCIs. The reasons for this neglegence are previously mentioned. However, it must be remembered that IFCI's underwriting activity is an extension of its term-lending to industry and is incidental to its main business of providing medium and long term loans to industry. In its underwriting operations and policies it has shown preference for the issues of capital by established companies as also large issues. A commendable features of its policies in this sphere is that issues of risk capital

have been able to get higher underwriting support. Another feature of its underwriting is that the share of group underwriting, i.e. underwriting of issues by Companies belonging to the leading business groups identified by the Industrial Licensing Policy Inquiry(Dutt) Committee Report 1969 is less. In a way it is a good sign that IFCI has shown disinclination to encourage 'big houses'.

In respect of industrywise underwriting, IFCI gave assistance more to Engineering chemicals, Fertilisers, Textiles, Cement, Paper. It gave more underwriting assistance to units in Maharashtra, W.Bengal and Tamil Nadu, which accounted for two thirds of its total underwriting.[4]

TABLE II

Direct Subscription by IFCI.

Rs. in Crores.

Year	Equity Shares		Preference shares		Debentures		Total	
	S	D	S	D	S	D	S	D
1981-82	0.36	0.50	-	-	0.26	0.28	0.62	0.78
1982-83	0.56	0.40	-	-	-	1.01	0.56	1.41
1983-84	0.09	0.32	-	-	-	0.15	0.09	0.47
1984-85	0.79	0.64	-	-	0.39	0.39	1.18	1.03

S - Sanctions

D - Disbursements

Source - IFCI Annual Reports 1982-83 and 1984-85.

5.2 Direct Subscriptions:

Direct subscription by IFCI to shares (Equity and Preference) and debentures of the industrial concerns aggregated Rs. 12.48 Crores (sanctions) and Rs. 10.92 Crores (disbursements) as on the 30th June, 1985, since its inception. Out of this amount, Rs. 7.85 Crores in the form of Equity shares, Rs. 0.32 in the form of preference shares and Rs. 4.11 Crores in the form of debentures were sanctioned[6] Table II, shows the data regarding IFCI's direct subscription to Shares and Debentures, for some latest years. It is seen from the table that assistance by IFCI in the form of direct subscriptions, forms a very little part i.e. 0.6 % of the total assistance by IFCI.

5.3 Guaranteeing:

In the sphere of guaranteeing IFCI did not sanction/issue any guarantee upto the 30th June, 1957. in respect of the Loans raised by industrial concerns from the market and/or financial institutions in the country. Recently it has however actively under taken the sanction/issue of guarantees in respect of the deferred payments and the loans raised from foreign financial institutions.

In 1957, the IFCI Act was further amended to enable the Corporation to guarantee deferred payments due from industrial concerns in respect of capital goods imported from outside and inside India.

Table III shows for some latest years, the progress of guaranteeing business. The sanctions of guarantees for deferred payments and foreign loans in 1984-85 aggregated Rs. 23.84 Crores as against Rs. 7.45 Crores in the previous year. Cumulative Assistance sanctioned in the form of guarantee, upto 30th June, 1985, aggregated Rs. 96.20 Crores of which the disbursements aggregated Rs. 57.65 Crores forming 3.7% and 3.00% respectively to the total f inancial Assistance.

It is seen from Table III that, this business has not given much importance. In fact, IFCI should do a great service by guaranteeing loans of industries from Commercial Banks and Industries will get loans from them.

TABLE III

Guaranteeing Operations of IFCI

Rs. in Crores.

Year	For deferred payments		For foreign loans		Total	
	S	D	S	D	S	D
1981-82	7.02	0.87	-	-	7.02	0.87
1982-83	4.43	1.34	1.50	-	5.93	1.34
1983-84	5.45	0.54	2.00	1.38	7.45	1.92
1984-85	15.63	1.20	8.21	-	23.84	1.20

S - Sanctions

D - Disbursements

Source - IFCI's Annual Report 1982-83 and 1984-85.

5.4 Direct Loans and advances:

Since its inception in 1948, the Corporation's main function has been to grant loans to industries. During 37 years of its operation till 30th June, 1985, the Corporation sanctioned loans of Rs. 2291.08 Crores out of which Rs. 1792.25 Crores were disbursed (78.2%) of amount sanctioned. The amount of Loans outstanding at the end of June, 1985 was Rs. 1307.31 Crores. These loans are in the Form of rupee loans, Foreign Currency loans and loans sanctioned under soft Loans scheme. Under substitle " Direct Loans and Advances" 'Rupee Loans' and 'Foreign Currency Loans' are discussed. The discussion about Loans under soft loans scheme will be discussed latter on, under sub topic 'promotional Role of IFCI'.

Rupee Loans: Provision of rupee Loans is the most popular function of IFCI. Upto 1957, it did not provide financial assistance in any form other than this. Total sanctions made by IFCI since its inception upto 1985, aggregated Rs. 1935.39 Crores and total disbursements in the form of Rupee loans in the same period aggregated Rs. 1574.93 Crores [7] (81.4% of sanctions). The reason for the difference between the figures sanctioned and figures disbursed might be.

i) Numerous Formalities which have to be complied with even after sanction, but before disbursement. e.g. finalisation of loan agreement, clearance of title, issue of share capital etc.

ii) In many cases, the loanee concern, do not adhere to the disbursement schedules and the sanctioned money has to be kept undisbursed.

Therefore, attempts should be made to reduce delays at both the levels, viz. between receipt of an application and sanction and between sanction and disbursement. Besides, there is the need for close cooperation between all the parties concerned.

Foreign Currency Loans: IFCI has been providing loans in Foreign currencies also. In 1960-61 for the first time since its inception the Corporation sanctioned loans in Foreign Currency. During the year loans in U.S.Dollars equivalent to Rs. 3.48 Crores. The operations have, however been very limited in quantum. Total sanctions and disbursements by IFCI in this form, from its inception upto 30th June, 1985, aggregated Rs. 355.69 Crores and Rs. 217.32 Crores respectively. Thus 13.7% of the total assistance sanctioned and 11.3% of the total assistance disbursed is in the form of foreign Currency Loan [8].

5.5 TABLE IV gives in detail, the summary of operations of IFCI. Here, in this table the data about Rupee Loans, Foreign currency loans, underwriting and direct subscription and guaranteeing operations of IFCI and the percentage of each type of assistance to the total Financial assistance is given. for every year from 1948 upto 1985.

It is seen from the table that upto 1959, the financial assistance consisted of only loans. Then after the underwriting and guaranteeing business was taken by IFCI. The Loans (Rupee loans and foreign currency loans) form the major portion of IFCI's financial assistance. Underwriting, direct subscription and guarante s form a very small portion of total financial assistance.

From its inception in 1948, upto 1985 the cumulative financial assistance sanctioned by IFCI is Rs.2590.90 (Crores, of which the Financial assistance in the form of loans and advances is Rs. 2291.08 Crores, the percentage being 88% of the total.

Out of total Loans sanctioned by IFCI since its inception, the rupee loans are of Rs. 1935.39 Crores (85%) and loans in foreign currency are of Rs. 355.69 Crores (15%) amount. Thus

It is seen from the table that, barring certain exceptions, there seems increasing trends in Financial assistance by IFCI. In the year 1984-85, it has sanctioned the financial assistance of amount Rs. 450.64 Crores.

The financial assistance by IFCI can be studied from various points of view, in order to assess the performance.

5.7 Industry-wise Assistance:

Table V gives the Industry-wise distribution of financial assistance sanctioned by IFCI.

BRARY

From the table it is seen that IFCI has provided financial assistance to a wide variety of industries.

In the first 10 to 15 years conventional industries were given more importance in the Financial assistance. But in subsequent period more attention seems to have been given to sophisticated industries. Thus recently there is a much more balanced distribution among the various industries. This change is favourable and shows that the IFCI is changing its policy with industrial policy.

Upto 1963, sugar industry occupied pre-dominant position in the financial assistance given by IFCI. Nearly 15% to 50% of the total assistance was claimed by this industry. Afterwards upto 1967, the percentage came down But from 1968 to 1978 the percentage again increased. From 1979 the importance of sugar industry has declined.

In the first 15-20 years, synthetic Fibre industry was neglected by IFCI, But recently the industry is being satisfactorily assisted by IFCI. In the context of new industrial policy this change is in right direction.

In recent days new industries like Hotels, chemicals, Fertilisers, Transport, equipments, machinery, electrical machinery and equipments are gaining more importance. It is a welcome direction.

Note: Data for the years upto 1961-62 relate only to loans sanctioned, while for the subsequent years, it relate to the financial assistance comprising direct loans guarantees for loans and def. payments, direct subscription to shares and debentures and underwritings.

(1) Upto 1969 it includes mining and quarrying, hotels, rail road equipments, miscellaneous manufacturing industries etc.

(2) From 1968 to 1970 Basic industrial chemicals includes fertilisers.

(3) Including light and power.

(4) Includes ferro alloys.

(5) Includes industrial cases.

(6) Includes non metallic Mineral products.

Source:

Compiled from R.B.I.'s reports on currency finance and IFCI's Annual Reports.

It is the good feature of IFCI assistance, that, the industries, which are important or key industries like, Iron and Steel, Machinery, cement, Metal products, transport equipments, are given much importance in financial assistance by IFCI. Constantly from its inception IFCI have been giving assistance to these industries, and thus helping the country to strengthen the infrastructure.

Some other industries like pottery, shipping, wood and cork, petrolium products are badly neglected by IFCI.

The graph I showing total financial assistance by IFCI, from its inception upto 1985, is given. Itis seen that, Cotton textile Industry occupies the major portion (15.5%) followed by Cement, (11.2%), Sugar (9.5%)[9] of the total financial assistance by IFCI.

Graph II shows trends in financial assistance by IFCI to various industries. There seems tremendous increase in the financial assistance. Over the years, the IFCI's operations have recorded an expansion, but the rate of expansion was much less upto 1975. But from year 1975-76 there was a very substantial expansion.

After discussing the Industry-wise distribution of financial assistance, the another equally important aspect of financial assistance will be studied and that is the State-wise distribution of financial assistance by IFCI.

5.8 State-wise Assistance.

Table VI gives the data about Statewise distribution of financial assistance sanctioned by IFCI, For the three successive years 1982-83, 1983-84, 1984-85 and cumulative since its inception upto 1985.

It is seen from the table that the advanced States like Maharashtra, Uttar Pradesh, Gujarat, Andhra Pradesh, Tamil Nadu, Occupy the major portion of financial -

assistance by IFCI, on the other hand, the backward States like Andaman and Nichobar, Arunachal Pradesh, Chandigarh, Meghalaya, Tripura have got neglegible financial assistance by IFCI. The portion of the States like Assam, Pihar, Rajasthan, Jammu and Kashmir etc. is very low. Thus there is very unbalance in the regional distribution of financial assistance by IFCI.

The map of India is enclosed showing statewise sanctioned financial assistance by IFCI.

The figures in brackets show percentage to the total sanctioned for the years from 1948 to 1985. The total sanctioned are 2590-90 Crores.

5.9 Purposewise distribution of financial assistance:

As regarding the purpose-wise distribution of financial assistance sanctioned by IFCI, Table VII shows that, the major portion is given to new projects(Nearly(65%) It is the good feature of IFCI's assistance, that the importance of expansion and diversification is satisfactorily recognised by it. In the dynamic economics of todays, to stand firmly by facing the touch competition, the entrepreneurs require such type of loans. Nearly 20% of the total financial assistance is given for this purpose by IFCI.

Loans for modernisation, renovation etc. under the soft loan scheme form about 10% of total assistance.

TABLE VII

PURPOSE-WISE CLASSIFICATION OF FINANCIAL ASSISTANCE SANCTIONED

Rs. in Crores.

Purpose / Year	New Projects	Expansion/ Diversification	Modernization/ Renovation - Soft Loans Scheme	Other Purposes Viz - Rehabilitation balancing equipment etc.	Total
1	2	3	4	5	6
1982-83	156.71 (57.2)	47.86 (17.4)	57.31 (20.9)	11.97 (4.3)	273.85 (100)
1983-84	252.25 (71.3)	35.19 (10.0)	30.87 (8.7)	35.31 (10.0)	353.62 (100)
1984-85	244.54 (54.3)	67.60 (15.0)	63.12 (14.0)	75.38 (16.7)	450.64 (100)
Cumulative from 1948 upto 1985.	1668.28 (64.4)	474.93 (18.3)	265.78 (10.3)	181.71 (7.0)	2590.90 (100)

Figures in brackets show percentage to total.

Source - 37th Annual Report of I.F.C.I. 1984-85.

RENEURS.

Rs. in Crores.

Year	ance to New small Entrepreneurs		
	sbursed	Percentage 7 to 2	9 to 3
1	9	10	11
1972-7	1.70	11.81	6.07
1973-7	4.10	17.54	12.85
1974-7	4.10	14.04	11.08
1975-7	4.20	9.71	12.10
1976-7	4.40	11.15	8.01
1977-7	6.50	3.68	11.30
1978-7	7.80	6.64	10.60
1979-8	4.70	6.50	5.15
1980-8	7.20	4.40	3.38
1981-8	7.50	5.46	4.43
1982-8	10.40	5.70	4.74
1983-84	N.A.	5.17	-
1984-85	N.A.	3.90	-
Cumulat from 19 upto 19	N.A.	6.45	-

Table VIII gives the data about assistance of IFCI to back ward areas and to new and small entrepreneurs.

5.10 Assistance to Backward Areas:

It is seen from the table that nearly 50% of the total assistance by IFCI is to the backward areas. It is a good sign of IFCI's operations.

But here arises a inconsistency. The data relating to the Statewise distribution of financial assistance of IFCI shows that the advanced States occupy the major portion of IFCI assistance and many backward State are neglected by it. And here the data about assistance to backward areas shows that justice is done to backward areas by IFCI. Now the question arises, what will be the reason for this inconsistency ?

The reason might be, the above mentioned backward areas would be in advanced States.

From table VIII it is seen that the cumulative financial assistance sanctioned by IFCI from its inception upto 1985, aggregated Rs. 1345.80 Crores.

5.11 Assistance to New Entrepreneurs:

One of the main objectives of Development Banks is to help new and small entrepreneurs, in the form of direct loans, subscription to the share capital, underwriting, of shares and guarantees for deferred payment and foreign Loans. Such tupe of assistance enable the new -

entrepreneurs to raise the necessary funds, without which the technical, knowledge, expertness and talent of the entrepreneurs can not be utilised. When a development bank plays the role of assistance to the new and small entrepreneurs, new doors are opened for advanced technological knowledge, enabling them to venture into new areas of activity.

The remaining half portion of Table VIII highlights, the operations of IFCI in the field of promotion of a class of new and technician entrepreneurs. It is seen from the table that in the subsequent periods the percentage of financial assistance to new and small entrepreneurs has declined. The cumulative assistance sanctioned from its inception upto 1985 aggregated Rs. 167.63 Crores i.e. 6.45% of the total.

5.12 Sectorwise distribution of Financial Assistance:

Data regarding the sectorwise classification of financial assistance sanctioned by IFCI is given in Table IX. The figures are available from year 1972-73 upto 1984-85. As the data regarding assistance to private sector is not available for years 1972-73 onwards upto 1981-82, a seperate table is given for financial assistance to private sector.

Table IX shows the financial assistance sanctioned by IFCI to cooperative and public sector.

	Rs. in Crores.		
Year	istance to Public Sector.		
	Percentage to total	Disbursed	Percentage to total
1	9	10	11
1972-7	8.53	0.30	-
1973-7	-	1.20	3.76
1974-7	4.11	2.70	7.30
1975-7	3.23	1.30	3.74
1976-7	16.17	9.50	15.48
1977-7	19.88	10.90	18.96
1978-7	8.95	7.50	10.20
1979-8	14.15	18.30	20.06
1980-8	21.39	9.10	-
1981-8	15.59	29.20	17.27
1982-8	15.40	45.00	-
1983-8	11.21	34.33	-
1984-8	8.19	36.14	-
Cumula from 1 upto 1	11.9	240.61	9.29

BARR. BALASAHEB KHARDEKAR LIBRARY

Co-operative Sector accounted for 11.4% of the total financial assistance sanctioned by IFCI from its inception upto 1985.

Public sector's share in the total financial assistance from its inception upto 1985 remained at 11.9%.

5.13 Table X shows the share of private sector in the financial assistance sanctioned by IFCI, for the two latest years 1983-84 and 1984-85, and cumulative from 1948-85.

TABLE X

. Assistance sanctioned by IFCI to Private Sector

Rs. in Crores

Year	Assistance to private sector	Total financial assistance	Percentage of 2 to 3
1	2	3	4
1983-84	202.94	354.27	57.28
1984-85	331.01	450.64	73.45
Cumulative from 1948 upto 1985	1641.49	2590.90	63.35

Source - 37th Annual Report of IFCI 1984-85.

It is seen from the table that Private sector have dominated the IFCI. More than 60% of the total financial assistance is given to Private Sector by IFCI.

UNIVERSITY LIBRARY

So far the Financial role of IFCI was being examined. The another most important role i.e. the Promotional role of IFCI will be studied now.

5.14 1) Promotional Schemes:

Technical Consultancy organisation.

It its promotional role, the IFCI through its special devised promotional schemes and agencies like Technical consultancy organisations (TCO's), is engaged in the development and growth of industries in the rural, tiny small and medium scale as also in ancillary sectors. It has also been helping the development of entrapreneurship in the rural, tribal, small and medium scale sectors.

2) Risk Capital Foundation:

IFCI has set up the Risk Capital Foundation(RCF) at New Delhi, to help entrepreneurs in raising their share of promotors' equity thereby helping in the widening of entrepreneurial base in the country. The foundation extends interest free loans for a suitable period to entrepreneurs.

3) Management Development Institute:

The Management Development Institute, (MDI) has been sponsored by the Corporation, for encouraging professionalisation of management in industry, as also upgrading the professional skills of the peronnel of financial institutions.

4) Entrepreneurial Development Institute:

IFCI along with other financial institutions, has promoted the Entreprenership Development Institute of India (EDIT) whose primary objective is to organise model entreprenership development programmes and also train the trainers for carrying out entrepreneurship development programmes.

5) Benevolent Reserve Fund:

In 1972-73, the IFCI, set up a Benevolent Reserve Fund for a variety of developmental purposes, such as meeting the cost of feasibility studies and techno economic surveys, undertaking and promoting research in the fieldof development banking and financial management. The contributions to the fund till the end of June 1985, totalled Rs. 4.62 Crores out of which Rs. 2.90 Crores was disbursed.

6) In the year 1984-85, following Schemes are in working

1)a) Subsidy Schemes:-

i) Scheme of subsidy for Adoption of Indigeneous Technology(1977)

ii) To New Entrepreneurs for meeting cost of market studies etc. (1977)

iii) To small Entrepreneurs for meeting cost of feasibility Studies etc. (1-7-78)

iv) For promotion of ancillary and small scale industries (1-9-78)

v) For revival of sick units in the tiny and small scale sectors (28-6-82).

b) Assistance Schemes -

i) Scheme of Assistance for Self development and self employment of underemployed young persons (28-2-82).

ii) For development of Technology In-house R and D Efforts (1-7-84).

TABLE XI

Subsidies Disbursed under IFCI's Promotional Schemes.

Year	Rs. Lakhs
1980-81	10.69
1981-82	16.83
1982-83	19.65
1983-84	40.45
1984-85	58.90
Cumulative	161.72

Source - IFCI. Annual Report 84-85

Table XI shows the data regarding the subsidies disbursed by IFCI. It is seen from the table that there is contineous increase in the subsidies given by IFCI.

2) Support for the Industrial Potential Surveys for the Development of Backward areas including No Industry District, has undertaken by All India Financial Institutions including IFCI.

3) Technical consultancy organisation for providing consultancy services to rural, tiny, small and medium scale entrepreneurs, particularly the new ones.

7) Support for Risk Capital Assistance.

Financing of Risk Capital and technology are two areas which need to be given prime immportance, if the industry's entrapreneurial and technological base is to be broadened. The Risk Capital Foundation (RCF) sponsored by IFCI in 1975, which has already specialised itself as an unique organisation in this part of the continent, providing interest free personal loans to entrepreneurs ranging from Rs. 15/- lakhs to Rs. 30/- lakhs (depending upon the number of promoters) to enable them to meet 50% of their quota of promoters' contribution for setting up new projects, was asked to formulate a comprehensive scheme for the financing of 'technology' so that the foundation under a changed name viz. Risk Capital and Technology Finance Foundation (RCTFF) could fill in one more gap in the Institutional intra-structure by securing and providing finance on soft terms for the development of technology. It is expected that subject to the completion of various formalities, the scheme could become operational in 86.

R.C.F. Upto 1985, has sanctioned Rs. 787.09 lakhs of which Rs. 530.07 lakhs are disbursed.

The resources of RCF for the present, are being totally met by IFCI. Upto the30th June, 1985, IFCI had

provided resource suppo-rt to RCF of the order of Rs. 760.00 lakhs of which Rs. 590.94 lakhs had already been disbursed to it.

8) Management Development Institute (MDI) sponsored by IFCI in 1973, continued to provide management training with focus on specific needs of industries as also research and consultancy services in specialised areas for meeting the training and human resource development needs of Development Finance Institutions in the country and abroad, the Development Banking Centre of MDI organised several programmes, some of which were in collaboration with international organisations like united Nations Development Programme, ILO, etc. Upto 30th June, 1985, it had organised 629 programmes benefiting 15795 participants of whom 512 were from other developing countries.

9) For encouraging growth of new entrepreneurs, IFCI continued its active support to Entrepreneurship Development Programmes (EDPs).

Entrepreneurship Development Institute of India (EDII), ~~Financial Institutions~~, set up by all India Financial Institutions in the middle of 1983 as principal agency for entrepreneurship development have accelerated its activities.

10) <u>Rural Entrepreneurship Development:</u>

In 1985-86 apart from various other activities EDII proposes to take up rural Entrepreneurship Development experiments in collaboration with ford foundation.

11) IFCI has gave Support for Rural Development Programmes through contribution to the International Exposition of Rural Development (IERD).

12) IFCI has sanctioned and disbursed the amount of Rs. 265.78 Crores and Rs. 192.67 Crores respectively under soft loan scheme during the 37 years of its operations.

After examining the working of IFCI from various points of views, an attempt has been made to seek the answer to the question, to what extent IFCI has succeeded in achieving the objectives, for which it had been established ?

5.15 Critical Appraisal of Operations of IFCI.

A development bank has to perform dual role i) Financial and ii) Promotional.

About its financial role, it can be said that, IFCI has performed the role very successfully. In the 37 years of its operations, it has expanded it business substantially. In these years the financial assistance sanctioned and disbursed by IFCI has increased, upto Rs. 2590.90 Crores and Rs. 1916 crores, respectively. Thus quantitative performance is quite satisfactory.

But when the qualitative performance is taken into account there are found some lacunaes. The percentage of underwritings, direct subscription and guarantees is very low. As a development bank, IFCI should give more importance to these activities.

When the promotional role of IFCI, is studied, it is seen that, IFCI's promotional Schemes are Working satisfactorily. From the satisfactory performance of its various promotional Schemes such as RCF, MDI, BRF, EDT, TCOS, it is hoped that, the infra-structure, favourable for accelerated economic growth will be created soon, in future. IFCI is being very dynamic in the sphere of its operation techniques.

In respect of its assistance to priority sectors, is seen that the substantial portion of its assistance is given to co-operative sector. Thus IFCI has played important role in strenghtening the cooperative sector of the country.

W hen the industrywise classification of financial assistance is studied, it is seen that, IFCI has changed its lending policy according to the national needs. Growing importance of industries like cement, transport equipments, machinery, fertilisers in the IFCI's financial assistance is a proof for it.

The objective, of the projects coming up in the backward regions, though the performance seems to be quite satisfactory, it can not be said that this objective is not properly fulfilled by IFCI. Many undeveloped regions, like Assam, Bihar, Orrisa etc. are neglected by IFCI.

In respect of the objective of assistance to the projects coming up in the small scale sector, as they

are uneligible for IFCI(s loan, assistance, and as the seperate institutions are established for giving financial assistance to small scale industries, they are beyond the perview of IFCI.

The objective of entrepreneurship development is satisfied by it to certain extent.IFCI has been providing assistance on concessional terms to technician entrepreneurs who have the technical ability to run the projects due to lack of finance to start their projects.

The projects producing goods of mass consumption was given much importance by IFCI. The cumulative assistence by IFI from its inception upto 1985 aggregated Rs.890.86 Crores forming 34.4% of the total financial assistance. Thus this objective is satisfactorily fulfilled by IFCI[10]

Thus it can be said that IFCI's is working for better. Many of its objectives are satisfactorily fulfilled. IFCI with the help of other development banks has succeeded in creating the favourable infra-structure in the country, that's whynow India is producing wide variety of goods and services. Major Credit of it goes to this pioneer bank.

References -

1. S.B. Pandit " Working of MSFC"
Unpublished Ph.D. Thesis
Shivaji University.

2. M.S.Joshi " Financial Intermediaries in India"
Bombay, 1965 , P. 170.

3. I.F.C.I.Annual Report - 1984-85.

4. M.Y. Khan ("Indian Financial System "
(Theory and Practice P. 91-92.
New Delhi, 1981.

5. Ibid - IFCI Annual Report 84-85.

6. Ibid.

7. Ibid.

8. Ibid.

9. Ibid.

10. Ibid.