A CRITICAL STUDY OF CORPORATE STRATEGY AND OPERATIONAL
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SUMMARY

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SUMMARY


In the Second Chapter, functions of the Bank i.e coordinating, financing and promotional functions have been discussed. A detailed account of a corporate strategy of IDBI has been given in the Third chapter, including the introduction of new structured products etc.

In the Fourth chapter, detailed account has been given of the operational policies of the apex bank and in the Fifth chapter Operational practices of the bank like Quantum of assistance sanctioned and disbursed since 1990; forms of assistance, purpose-wise distribution of assistance, sectoral distribution of assistance,
industry wise assistance and state wise distribution of assistance by IDBI have been given along with tables in each case.

In the Sixth chapter fee based services of IDBI like merchant banking, advisory services, trusteeship services, treasury operations and insurance business etc., have been discussed.

A critical review of the operational policies and other policies of the bank has been presented in the Seventh chapter and Eight chapter gives conclusion and suggestions, which can go a long way in improving the working of the bank in the interest of Industrial Development of the country.

Industrial Development Bank of India (IDBI) was established by an Act of Parliament to act as the principal financial institution for coordinating, in conformity with national priorities, the working of institutions engaged in financing, promoting or developing industry and for assisting the development of such institutions for providing credit and other facilities for the development of industry and for matters connected therewith.

IDBI has played a pioneering role in fulfilling its mission of promoting industrial growth in tune with national plans and priorities. Its support has been instrumental in establishing a well developed and diversified industrial structure in the country.
IDBI can finance all types of industrial concerns covered under the provisions of the IDBI Act. The Bank offers a wide range of financial products. It is constantly making efforts to respond to the financial needs of the industry by expanding the scope of its existing products and services and introducing new innovative products. IDBI also undertakes market and investment research/surveys and techno-economic studies for development of the Indian industry.

Besides direct finance to the industry, IDBI, in line with the national objective of balanced regional development, provides considerable resource support to the State Level Institutions (SLIs). The support is extended in the form of refinance facilities to SLIs and commercial banks against their loans to medium-sized concerns as also through rediscounting of bills. IDBI, as the apex financial institution in the country, holds equity stake in State Financial Corporations.

IDBI has presence in all the major sectors of the Indian industry and has built up a well diversified portfolio. Financial assistance from IDBI has contributed to building up of substantial capacities in a wide range of industries such as textiles, food processing, chemicals, cement, fertilizers, steel, power generation, industrial machinery, commercial vehicles, rubber, paper and metal products. With the opening up of infrastructure sector for private
investment, demand for funds is expected to go up. IDBI, with its long experience in financial industrial projects, is well geared to finance infrastructure projects.

Sanction of assistance by IDBI during 2007-2008 aggregated Rs. 82,212 crore, registering an increase of 31.6% over Rs. 62,470 crores sanctioned in 2006-2007. Disbursements, on the other hand, aggregated Rs. 57,055 crore as against Rs. 82,212 crore in 2007-2008, which is 62.8%.

IDBI had set up a wholly owned subsidiary, Small Industries Development Bank of India (SIDBI), as the principal financial institution for promoting, financing and developing the industries in the small-scale sector in 1990. To catalyse the economic development of the North-East, IDBI in association with other institutions and SBI, set up North-Eastern Development Finance Corporation Ltd. (NEDFC) in August, 1995. IDBI, in participation with GOI, RBI and other institutions, also promoted Infrastructure Development Finance Company Ltd. (IDFC), a specialized institution for financing infrastructure development in the country.

IDBI has also played a key role in sponsoring several institutions for the development of the Indian capital market. These include the Securities & Exchange Board of India (SEBI) for regulation of the capital markets, National Stock Exchange of India
Ltd. (NSEIL), which first introduced electronic trading in India, Stock Holding Corporation of India Ltd. (SHCIL), Credit Analysis & Research Ltd. (CARE) and OTC Exchange of India Ltd. (OTCEI). To reduce paperwork and related difficulties associated with physical security settlements, IDBI has also co-promoted National Securities Depository Ltd. (NSDL). Investor Service of India Ltd. (ISIL) is an associate institution of IDBI, which acts as a registrar and share transfer agent. The International Finance Wing of IDBI was converted into the Exim Bank of India. IDBI is also the major shareholder (30%) of IFCI Ltd.

In fulfillment of its developmental role, IDBI continues to perform a wide range of promotional activities relating to developmental programmes for new entrepreneurs, consultancy services for small and medium enterprises and programmes designed for accredited voluntary agencies for economic upliftment of the underprivileged. These include entrepreneurship development, self-employment and wage employment in industrial sector for weaker sections of the society through voluntary agencies, support to Science and Technology Entrepreneurs’ Parks, Energy Conservation and Common Quality Testing Centres for small industries. IDBI contributed to the creation and widening of the entrepreneurial base and building up the requisite infrastructure to
support this process through a range of activities. In particular, it has set up, in participation with other financial institutions, a network of institutes like Entrepreneurship Development Institute of India (EDII) at Ahmedabad, which also acts as the principal agency to coordinate the activities of various agencies in this field, and Institutes of Entrepreneurship Development (IEDs), with the objectives to foster the spread of Entrepreneurship development, initiating surveys and studies to identify industrial potential, etc. Further, a network of Technical Consultancy Organisations (TCOs) has been set up in order to provide low cost, efficient consultancy services to the small and medium scale enterprises. TCOs provide advisory services to entrepreneurs on product selection, preparation of feasibility studies and technology selection and evaluation.

The liberalization of financial sector, through its associated process of decontrol, deregulation and globalization, has led to increased competition for the Indian financial sector. The competitive pressures have come in the business domain of IDBI on account of entry of new players. Simultaneously, IDBI has to compete with other financial intermediaries for raising resources at market rates. In the emerging competitive business environment, IDBI’s strategy has been guided by the key objectives of maintaining its premier status in the field of industrial financing, building an asset profile that
is of good quality and providing a reasonable return to its shareholders.

With the onset of reforms, the most remarkable changes for IDBI have been the phase-out of assured, low cost, long-term sources of funds and increasing dependence on borrowings at market related rates of interest. The share of market borrowings in resource mobilization increased steeply from 59% in 2000-01 to almost 100% by 2007-08. IDBI has very successfully tapped the domestic and international debt markets through various innovative instruments. Major domestic channels of resource mobilization have been Certificates of Deposits, Omni Bonds (Private Placements and On Tap), Term Money Bonds. And public issue of Bonds, Fixed Deposits and Capital Gains Bonds/deposits. Foreign Currency borrowings have come through floating Rate Notes, Syndicated loans and Lines of Credit. IDBI Flexibonds and Omnibonds have been pioneers in resource mobilization and enjoy unparalleled brand equity in the Indian market. Continuous issue of innovatively structured instruments along with extensive marketing and distribution efforts helped the build up of strong and wide retail investor loyalty base. IDBI also had a very successful initial equity issue in 1995. It has succeeded in raising funds at the finest rates in domestic as well as foreign markets reflecting its premier standing.
The change in the operating environment has also necessitated realignment of IDBI's asset portfolio. As the margins have become thin, it has become necessary to provide a wider range of products and services with value-added features. While project financing continues to be the Bank’s main product, various innovative products have been developed to suit the clients’ varied requirements. In view of the large investment requirements of the infrastructure segment, infrastructure funding has become a major growth area while the share of traditional economy sectors has gone down. At the same time, IDBI has entered into funding of working capital and short-term fund requirement of its existing clients. Given the need to achieve global scales of production, funding of expansion and diversification programmes of the existing corporates has also been identified a key business segment.

As competition has created pressure on margins and disinter mediation has altered the scope of term lending, IDBI has accorded priority to fee-based activities like merchant banking and corporate advisory services.

IDBI has also set up subsidiary/associate institutions to build a synergistic relationship in a wide range of financial services in order to provide services even in those activity areas, which could not be undertaken within IDBI because of regulatory or commercial
considerations. Thus, it could capture and retain value from customer's business for IDBI Group of companies, which include:

- IDBI bank provides a complete range of banking facilities supported by a technology intensive environment. IDBI holds 57.14% of the equity of IDBI Bank. IDBI Bank offers high technology based top of the line branded products, which have been well received by the market. It is also a leading player in Depository Participation services enabling customers to hold and trade shares electronically.

- A stock broking company, IDB Capital Market Services Ltd. (ICMS) has been set up to provided arrange of capital market related services. It commenced operation as a primary dealer in November, 1999. In the private placement market, it acts as an arranger for several institutional and corporate users. ICMS markets public issues of securities through its strong network of agents. As a depository participant, the company offers institutional and retail clients the facility to maintain their investment and securities in electronic form.

- To take advantage of the emerging business prospects of the IT sector, IDBI set up IDBI Intech Limited (Intech) to undertake IT-related activities. It obtained the certificate of
commencement of business in March, 2000. Intech has drawn the business plan in consultation with a leading international consulting firm. The identified areas of operations include Internet products/services, network services, web-based solutions, on-line portal and content offerings, product customization and development and IT training. Intech would provide services to IDBI and its Group companies and also other domestic and international customers in the current and emerging IT business areas.

- It was initially set up as IDBI Investment Management Co. Ltd. (IIMCO), as an IDBI subsidiary, to manage mutual fund and other investment products. In 1999, IDBI entered into a Joint Venture (JV) agreement with the Principal Financial Group (Mauritius) Limited for participation in the equity and management of IIMCO. Following JV agreement, IIMCO has since been renamed IDBI-PRINCIPAL Asset Management Company Limited (IPAMCO). Besides these, IDBI has also participated in formation of many associate companies like Investor Services of India Ltd. (ISIL), which act as a specialized share registrar and transfer agent. Others include National Stock Exchange, NSDL, OTCEI and SHCIL.
The changing business environment has also introduced the risk of asset-liability mismatch in IDBI’s portfolio. While the major share of IDBI assets is long term in nature, particularly in infrastructure finance and project finance, the liabilities have turned short-to-medium term in tenor. To cope with this problem, IDBI has been exploring the possibilities of take out financing along with IDFC and others in infrastructure financing. Securitisation to make long term loan assets tradable and liquid is another option, though some legal problems persist in its adoption on a large scale. A deep and liquid secondary market in debt would also be an effective solution to tackle the problem of asset-liability mismatch in the business operations of term lending institutions.

As the globalization and internal deregulation have led to increased volatility in the financial markets, IDBI has adopted robust Risk Management structures, well ahead of the schedule prescribed by the Reserve Bank of India. Systems have been put in place for measurement and monitoring of risk and for setting risk limits as well as requisite financial and technical skill upgradation. To contain the risk of asset liability mismatch, IDBI has an Asset
Liability Management Committee, which advises on the desired composition of assets and liabilities. It will introduce a comprehensive risk-management system, which would take a holistic view of credit-risk, interest rate risk as well as market risk.

In these ways, to meet the on-going challenge of liberalization, IDBI has been continuously endeavouring to act as a one-stop financial supermarket for corporates.

Challenges in the new millennium have its origin in the sea change brought about in the operating environment of the financial services industry in the nineties, characterized by disinter mediation, decontrol and liberalization. The emergence of global players, as a sequel to WTO Agreement on financial services, will further intensify the competition. The emergence of new players and resultant intensified competition, however, are not being viewed as threat by IDBI. The Bank has positioned itself to build up internal capabilities to face the challenges and formulated effective strategies to turn the threats into opportunities by broad basing its operating domain and to enhance shareholders' value.

Challenges to the financial institutions can broadly be categorized into the following:

- to arrest decline in the quality of asset portfolios
• to reduce cost of funds
• to provide client satisfaction

IDBI’s strategy to effectively meet the aforesaid challenges are briefly given below:

The problem of increasing NPAs has been a matter of concern to the Indian financial sector. The percentage of net NPAs to IDBI’s total assets has been increasing day-by-day.

During the past few years, many industries have been facing problems due to lower domestic demand, competition from imports, slowdown in exports, lower margins, etc. which adversely affected their profitability and consequently debt servicing capacity. In the year 2000-01 so far, the growth momentum of industry from the previous year has not been sustained and the industrial scenario is none-too impressive.

The legal remedies for recovery of loans are very slow and cumbersome. While efforts are being made to reduce the level of NPAs by close monitoring, financial and business restructuring and one-Time Settlements, the proposed increase in the number of Debt Recovery Tribunals (DRTs), as announced in the Union Budget, is expected to facilitate expeditious adjudication and recovery of dues.

Creation of Asset Reconstruction Company (ARC) could be one alternative by which financial institutions/banks could manage
their NPAs. This mechanism involves transfer/securitization of loan assets to the ARC, which will purchase these assets from financial institutions/ banks. It may be recalled that IDBI had prepared the draft bill for the setting up of ARCs. The draft is under consideration of Union Finance Ministry. It is proposed to set up one ARC for banks and another for financial institutions. Once cleared by the Parliament, ARCs would be set up to purchase bad debts from institutions/ banks at discounted prices, which would depend on a number of factors, including the tenure for which a particular asset has been classified as a bad or doubtful debt. The ARCs would then strive to recover the dues from the defaulter. Since ARCs would be concentrating on debt-recovery only, they are expected to be more effective than institutions and banks, which have to attend to many other functions.

IDBI has initiated several measures to tackle NPAs. Close Monitoring Cells (CMCs) have been set up to constantly monitor performance of the assisted companies to improve recovery. A mergers and Acquisitions Division has been created to help corporate restructuring so as to enable industry to become globally competitive. In case the long-term viability of an assisted unit is doubtful, IDBI is willing to consider One Time Settlement (OTS) to recover its dues. In the case of new projects, the security
mechanism is further strengthened by introduction of escrow mechanism, opening of Trust and Retention Account and appointment of Lender’s Engineers, etc.

The growth of fresh NPAs can also be checked through effective mechanism for sharing of credit related information on borrowers and potential borrowers among banks and financial institutions. A Working Group constituted by the RBI to examine modalities for setting up a Credit Information Bureau has recently submitted its report. The Recovery of Debts due to Banks and Financial Institutions Act, 1993 has been amended recently. Further strengthening of foreclosure laws and enabling provisions (e.g. in BIFR Act, labour laws, property laws) offering exit route for non-viable units would also facilitate containment of NPAs.

The institutions have been meeting their resource requirement through internal generation and market borrowings. Commercial banks with their access to demand deposits have an edge over the institutions in terms of low cost of funds. Further, the institutions, with their traditional focus on project finance, need long term funds, which would inevitably be costly compared to short-term funds.

IDBI has endeavoured to reduce its overall cost of borrowings by redeeming its past high cost borrowings.
As a short-maturity funds are less costly, IDBI has introduced several short-to-medium term instruments to reduce its overall cost of borrowings. The Bank is now borrowing through Term Money Bonds (3-6 months), CDs, Omni Bonds, apart from FDs and public issues of innovatively structured Flexibonds. Recently, RBI has also permitted the institutions to issue CPs, which would help reducing their cost of market borrowings. Opening up of derivatives market has created opportunity for cost reduction apart from being the basic tool for risk management. IDBI has already transacted some interest rate swap transactions. To take advantage of the relatively low-cost funds of short-to-medium maturity, IDBI has turned to short-to-medium maturity asset financing, to minimize the mis-match in the asset-liability profile. It has designed new schemes and formulated structured products tailor-made to suit the varied needs of corporate clients. The business-mix thus has changed over the last few years with emphasis on non-project financing. However, so far as green field and infrastructure projects are concerned, which are the major segment of project finance business, the need for long-term funds at relatively low cost is strongly felt. To minimize cost of borrowings for such projects, the possible avenues are:
a) to extend long-term loans with short-maturity borrowings and subsequent securitization of assets after implementation of projects to avoid asset-liability mismatch.

b) improving secondary market trading in Bonds issued by IDBI, as improved liquidity of Bonds would enable IDBI to issue the Bonds at low rate of interest.

In the competitive environment, quick response to customer needs as also taking pro-active measures for customer satisfaction are essential for expanding business and retaining goods clients. The Bank has responded to the demands of the market and taken a number of initiatives to expand the basket of services offered to the clients, as also taken a number of measures to improve the response time and quality of service, so that in the current environment, which is getting increasingly globalised, corporates can avail of world-class services from the Bank.

Though the practices and procedures to improve customer satisfaction have varied across the institutions, broadly, they to ensure better client service have adopted the following approaches:

- establishing specialized relationship groups to provide one-stop solutions to corporate clients. This would ensure that the client need not meet various people from the same
organization to obtain its entire requirement of financial services.

- provision of “one-stop” facilities to all companies in a group. This includes providing integrated term lending, merchant banking, forex solutions and
- development of structured financial solutions to meet specific client needs, either by modifying existing “plan vanilla” products or developing new products to provide funds to clients at reasonable cost, at the same time ensuring that the credit rating of the transaction is enhanced.

Assistance sanctioned by IDBI grew from Rs. 54 crores in 1964-65 to Rs. 28,308 crore in 2000-2001 and Rs. 82,212 crores in 2007-08. Disbursement increased from Rs. 28 crore to Rs. 21,741 crores in 2000-2001 and 57,055 crores in 2007-08. Sanctions and disbursements of assistance under all the schemes of the Bank in 2007-08 was Rs. 82,212 crores and Rs. 57,055 crores respectively.

DFIs were originally conceived as providers of term-finance to industry at a time when long-term funds were very difficult to obtain. The financial sector reforms have brought about a sea change in the operating environment of the DFIs. The deregulations of interest rates, emergence of a liberalized capital market and also increasing
participation of banks in term financing have significantly impacted the operations of DFIs. Further, the highly rated clients are now increasingly accessing the market without going through the financial intermediaries. Since DFIs are also extending short-term/working capital loans, the traditional demarcation in the operational domain of DFIs and banks is getting increasingly blurred.

Another significant impact of economic reforms is the loss of privileged access to assured sources of low-cost, long-term funds to DFIs from the RBI and the Government. Along with resources, the reforms also impacted DFIs’ main area of operations viz. project financing, which was thrown open to other players in the system, including banks. DFIs faced the challenge by diversifying operations and achieving expansion of client base by introduction of new products and services like corporate finance, leasing, working capital finance, venture capital financing and an array of fee-based services to offer a whole range of financial and corporate advisory services to its clients. DFIs have also set up commercial banks, mutual funds and stock-broking companies as subsidiaries or associates. They have, thus, emerged as financial supermarkets, driven by business needs.

However, RBI, in a subsequent discussion paper, had note that DFIs still had a special role to play in the context of an
underdeveloped debt market and huge long-term finance requirements, particularly in infrastructure. RBI has indicated that the evolution of DFIs into banks could be faster than the five year transition period suggested in its discussion paper, on a case-to-case-basis.

Becoming an NBFC would not be in proportion to the status of DFIs and would, in fact, be limiting their role and capabilities in activities like infrastructure finance.

Again, DFIs would find it difficult to convert themselves into commercial banks immediately as there are certain issues to be resolved. If DFIs were to become banks, they would have to meet the obligations of Cash Reserve Ratio (at present 8.5%) and Statutory Liquidity Ratio (presently 25%) of net demand and time liabilities. Further, priority sector advance obligations at 40% of total loan portfolio will have to be met. DFIs cannot perform banking functions with the extant CRR, SLR and priority sector lending obligations. The levels of CRR and SLR should be brought in line with international levels and these stipulations should be applicable on incremental liabilities. Further, infrastructure financing would need to be recognized as priority sector lending.

DFIs may eventually evolve as Universal Banks, kind of financial super-markets providing a range of financial services.
However, in the medium term, the DFIs would continue as a distinct category.

Green field projects in the commodity sector would not be coming up as sufficient capacity has already been built up. Moreover, with Quantitative Restrictions (QRs) being increasingly withdrawn in view of WTO prescriptions, projects in these sectors will be subject to further competition. IDBI would be focusing on the sectors in which Indian industries can prove their global competitiveness, e.g., knowledge-based industries of Drugs & Pharmaceuticals, bio-technology, ICE (Information Technology, Communications, Entertainment) sector as well as media and e-commerce related services sector. Infrastructure sector will continue to be the lead sector, seeking increased assistance from the institutions. While IDBI would focus on this sector during the coming years, it would also target increased assistance to the economy segments discussed above.

Although fund-based business would be at the core of IDBI activity for some time to come, there will be increased efforts at dovetailing the product mix to suit the emerging needs of the clients. Thus, besides project financing, the Bank would increase assistance under non-project finance schemes and in the form of structured products to well rated corporates to suit their needs. Depending
upon the merits of the case, IDBI also intends to support good corporates through investment in equity and equity-related instruments to build a good portfolio and gain from capital appreciation.

The Indian industry is passing through a phase of restructuring and reorganization through process of M&A. IDBI has decided to focus on take over financing on selective basis. Mid sized corporates, at the threshold of entering the major league, have been identified as having significant potential and IDBI is focusing on developing products for servicing this segment.

With a view to supplement fund-based business, IDBI would intensify its efforts in the areas of fee-based activities like corporate advisory services, credit syndication debenture-trusteeship, forex services, etc. These would enable corporates to approach IDBI as a one-stop financial supermarket for all their needs.

To enhance returns on the large corpus of funds available with it, IDBI plans to churn its portfolio and engage in more active treasury operations, involving both cash as well as foreign exchange, including dealings in derivatives like interest rate swaps. Incidentally, IDBI is the only financial institution in India to acquire an ISO certification for its treasury operations.
In the frontier areas of knowledge-based industries like biotechnology, information technology, telecommunications, etc., as well as to support innovative business concepts, IDBI would be taking stakes through its Venture Capital Funds Scheme. This would particularly help Indian technocrats and first-generation entrepreneurs in floating viable business ventures.

The opening up of insurance has opened new opportunities for sourcing long-term finance. IDBI proposes to launch insurance business in collaboration with an internationally renowned partner. The Bank also plans to enter into pension funds, besides enlarging the asset-management/ mutual fund activities.

To exploit the advantage that India enjoys in IT sector, the IT subsidiary of IDBI viz. IDBI Intech Limited will be playing a major role in providing IT services and solutions, e-commerce business activities, internet and web-based services, etc.

Over the past four decades the IDBI has developed into a mature and focused institution with a clearer idea of its role in the industrial development. The IDBI monitors the quality of projects, and is very conscious of the need to improve its operational efficiency.
Cumulatively IDBI has sanctioned Rs. 5,82,105 crore and disbursed Rs. 3,76,107 crore up to end March, 2008 which is 64%. IDBI claimed the largest share of 33.4 percent among AFIs.

The process of liberalization has brought in systematic changes in the operations of IDBI. In tandem with the emerging needs of industry in the new competitive financial environment, IDBI has re-oriented its policies with much sharper customer focus.

As it has entered the next millennium, the IDBI looks at its mission in the decades ahead as one of maximizing its development impact healthy growth of development finance institutions and rapid strides in industrial development.

The major sector seeking assistance from the institutions would continue to be the infrastructure sector. Besides, IDBI’s strategy would also be to increase its assistance to high growth-oriented segments like information technology, pharmaceuticals and food-processing industries. The launch of the Technology Upgradation Fund Scheme for textile industry would generate new investment demand from different segments of the textile sector for modernization and upgradation aimed at achieving global standards.

Fund based business would continue to be the core activity of IDBI in the coming years. While project financing would remain the
key segment, in fund based business, the Bank would also target well rated corporates for assistance under non-project finance schemes and in the form of structured products instead of plain loans products. Assistance in the form of tradable instruments may offer an easy exit route as debt market develops and gets deeper.

To augment overall profitability, IDBI would increasingly focus on fee based activities like corporate advisory services, credit syndication, debenture-trusteeship, forex services, etc.

With a view to performing their channelising function effectively, the IDBI formulated suitable strategies and operational policies in regard to sanction of assistance and its utilization, forms of assistance and its purpose as also with respect to sectoral, regional and industrial distribution of the assistance. The Bank has been found adhering to the norms and sanctioned assistance only to those fulfilling these norms.

Following its assistance policies the IDBI pumped in burgeoning amount of funds to meet growing industry demand. It is interesting to observe that the Bank has introduced a slew of innovative products and services to cater to the varied needs of up and coming enterprises of plan priority. However, loans constitute the predominant form of assistance of the IDBI. This can be
explained, inter alia, by minimum risk, high core competence and scope for better earnings.

It is intriguing to note that quite a large proportion of the sanctioned assistance has remained unutilised for various reasons including time consuming and complex lending procedures. It is, therefore, suggested that disbursement procedures should be re-examined thoroughly and as far as possible the same be simplified.

What is most striking to note that the Bank has yet not accorded serious attention to underwriting business and has failed to develop equity culture in its operations primarily because of its obsession with avoidance of risk.

Nevertheless the IDBI has devoted its resources for financing up and coming industrial projects, the thrust of the Bank in recent years has been on infrastructural and core sectors.

Further, a few industrially advanced states of the country continue to receive greater attention of the IDBI. One of the major factors responsible for this tendency has been the absence of any explicit policy guidelines being provided by the Government regarding assistance to relatively underdeveloped states. As a result, the IDBI has followed the line of least assistance and extended assistance where it could do that most conveniently.
In its endeavour to meet the competitive challenges and to provide wide variety of products and services to customers under one umbrella and to economise on cost of operations the IDBI is presently seized with the task of transforming itself to an universal bank and for that matter, it has already started holding discussions with the RBI on the possible regulatory regime once it converts itself into a full-fledged bank. The Bank is also negotiating with foreign management consultants to hire one of them who could help it in formulating the universal banking strategy.

However, to be highly competitive and more useful existing role of the Bank will have to be rationalized. It will have to focus on lending business with market orientation, how its risk identification and project management skills and strengthen its infrastructural network.

The IDBI should undertake the underwriting business on a large scale with a view to nursing new and nascent industrial units. This will certainly solve the financing problems of industrial enterprises and also bolster up the new issue activity which has been sagging in recent years.

In the opinion of the researcher, IDBI in its new universal Banking form can go a long way in solving the problem of industrial finance in India in a big way. The suggestions given by the
researcher require attention of the authorities concerned with the operations of IDBI.