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B.A Economics, Part - II
Paper - III
Topic - Industrial Development Bank of India (IDBI)

Industrial Development Bank of India

Introduction

The Industrial Development Bank of India (IDBI) was set up in July 1964, as a wholly-owned subsidiary of the Reserve Bank of India. It was given complete autonomy in February 1976.

Today, the IDBI is regarded as an apex institution in the arena of development banking. The IFCI and the UTI are the subsidiaries of the IDBI. As an apex development bank, the IDBI's major role is to co-ordinate the activities of other development banks and term-financing institutions in the capital market of the country.

Objectives:

- *Coordination, regulation and supervision of the working of other financial institutions such as IFCI , ICICI, UTI, LIC, Commercial Banks and SFCs.*
- *Supplementing the resources of other financial institutions and there by widening the scope of their assistance.*
- *Planning, promotion and development of key industries and diversification of industrial growth.*
- *Devising and enforcing a system of industrial growth that conforms to national priorities.*

Management :

IDBI Bank is a Board-managed organisation. The responsibility for the day-to-day management of operations of the Bank is vested with the Chairman & Managing Director, 2 Deputy Managing Directors and 10 Executive Directors.

Subsidiaries of IDBI Bank :

- IDBI Capital Market Services Limited (ICMS)
- IDBI Intech Limited (IIL)
- IDBI Asset Management Limited (IAML)

- IDBI MF Trustee Company Limited (IMTCL)
- DBI Trusteeship Services Ltd (ITSL)

Functions :

(i) **Direct Financial Assistance:**

The IDBI provides direct financial assistance to the industrial concerns in the form of (a) granting loans and advances; and (b) subscribing to, purchasing or underwriting the issues of stocks, bonds or debentures.

(ii) **Indirect Financial Assistance:**

The IDBI provides indirect financial assistance to the small and medium industrial concerns through other financial institution, such as, State Finance Corporations, State Industrial Development Corporations, Cooperative banks, regional rural banks, commercial banks. The Assistance to these institutions include :(a) refinancing of loans given by the institutions; subscribing to their shares and bonds; (c) rediscounting of bills.

(iii) **Development Assistance:**

The creation of the Development Assistance Fund is the special feature of the IDBI. The Fund is used to provide assistance to those industries which are not able to obtain funds in the normal course mainly because of heavy investment involved or low expected rate of returns. The financial resources of the Fund mainly come from contributions made by the government in the form of loans, gifts, donations, etc; and from other sources. Assistance from the Fund requires the prior approval by the government.

(iv) **Promotional Function:**

Besides providing financial assistance, the IDBI also undertakes various promotional activities such as marketing and investment research, techno- economic surveys. It provides technical and administrative advice for promotion, expansion and better management of the industrial concerns.