

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 made 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 70% 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:

Working of Industrial Finance Corporation of India(IFCI) has been studied for research as it is the 1st financial institution set up by government in 1948. Since then number of industrial policies has been formulated. To what extent IFCI 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 Bosky 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 background 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.

All these studies have given a 'consolidated view' of all the financial institutions. In the present study only one institutions 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 Finance Corporation of India.
- 4) To study the operations of Industrial Finance Corporation 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 Finance Corporation of India is taken for study. Therefore case-study method is adopted here.

1.6 Limitations: Use of RBI reports, bulletins,

Annual Reports of IFCI 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 IFCI according to the policies and objectives for the attainment of which IFCI 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 study 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.

Chapter three studies, in short, the pre-independence industrial pattern and against that background the need for

Industrial Finance Corporation of India has been pointed out.

In Chapter four, the resources functions and managerial pattern of Industrial Finance Corporation of India is examined.

In Chapter five statistical information about the Industrial Finance Corporation of India, has been furnished, with the help of this statistical information an appraisal of the performance from various aspects is made.

The sixth concluding chapter summarises the findings of the preceding chapters and tries to make certain suggestions about the future development of Industrial Finance Corporation of India.
