CHAPTER II
INDUSTRIAL FINANCE IN INDIA

Financial constraints are as important in the industrial development of a country as the technological and market constraints. Business ability always stands in need of adequate and flexible supply of industrial finance. Industrial finance includes raising of the required funds, its control and management.

The financial infrastructure of an economy consists of financial institutions, financial instruments, and financial markets. Financial claims are created by both financial institutions and also non-financial institutions such as Government and corporate entities. Before examining the industrial finance in India, let us see the problem of finance for the industry as a whole.

Financial Requirements of Industries

Financial requirements of industries are basically of two types:

(i) Fixed or block or long-term capital, and

(ii) Floating or working or short-term capital.

Fixed or long-term capital is required for the acquisition of fixed or block assets such as land, building, plant and machinery etc. On the other hand, floating or short-term capital is required to meet day-to-day requirements of the industry like, the financing of the stocks of the raw materials, stores, marketing of products, payments of salaries and wages etc. It is also called circulating capital. "The major line of demarcation between the two is that, while extreme fluidity characterises the latter, block capital becomes crystallised". Between these two types of finance i.e long-term and short-term, there is third category called 'medium-term

loans' which is generally needed for extension and replacement of plant and equipment.

The requirements for finance depends on the type of business or production to be undertaken. Large-scale industries with capital intensive technology would require huge amount of funds for both fixed capital as well as for working capital, while the small-scale and cottage industries with relatively labour intensive technology will generally require less amount of funds to start the business and to operate it. The nature of technology and the level of output to be produced are natural determinants of the requirement of finance. Besides these, gestation period of the projects and length of the operating cycle\(^2\) also has considerable effect on the requirement of finance. Larger these periods more will be the requirements of finance for business operation.

Sources of Finance

There are two sources of finance for industry:

(i) Internal Sources, and
(ii) External Sources.

(i) Internal Sources

Internal funds are generated by the firm itself. The major portion of such funds will be in the form of reserves and surpluses which a business firm accumulates annually by retaining a portion of its profits. This is also known as ploughing back of profits. The availability of retained earnings for investment depends on absolute level of past and current profits, the dividend policy and scope and need for expansion of the firm. Besides retained earnings, the firms make annual provision for depreciation allowance, taxation etc., which constitute the other major element of

\(^2\) Operating cycle is the speed with which the working capital completes its round i.e. conversion of cash into inventory of raw materials and stores, inventory of raw materials into the inventory of finished goods, inventory of finished goods into book debts or accounts receivable from the customers and finally realization of cash from the customers.
internal funds. There are occasionally other miscellaneous items due to which internal funds are generated such as, development rebate given by the Government while determining the taxation liability of the firm, but their share is normally very low.

(ii) External Sources

External sources may be divided into short-term and long-term external sources.

a) Short-term External Sources

External funds for short-term uses are raised in various forms such as bank loans, trade credits, commercial papers like bill of exchange and other promissory notes, hire-purchase facilities and leasing etc. Banks are the traditional most important source of short-term finance. Banks provide credit for industry and trade in the forms of loans and overdraft facilities basically to meet the working capital requirements.

b) Long-term External Sources

Long-term funds from external sources are raised in the form of the shares or equity capital and borrowings. The issue of shares and the raising of share capital from outside is regulated by the Government and, therefore, it is called “authorized paid-up capital”.

Borrowings of capital for long-term purposes are done in various forms, such as bank loans, institutional finances, bonds and debentures. Banks discourage long-term loans as it is risky and less profitable for them. Institutional finances are the most important source of long-term external finances. Specialized financial institutions provide long-term loans to industries at concessional rate of interest with a view to faster the industrialisation process of the country. International sources such as World Bank, Asian Development Bank etc. also provide long-term loans to
industries through the Government channels. Bonds and debentures are the
debt instruments.

The external finance may be either direct or indirect. Direct
finance involves borrowings from surplus spending units by deficit spending
units. Deficit spending units issue debt of their own (direct debt) and hold
financial assets in the form of direct securities. Purchase of various kinds
of securities by individual investors is a type of this financing. Indirect
financing is possible with the help of various intermediaries which mobilise
savings from individual savers and invest them in different forms.

Historical Background

Until the end of the nineteenth century moneylenders, indigenous
bankers, commercial banks, and life insurance companies were the only
financial intermediaries.

The earliest attempt to set up a banking institution in India with
some characteristics of a central bank dates back to January 1773 when
Warren Hastings, Governor of Bengal, recommended the establishment of
a "General Bank in Bengal and Bihar". The bank was set up in April 1773,
but it proved to be only a short lived experiment\(^3\). With the establishment
of the agency houses in India by the British, a beginning in commercial
banking was made in the seventeenth century. Banking in India on Western
lines had started from the beginning of nineteenth century. The first joint
stock bank was established at Calcutta by the name of Bank of Hindustan
and was under European management. But this bank also failed. However,
modern banking got some impetus with the setting up of three Presidency
Banks at Bengal (1806), Bombay (1840) and Madras (1843). The first
purely Indian bank was the "Oudh Commercial Bank" which was set up
in 1881 followed by Punjab National Bank in 1894 and People's Bank in

\(^3\) "Reserve Bank of India: Functions and Working" published by Reserve Bank
1901. Upto 1913, the number of commercial banks with a share capital of Rs. 5 lakhs or more were only 18. In 1920, three Presidency Banks were merged to form Imperial Bank of India which dominated the banking scene upto Independence and even thereafter.

In the early years of the present century, cooperative credit institutions including Land Development Banks were established to curb the undesirable activities of money-lenders and indigenous bankers on the one hand, and to create institutional base for meeting the credit needs of the agricultural sector at reasonable terms and conditions on the other. In the 1930s and onwards several private investment trusts were set up by the prominent industrial magnets with a view to support their own programmes. Then came the Reserve Bank of India in 1935 as the Central Bank of the country.

India could not achieve much on the front of industrial development under the foreign regime. In May 1916, the Government of India, for the first time, appointed an Indian Industrial Commission to examine and report upon the possibilities of further industrial development in India. The Commission pointed out that lack of financial facilities was one of the most serious bottleneck in the encouragement of industrial development in India. The Commission, inter-alia, recommended for the establishment of industrial banks. The same point was reiterated by the Indian Central Banking Enquiry Committee in 1931, which recommended for the setting up of an all India Industrial Finance Corporation to meet long-term requirements of medium and small scale industries. The same problem was handled individually by Dr. P.S. Loknathan and Dr. S.K. Basu and similar suggestions were made by them. But nothing concrete came out until the achievement of Independence in this respect.

L.C. Gupta has aptly described the principle features of pre-Independence financial system in the following words:

"Thus the principle features of pre-Independence industrial financing organisation are closed circle character of industrial entrepreneurship, a semi-organised and narrow industrial securities market devoid of issuing institutions and the virtual absence of participation by intermediary financial institutions in the long-term financing of industry".

Before Independence financial system was not responsive to opportunities for industrial investment, and incapable of sustaining a high rate of industrial growth, particularly, the growth of new and innovating enterprises.

**Managing Agency System**

Managing agency system came into existence in India in the latter half of the nineteenth century when industrial development was facing multifarious problems like lack of entrepreneurial ability, dearth of capital and absence of technical and managerial knowledge. At that time, the managing agency system emerged to meet these challenges. Managing agents did the preliminary work of starting new concerns, promote joint stock companies, employ their own funds or arrange for finance by acting as guarantors and also manage the concerns. Managing agents nursed the concerns for a long time until they could be safely launched for public subscription i.e, converted into joint stock companies. They provided finance not only for initial fixed capital but also for subsequent extensions, modernisation and reorganisation. Most of our large scale industries like Cotton and Jute Textiles, Iron and Steel, and Plantations industries were promoted and managed by firms or companies of managing agents. If the managing agents were not there, it is certain that India's industrial

development in the early part of this century and before would have been extremely difficult if not impossible.

Statistical information is not readily available about the managing agencies. However, studies made by Dr. Raj K. Nigam, Prof. S.K. Basu and N.C.A.E.R provide us some useful data. The study made by Prof. Basu shows that out of Rs. 215 crores as the paid-up capital of 1720 managed companies, managing agents subscribed to Rs. 29 crores or 14 per cent of the total paid-up capital. Their share in loans and advances comes to 24 per cent. This brings out the relative significance of managing agents in this field. Prof. Basu in his extensive study found that average holding of managing agents in tea, jute and coal industries were 17 per cent, 10 per cent and 5 per cent respectively which shows the relative importance attached to these industries by the managing agents.

Study made by N.C.A.E.R. shows that direct loans from managing agents formed only 1.3 per cent of the total loans in case of large companies, but the proportion was significant in case of smaller companies at 7 per cent. Data about loans and advances (in case of 143 companies) indicate that direct loans by managing agents constituted 7 per cent of the total loans and advances. In case of smaller companies with a paid-up capital upto Rs. 10 lakhs and between Rs. 20 lakhs and Rs. 30 lakhs, this percentage was as high as 41 per cent and 47 per cent respectively. In case of guaranteeing of loans, companies with paid-up capital between Rs. 20 lakhs and Rs. 30 lakhs were again favoured with nearly 77 per cent of their total loans being guaranteed by them. All the loans in case of companies with paid-up capital above Rs. 1 crore were

guaranteed by the managing agents. All these informations give a rough idea about the nature and significance of financial assistance provided by managing agents.

However, after Independence with the setting up of various specialized financial institutions resulting in the personal financing giving place to institutional financing, the managing agency system have outlined this utility. The system has now been completely abolished.

**Institutional Framework after Independence**

Immediately after Independence, the absence of an organised and developed capital market was keenly felt. Government of India consistent with its policy of playing an active role in the industrial development of the country took appropriate steps towards creating a network of financial institutions to fill the gaps in the supply of long-term finance to industry. The oldest of these institutions is the Industrial Finance Corporation of India (IFCI), which was set up in 1948 to provide medium and long-term credit to medium and large scale industries. This was followed by the establishment of the State Financial Corporations (SFCs) at the State level to finance medium and small industries under the State Financial Corporation Act 1951. In 1954, National Industries Development Corporation Limited (NIDC) was set up as a Government agency for assisting growth of industries. However, since 1963, its role has been confined to consultancy services. Industrial Credit and Investment Corporation of India (ICICI) was set up in 1955, as a private financial organisation under the aegies of the World Bank, to make industrial finance available to private sector and to act as an underwriting institution. To develop small industries, the National Small Industries Corporation (NSIC) was set up in 1955. Then in 1958, Refinance Corporation for Industry (RCI) was set up by the Reserve Bank of India for extending refinance facilities to banks which provided medium term loans to industry.
Life Insurance Corporation (LIC) was set up in 1956 through nationalization of all life insurance companies in the country. It is vested with the responsibility of exclusively managing the life insurance business and in consonance with national priorities and objectives, prudently deploying the funds of the policy holders to their best advantage. Besides investing in Government and other approved securities, LIC extends assistance for development of socially oriented sectors and infrastructure facilities such as housing, rural electrification, water supply and sewerage and provides finance to industrial concerns by way of term loans, underwriting and direct subscriptions to shares and debentures.

Industrial Development Bank of India (IDBI) was set up in 1964, as the apex institution, for providing term finance to industries and for coordinating the activities and operations of other institutions engaged in the field of industrial finance. IDBI also took over the business of RCI. In the same year, Unit Trust of India (UTI) was established by RBI with a view to mobilise the savings of the community by selling the units of the trust among as many investors as possible and investing the sale proceeds in corporate securities in such a way as to secure safety, liquidity and ensure regular and growing returns to the Unit holders. By this arrangement, savers could invest indirectly in the shares and securities of private corporate sector.

On account of the growing problem of industrial sickness a new Corporation namely, Industrial Reconstruction Corporation of India (IRCI) was established in 1971, with the sole objective of providing rehabilitation and reconstruction assistance to sick and closed industrial units or those facing imminent closure.

General Insurance Corporation of India (GIC) was established in 1973 after nationalization of general insurance companies in the country. GIC along with its four subsidiaries, namely, New India Assurance
Company Ltd., Oriental Fire and General Insurance Company Ltd., National Insurance Company Ltd., and United India Insurance company Ltd. operates a number of insurance schemes to cater to the diverse needs of the society. GIC extends assistance to industrial enterprises by way of term loans, underwriting and direct subscription to shares and debentures of new and existing industrial undertakings and also participates in consortium financing of projects along with other financial institutions.

Small Industries Development Bank of India (SIDBI) was set up by the Government of India under a special Act of the Parliament in April 1990 as a wholly-owned subsidiary of IDBI. SIDBI has taken over the outstanding portfolio of IDBI relating to the small scale sector. SIDBI is now the principal financial institution for promotion, financing and development of small scale industries in the country. It coordinates the functions of existing institutions engaged in similar activities. Accordingly, SIDBI has taken over the responsibility of administering Small Industries Development Fund and National Equity Fund which were earlier administered by IDBI. While extending financial assistance to the small units scattered all over the country, SIDBI makes use of the existing banking and financial institutions, such as the commercial banks, cooperative banks, RRBs, SFCs, and SIDCs which have a vast network of branches all over the country.

Thus, according to Dr. P.D. Ojha, "the institutional framework for taking care of industry form 'cradle to grave' was developed". RBI has played an active role not only in the creation of these financial institutions to cater to the needs of industrial sector, but also by advising and guiding in their development efforts.

**Structure of Financial Institutions in India**

The structure of financial institutions in India is not as complex as...
and variegated as in most of the developed countries. It consists of mainly five groups. They are as follows:

1. Commercial Banks.
2. All-India Development Banks; mainly they include,
   (i) Industrial Finance Corporation of India (IFCI),
   (ii) Industrial Credit and Investment Corporation of India (ICICI),
   (iii) Industrial Development Bank of India (IDBI),
   (iv) Industrial Investment Bank of India Limited (IIBI), and
   (v) Small Industries Development Bank of India (SIDBI).
3. Investment Institutions; mainly they include,
   (i) Life Insurance Corporation of India (LIC),
   (ii) Unit Trust of India (UTI), and
   (iii) General Insurance Corporation of India (GIC).
4. State-level Institutions; mainly they include,
   (i) State Financial Corporations (SFCs), and
   (ii) State Industrial Development Corporations (SIDCs).
5. Specialized Financial Institutions; mainly they include,
   (i) Risk Capital and Technology Finance Corporation Limited (RCTC),
   (ii) Technology Development and Information Company of India (TDICI), and
   (iii) Tourism Finance Corporation of India Limited (TFCI).

Now we shall briefly analyse the role of commercial banks, IIBI, SIDBI, LIC, UTI, GIC, SIDCs, RCTC, TDICI and TFCI in providing industrial finances in India, while the role of IFCI, ICICI, IDBI and SFCs will be analysed in detail in the chapters ahead.

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11. It should be noted that here we are concerned with only those financial institutions which provide finance mainly to the industrial sector.
(i) Commercial Banks

Commercial banks are oldest and most important financial institution in India. By accepting deposits from the general public, they play a very important role in the mobilization of savings scattered all over the country. After Independence, commercial banks have also emerged as a significant source of funds to the industry. Though the bulk of bank finance has been of short-term nature for meeting working capital requirements of the industries against commodity security and personal guarantee, but after the Second Five Year Plan banks have been extending medium and long-term loans also.

Commercial banks broadly consist of scheduled commercial banks and non-scheduled commercial banks, the former accounting for an overwhelmingly large proportion of business viz. about 99.9 per cent of the total banking business and only 0.1 per cent being accounted by the non-scheduled commercial banks. The scheduled commercial banks in the country comprise State Bank of India (SBI) and its associates banks, Nationalized Banks, Regional Rural Banks (RRBs) and foreign banks. There has been a massive expansion of bank offices since the nationalization of banks and the 'Lead Bank' scheme has played a significant role in it. During the 28 years period from July 1969 to March 1997, the total number of branches of commercial banks increased from 8262 to 63,534 giving an annual rise of 1974 branches in the country. Out of the total number of branches of commercial banks, 33,008 branches forming 51.9 per cent were located in the rural areas. Thus, as against 22.4 per cent branches located in the rural areas by the end of June 1969, now 51.9 per cent branches are located in these areas. In fact, of the new branches, 60 per cent branches have been set up in the rural areas. This is a desirable development. The number of branches of all 41 foreign banks were 182 by the end of June 1997. Besides these, there are at present 196 Regional Rural Banks (RRBs) with a total of 14,497 branches in
the country. Of these, 86 per cent branches of RRBs have been opened in the rural areas and unbanked centres.

The commercial banks have done very well in the mobilisation of deposits from the public. The aggregate deposits of the scheduled commercial banks stood at Rs. 5,05,599 crores by March 28, 1997, as against a total deposit of Rs. 4650 crores in June 1969 (before nationalization of commercial banks) indicating 109 times growth of deposits over the years. Of the total bank deposits, 82.1 per cent were in the form of time deposits and remaining 17.9 per cent in the form of demand deposits. The total investment of banks in Government and other approved securities aggregated to Rs. 1,90,514 crores in the same period.

Total bank credit of scheduled commercial banks stood at Rs. 2,78,402 crores by March 28, 1997, as against a total credit of Rs. 3399 crores by June 1969, indicating 82 times growth of credit over the years. Out of the total bank credit, industrial sector accounted Rs. 1,34,138 crores constituting 48.2 per cent of the total bank credit. Of these, a sum of Rs. 34,113 crores has gone to the small scale industries accounting 25.4 per cent of total bank credit to the industrial sector, while remaining Rs. 1,00,025 crores forming 74.6 per cent has gone to the medium and large scale sector.

Industry wise deployment of gross bank credit shows that by March 28, 1997, engineering industry has accounted largest share of Rs. 22,388 crores forming 16.7 per cent of the total bank credit followed by textiles Rs. 17,403 crores constituting 12.9 per cent, metals and metal products Rs. 16,363 crores forming 12.2 per cent and chemicals including fertilizers Rs. 15,006 crores forming 11.2 per cent. These four industrial groups accounted 53 per cent of the total bank credit. Other industries assisted by commercial banks are sugar, tea, coal, food processing,
vegetable oils, tobacco, paper, rubber, cement, leather, construction, electricity generation etc. and they together accounted 47 per cent of the total bank credit in the same period.

(ii) Industrial Investment Bank of India Limited (IIBI)

Industrial Reconstruction Bank of India (IRBI) was set up in 1985 under the IRBI Act, 1984 as the principal credit and the reconstruction agency for aiding rehabilitation of sick and closed industrial units. However, with the setting up of the Board for Industrial and Financial Reconstruction (BIFR) for coordinating and catalyzing the rehabilitation process and in view of nursing of sick units in their portfolio by respective financial institutions/banks, the role of IRBI as the principal agency for industrial reconstruction and rehabilitation became irrelevant. As a result, the Government of India decided to convert IRBI into a full-fledged all-purpose development finance institution. Accordingly, IRBI has been converted into a Government company and incorporated as Industrial Investment Bank of India Limited (IIBI) on March 17, 1997, thereby providing it with adequate operational flexibility and functional autonomy.

There has been remarkable transformation over the years in the activities of IIBI from reviving sick units to business-oriented activities. IIBI provides assistance in the form of term loans, underwriting/direct subscriptions, deferred payments, guarantees and also under asset credit/equipment finance scheme and equipment leasing/hire-purchase schemes. Further, IIBI also undertakes merchant banking services.

By the end of March 1997, cumulative assistance sanctioned by IIBI stood at Rs.4311.9 crores forming 1.2 per cent of the total assistance sanctioned by AFIs, while the actual cumulative assistance disbursed by IIBI aggregated to Rs. 2953.6 crores forming 1.2 per cent of the total assistance disbursed by AFIs and 68.5 per cent of the total assistance
sanctioned by IIBI. There has been substantial increase in the assistance sanctioned and disbursed by IIBI. By the end of March 1982, cumulative assistance sanctioned by IIBI was Rs. 143.14 crores forming only 0.9 per cent of the total assistance sanctioned by AFIs which increased to Rs. 4311.9 crores by the end of March 1997 showing an increase of 30.1 times over 1982 level. Likewise, the actual disbursements of assistance by IIBI stood at Rs. 110.71 crores forming 1.1 per cent of the total assistance disbursed by AFIs which increased to Rs. 2953.6 crores showing 26.7 times increase over 1982 level. Thus, we notice increase in assistance sanctioned and disbursed by IIBI both in absolute as well as in relative terms. However, annual average of assistance sanctioned by IIBI declined from 56.4 per cent during 1980-85 to 14.7 per cent during 1985-90, but increased to 31.1 per cent during 1990-97. Likewise, annual average of assistance disbursed by IIBI declined from 35.7 per cent to 21.3 per cent but increased to 25.6 per cent during the same period.

Sectorwise analysis of assistance sanctioned by IIBI shows that private sector has been the largest recipient of financial assistance from IIBI. By the end of March 1997, cumulative assistance sanctioned to private sector stood at Rs. 3699.5 crores forming 86.1 per cent of the total assistance followed by public sector which accounted Rs. 277.0 crores constituting 6.4 per cent, joint sector with Rs. 244.7 crores forming 5.7 per cent and cooperative sector which accounted Rs. 76.2 crores forming 1.8 per cent of the total assistance.

Industrywise assistance shows that textiles industry got the highest share of 15.5 per cent of the total assistance sanctioned by IIBI by the end of March 1997 followed by basic metals industry 14.2 per cent, chemicals and chemical products 13.6 per cent, food products 7.3 per cent, electrical and electronic equipment 5.1 per cent, electricity generation 4.4 per cent, rubber and rubber products 3.4 per cent and
cement 3.3 per cent. These eight industries together accounted 66.8 per cent of the total assistance while all other industries together accounted 33.2 per cent.

Purposewise assistance sanctioned by IIBI shows that by the end of March 1997, cumulative assistance sanctioned to new projects stood at Rs. 894.7 crores forming 20.8 per cent of the total assistance, modernisation/renovation accounted Rs. 2495.5 crores forming 58.1 per cent, Rs. 506.0 crores forming 11.8 per cent for correcting imbalance in current position and Rs. 401.2 crores forming 9.3 per cent for other purposes.

Statewise assistance sanctioned by IIBI shows that by the end of March 1997, Maharashtra got the highest share of 17.6 per cent of the total assistance followed by West Bengal 16.2 per cent, Gujrat 12.9 per cent, Tamil Nadu 9.1 per cent, Andhra Pradesh 7.2 per cent, U.P. 7.1 per cent, Karnataka 5.2 per cent and Madhya Pradesh 5.0 per cent. These eight States together accounted 80.3 per cent of the total assistance while all other States and Union Territories accounted 19.7 per cent of the total assistance sanctioned by IIBI.

Direct assistance to industry sanctioned by IIBI aggregated to Rs. 3588.8 crores by the end of March 1997, of which rupee loans were Rs. 3429.1 crores forming 95.6 per cent of the total direct assistance, Rs. 132.1 crores forming 3.6 per cent by way of direct subscriptions, Rs. 20.8 crores forming 0.6 per cent by way of equipment leasing and Rs. 6.8 crores forming only 0.2 per cent of the total direct assistance by way of hire-purchase. Areawise assistance shows that by the end of March 1997, IIBI has sanctioned a cumulative assistance of Rs. 1113.4 crores forming 25.9 per cent of the total assistance to backward areas while Rs. 3184.0 crores forming 74.1 per cent to non-backward areas in the same period.
(iii) Small Industries Development Bank of India (SIDBI)

The Small Industries Development Bank of India (SIDBI) is a wholly-owned subsidiary of IDBI. It is the principal financial institution for promotion, financing and development of industry in the small, tiny and cottage industries and coordinating the functions of other institutions engaged in similar activities. SIDBI became operational on April 2, 1990, and took over IDBI's operations relating to small sector.

SIDBI's activities include refinancing of term loans granted by SFCs/SIDCs/ commercial banks and other eligible financial institutions and direct discounting and rediscounting of bills arising out of sale of machinery/capital equipment/components by manufacturers in the small scale sector. It also directly provides term loans and equipment finance to existing well-run small scale units taking up technology upgradation/modernisation. SIDBI also provides assistance for infrastructure development, creation of marketing channels and development of industrial areas. SIDBI provides equity type assistance to special target groups like new entrepreneurs, women and ex-servicemen under its different schemes like Seed Capital Scheme, National Equity Fund, Mahila Udyan Nidhi and Self Employment Scheme for Ex-servicemen. It also offers technical and related support services for the development of small sector.

In the setting up SIDBI, the intention of the Government of India was to ensure larger flow of financial assistance to the small scale sector. It is promoting in a big way employment-oriented industries especially in semi-urban areas to create more employment opportunities, and thereby checking migration of rural population to urban and cosmopolitan areas.

However, over the period of time, SIDBI has liberalized its terms of assistance and simplified procedures, with a view to widen its scope for large coverage of schemes. Some of the salient features of SIDBI can be listed as follows:
(i) SIDBI has been operating Single Window Scheme (SWS) which is enlarged to cover units in identified areas. The extent of refinance against cash credit sanctioned by banks under SWS was raised from 50 per cent to 70 per cent. The scope of SWS has been widened by making the proposals for liberalization, modernization and technology upgradation of existing units.

(ii) SIDBI provides refinance facilities under Automatic Refinance Scheme (ARS). The limit of term loans under ARS was initially fixed at Rs. 10 lakhs but was raised later to Rs. 50 lakhs and the extent of refinance has been raised from 75 per cent to 90 per cent.

(iii) SIDBI has introduced equipment for assistance to existing well-run small scale units for technology upgradation/modernisation.

(iv) SIDBI has set up venture capital fund to assist entrepreneurs.

By the end of March 1997, cumulative assistance sanctioned by SIDBI aggregated to Rs. 28,779.8 crores forming 7.8 per cent of the total assistance sanctioned by AFIs. The actual cumulative assistance disbursed by SIDBI amounted to Rs. 21,461.1 crores forming 8.5 per cent of the total assistance disbursed by AFIs and 74.6 per cent of the total assistance sanctioned by SIDBI. The annual average of assistance sanctioned by SIDBI was 18.6 per cent during 1990-97, while the annual average of assistance disbursed was 17.4 per cent during the same period.

Cumulative assistance sanctioned by SIDBI to SSIs and SRTOs by the end of March 1997 amounted to Rs. 14,502.5 crores, of these share of SSIs was Rs. 10,904.8 crores forming 75.2 per cent of the total assistance, while share of SRTOs was Rs. 3597.7 crores forming 24.8 per cent.

Industrywise assistance sanctioned by SIDBI reveals that by the end of March 1997, services industry got the highest share of 19.0 per cent of the total assistance followed by electricity generation 10.4 per
cent, textiles 8.5 per cent, chemicals and chemical products 7.9 per cent, machinery 7.7 per cent, food products 6.9 per cent, electrical and electronic equipment 6.8 per cent and transport equipment 5.5 per cent. These eight industries together accounted 72.7 per cent of the total assistance sanctioned by SIDBI, while all other industries such as paper, rubber, fertilizers, cement and basic metals etc. accounted only 27.3 per cent in the same period.

SIDBI also provides assistance for the establishment of new projects as well as expansion/diversification and modernisation/renovation purposes to the existing projects. By the end of March 1997, cumulative assistance sanctioned by SIDBI for new projects aggregated to Rs. 13,350.0 crores forming 77.5 per cent of the total assistance, expansion/diversification accounted Rs. 1668.2 crores forming 9.7 per cent, modernization/renovation accounted Rs. 1335.8 crores forming 7.7 per cent and others accounted Rs. 884.9 crores forming 5.1 per cent.

Statewise distribution of assistance sanctioned by SIDBI shows considerable concentration among few States. By the end of March 1997, Maharashtra got the highest share of 15.7 per cent of the total assistance sanctioned by SIDBI followed by Gujrat 13.2 per cent, Tamil Nadu 11.5 per cent, Karnataka 8.8 per cent, U.P. 6.9 per cent, Andhra Pradesh 6.2 per cent, Delhi 5.5 per cent and Rajasthan 5.1 per cent. These eight States together accounted 72.9 per cent of the total assistance and remaining 27.1 per cent of the total assistance was shared by all other States and Union Territories together in the same period.

SIDBI also provides financial assistance to the projects located in the backward areas. By the end of March 1997, cumulative assistance sanctioned by SIDBI to backward areas aggregated to Rs. 6071.3 crores forming 25.5 per cent of the total assistance. Statewise distribution of assistance sanctioned to backward areas shows that Karnataka got the
highest share of 13.7 per cent of the total assistance by the end of March 1997 followed by Tamil Nadu 10.5 per cent, Gujrat 9.4 per cent, Rajasthan 8.8 per cent, Andhra Pradesh 8.2 per cent, U.P. 7.6 per cent, Kerala 7.3 per cent and Maharashtra 6.9 per cent. These eight States together accounted 72.4 per cent of the total assistance sanctioned to backward areas and remaining 27.6 per cent of the total assistance was shared by all other States and Union Territories.

SIDBI's direct assistance to industry is extended mainly under its project finance in the forms of loans, direct subscriptions, direct discounting of bills, equity type assistance/seed capital and foreign currency loans. The cumulative direct financial assistance sanctioned by SIDBI by the end of March 1997, aggregated to Rs. 7967.0 crores forming 27.7 per cent of the total assistance by SIDBI. The actual disbursements of direct assistance aggregated to Rs. 6329.7 crores forming 29.5 per cent of the total assistance disbursed and 79.4 per cent of total direct assistance sanctioned by SIDBI. Direct discounting of bills constitutes the single most important component of SIDBI's direct assistance. By the end of March 1997, discounting of bills accounted Rs. 6543.0 crores forming 82.1 per cent of total direct assistance followed by loans which aggregated to Rs. 1232.5 crores forming 15.5 per cent, foreign currency accounted Rs. 114.3 crores forming 1.4 per cent and others Rs. 77.2 crores forming 1.0 per cent.

SIDBI also provides its financial assistance in the form of indirect assistance. Indirect assistance of SIDBI mainly consists of refinance, bills rediscounting, resource support to financial intermediaries and assistance to leasing companies. The amount of indirect assistance is large in comparison to direct assistance. The cumulative indirect assistance sanctioned by SIDBI, since its inception upto March 1997, stood at Rs. 20,662.2 crores forming 71.8 per cent of the total assistance sanctioned by SIDBI. The actual disbursements of indirect assistance
aggregated to Rs. 15,052.8 crores forming 70.1 per cent of total indirect assistance disbursed by SIDBI and 72.9 per cent of total indirect assistance sanctioned by SIDBI in the same period. Refinancing of term loans constitutes the single most important component of SIDBI's indirect assistance. By the end of March 1997, refinancing of term loans accounted to Rs. 14,876.7 crores forming 71.9 per cent of total indirect assistance followed by resource support to financial intermediaries which accounted Rs. 2059.1 crores forming 9.9 per cent, assistance to leasing companies which aggregated to Rs. 1978.8 crores constituting 9.6 per cent and rediscounting of bills accounted Rs. 1747.6 crores constituting 8.6 per cent.

(iv) Life Insurance Corporation of India (LIC)

Life Insurance Corporation of India (LIC) was set up in 1956 through nationalization of all life insurance companies in the country. It is vested with the responsibility of exclusively managing the life insurance business and in consonance with national priorities and objectives, prudently deploying the funds of the policy holders to their best advantage. Besides investing in Government and other approved securities, LIC extends assistance for development of socially-oriented sectors and infrastructure facilities such as housing, rural electrification, water supply and sewerage, and provides finance to industrial concerns by way of term-loans, underwriting and direct subscriptions to shares and debentures. LIC also extends resource support to term-lending institutions by subscribing to their shares and bonds. Over the years, LIC has acquired supreme position in the long-term financing of industries.

Life insurance organisations occupy a notable position among the saving institutions of all the countries of the world. This is mainly because they are able to collect small savings from innumerable individuals. They create the desire among the people to save. Life insurance, as a form of personal savings, caters:
(i) to assist the individual in the creation of emergency saving fund to guard his family against any financial misfortune;

(ii) to build up a potential family estate, should the sources of the current earning power of the head of the family be removed by death, and

(iii) to assist in the accumulation and conservation of a fund by the time of retirement from active work.

At the same time, the contractual nature of life insurance also contributes to the mobilization of savings. It tends to cause the policy holders to continue more firmly in their resolution to save than do most of the other agencies designed for the inculcation of thrift. The life insurance, through contractual payment of premium, controls individual impulses and fosters saving habit in them. The principal virtue of life insurance, as promoter of thrift, lies in the peculiar combination of saving and family protection.

By the end of March 1997, cumulative assistance sanctioned by LIC stood at Rs. 17,800.3 crores forming 4.8 per cent of the total assistance sanctioned by AFIs. The actual cumulative assistance disbursed by LIC amounted to Rs. 15,296.5 crores forming 6.1 per cent of total assistance disbursed by AFIs, and 85.9 per cent of the total assistance sanctioned by LIC in the same period. However, there has been substantial increase in the assistance sanctioned and disbursed by LIC over the years. By the end of March 1982, cumulative assistance sanctioned by LIC stood at Rs. 814.8 crores forming 5.5 per cent of the total assistance sanctioned by AFIs together, which increased to Rs. 17,800.3 crores by the end of March 1997, showing an increase of 22.84 times over the years. Likewise, the actual cumulative disbursements by LIC stood at Rs. 629.35 crores forming 6.2 per cent of total sanctions of AFIs together by the end of March 1982, which increased to Rs. 15,296.5 crores showing an increase of 24.3 times over the years. Thus, there has been substantial increase
in the assistance sanctioned and disbursed by LIC in absolute terms over the years, but in relative terms the share of LIC in total assistance sanctioned declined from 5.5 per cent by the end of March 1982 to 4.8 per cent by the end of March 1997, likewise the share of LIC in total assistance disbursed declined from 6.2 per cent to 6.1 per cent during the same period. The annual average of assistance sanctioned by LIC has been fluctuating during 1980-97. Annual average of assistance sanctioned by LIC declined from 32.1 per cent during 1980-85 to 27.7 per cent during 1985-90, but increased to 29.8 per cent during 1990-97. Likewise, annual average of assistance disbursed by LIC declined from 28.1 per cent during 1980-85 to 26.2 per cent during 1985-90, but increased substantially to 43.0 per cent during 1990-97.

Sectorwise analysis of assistance sanctioned by LIC shows that private sector has been the largest recipient of financial assistance over the years. By the end of March 1997, cumulative assistance sanctioned to private sector aggregated to Rs. 10,302.1 crores forming 74.1 per cent of the total assistance sanctioned by LIC followed by public sector which accounted a sum of Rs. 3344.3 crores constituting 24.1 per cent and cooperative sector which accounted a sum of Rs. 254.2 crores forming only 1.8 per cent. Thus, LIC in its direct financing operations is basically interested in the development of industries in the private sector.

Industrywise assistance sanctioned by LIC is concentrated in few industries. By the end of March 1997, basic metals industry accounted the largest share of 16.5 per cent followed by chemicals and chemical products 14.1 per cent, textiles 12.3 per cent, electricity generation 10.9 per cent, machinery 9.9 per cent, cement 5.4 per cent, electrical and electronic equipment 3.7 per cent and services 3.2 per cent in the same period. These eight industries together accounted 76.0 per cent of total assistance sanctioned by LIC. Other industries assisted by LIC include transport equipment, food products, paper, rubber, fertilizer and metal
products etc. These industries together accounted 24.0 per cent of the total assistance sanctioned by LIC in the same period.

LIC also provides assistance for the establishment of new projects as well as for the expansion/diversification and modernisation/renovation purposes to the existing projects. During 1996-97, LIC sanctioned a sum of Rs. 2601.3 crores, out of which Rs. 452.7 crores forming 17.4 per cent for the establishment of new projects, Rs. 795.6 crores constituting 30.6 per cent for expansion/diversification, Rs. 207.8 crores forming 7.9 per cent for modernisation/renovation of existing projects and Rs. 1145.2 crores forming 44.1 per cent for other purposes.

Statewise distribution of assistance sanctioned by LIC shows considerable concentration among few States. By the end of March 1997, Maharashtra got the highest share of 25.1 per cent of the total assistance sanctioned by LIC followed by Gujrat 17.8 per cent, Delhi 15.6 per cent, West Bengal 7.7 per cent, Tamil Nadu 5.9 per cent, Andhra Pradesh 4.9 per cent, Karnataka 4.8 per cent and Uttar Pradesh 4.4 per cent. These eight States together accounted 86.2 per cent of the total assistance sanctioned by LIC and remaining 13.8 per cent of the total assistance was shared by all other States and Union Territories.

Aggregate investable funds of LIC, consisting of life insurance business, capital redemption and Jeevan Suraksha business, stood at Rs. 91,448.4 crores by the end of March 1997. Life insurance business constituted almost whole of the total investable funds of LIC i.e, 99.8 per cent, while capital redemption and Jeevan Suraksha business contributed only 0.2 per cent.

Total investment of LIC upto March 1997 aggregated to Rs. 8266.5 crores. Investment in Government and other approved securities accounted the highest share of 56.9 per cent followed by industry 18.7 per cent, infrastructure facilities 10.5 per cent, loans for housing development 9.4 per cent and others 4.5 per cent.
Direct assistance to industry sanctioned by LIC aggregated to Rs. 13,900.6 crores by the end of March 1997, of which term-loans were Rs. 4658.3 crores and assistance by way of underwriting and direct subscriptions were Rs. 9242.3 crores, constituting 33.5 per cent and 66.5 per cent of total sanctions respectively.

(v) Unit Trust of India (UTI)

The Unit Trust of India (UTI) was set up in February 1964. The primary objective of the UTI is two-fold:

(i) to stimulate and pool the savings of the middle and low income groups; and

(ii) to enable them to share the benefits and prosperity of the rapidly growing industrialization in the country.

These two-fold objectives are to be achieved through a three-fold approach;

(i) by selling units of the Trust among as many investors as possible in different parts of the country;

(ii) by investing the sale proceeds of the units and also the initial capital funds in industrial and corporate securities; and

(iii) by paying dividends to those who have bought the units of the Trust.

The units of the Trust have different advantages. These advantages are:

(i) Investment in units is safe, since the risk is spread over a wide range of securities.

(ii) The unit holders receive a steady and decent income.

(iii) Dividend income from the unit Trust enjoys various tax concessions.

(iv) The units are highly liquid in the sense that an investor can cash them whenever he wants. The units can be sold back to the Trust any time at prices fixed by the Trust.
Over the years, UTI has introduced a variety of schemes to meet the needs of diverse sections of investors. After an amendment to its Act in 1986, UTI has started extending assistance to the corporate sector by way of term-loans and underwriting/direct subscription to shares/debentures.

By the end of March 1997, cumulative assistance sanctioned by UTI aggregated to Rs. 46,960.6 crores forming 12.7 per cent of the total assistance sanctioned by AFIs. The actual cumulative assistance disbursed by UTI amounted to Rs. 35,528.7 crores forming 14.0 per cent of the total assistance disbursed by AFIs, and 75.7 per cent of total assistance sanctioned by UTI. However, there has been substantial increase in the assistance sanctioned and disbursed by UTI over the years. By the end of March 1982, cumulative assistance sanctioned by UTI stood at Rs. 387.94 crores forming only 2.6 per cent of the total assistance sanctioned by AFIs, which increased to Rs. 46,960.6 crores by the end of March 1997 indicating an increase of 121.1 times over 1982 level. Likewise, the actual disbursement of assistance by LIC stood at Rs. 366.18 crores by the end of March 1982 forming only 3.6 per cent of the total assistance disbursed by AFIs which increased to Rs. 35,528.7 crores showing an increase of 97 times over the years. Thus, we notice substantial increase in the assistance sanctioned and disbursed by UTI both in absolute as well as in relative terms. However, annual average of assistance sanctioned by UTI declined from 52.0 per cent during 1980-85 to 45.6 per cent during 1985-90 and further to 36.9 per cent during 1990-97. On the other hand, annual average of assistance disbursed by UTI increased from 36.2 per cent during 1980-85 to 43.6 per cent during 1985-90 but declined to 34.1 per cent during 1990-97.

Sectorwise analysis of assistance sanctioned by UTI shows that private sector has been the largest recipient of financial assistance over the years. By the end of March 1997, cumulative assistance sanctioned
to private sector aggregated to Rs. 28,894.2 crores forming 75.0 per cent of the total assistance sanctioned by UTI followed by public sector which accounted a sum of Rs. 8887.3 crores forming 23.1 per cent, joint sector which accounted a sum of Rs. 540.2 crores constituting 1.4 per cent and cooperative sector which accounted a sum of Rs. 179.3 crores forming only 0.5 per cent.

Industrywise assistance sanctioned by UTI shows considerable concentration among few industries. By the end of March 1997, services accounted the largest share of 15.2 per cent of the total assistance followed by basic metals 13.2 per cent, chemicals and chemical products 13.1 per cent, textiles 9.5 per cent, machinery 6.4 per cent, electricity generation 5.8 per cent, fertilizers 3.0 per cent and cement 2.7 per cent. These eight industries together accounted 69.9 per cent of the total assistance, while all other industries together accounted 31.1 per cent of the total assistance sanctioned by UTI.

Purposewise assistance shows that UTI sanctioned a sum of Rs. 3347.0 crores during 1996-97, of these, a sum of Rs. 62.9 crores was used for new projects forming 1.9 per cent of the total assistance, Rs. 257.9 crores forming 7.7 per cent of total assistance for expansion/diversification and remaining 3026.2 crores forming 90.4 per cent of the total assistance for other purposes such as working capital loans etc.

Statewise distribution of assistance sanctioned by UTI shows that by the end of March 1997, Maharashtra got the highest share of 19.7 per cent of the total assistance followed by Gujrat 7.9 per cent, U.P. 2.9 per cent, Karnataka and Delhi 2.2 per cent each, Tamil Nadu 2.1 per cent, West Bengal 1.8 per cent and Madhya Pradesh and Andhra Pradesh 1.6 per cent each. These nine States together accounted 42.0 per cent of the total assistance sanctioned by UTI. Infact, we notice that a sum of Rs. 21,449.0 crores forming 55.7 per cent of the total assistance was
sanctioned to multi-state/non-specific areas by the UTI, while the share of remaining States and Union Territories was only 2.3 per cent of the total assistance sanctioned by UTI in the same period.

By the end of March 1997, componentwise cumulative assistance sanctioned by UTI aggregated to Rs. 46,960.6 crores including a special deposits of Rs. 8460.4 crores forming 18.0 per cent of the total assistance. Of these, rupee loans accounted Rs. 11,253.6 crores forming 23.9 per cent, direct subscriptions including equity/preference and debentures accounted Rs. 6373.6 crores forming 13.6 per cent of the total assistance and underwriting including equity/preference and debentures accounted Rs. 20,873.0 crores forming 44.5 per cent to the total assistance sanctioned by the UTI.

(vi) General Insurance Corporation of India (GIC)

General Insurance Corporation of India (GIC) was set up in 1973 after nationalization of general insurance companies in the country. GIC along with its four subsidiaries viz. National Insurance Company Ltd., New India Assurance Company Ltd., Oriental Fire and General Insurance Company Ltd. and United India Insurance Company Ltd. operate a number of insurance schemes to cater to the diverse and emerging needs of various segments of the society. GIC and its subsidiaries have devised several need-based covers to meet the requirements of the liberalized environment and also participate in financing of industrial projects alongwith AIFIs through term loans, short-term loans and direct subscription to shares/debentures of new and existing industrial enterprises. However, the objectives of the investment policies of GIC are as follows:

(i) to fulfil the national priorities including industrial development;
(ii) safety and security of capital and diversification of portfolio;
(iii) adequate liquidity;
(iv) maximum yield, stability of income and capital appreciation;
(v) marketability ;
(vi) favourable tax status; and
(vii) protection against inflation.

On the recommendations of the Malhotra Committee, investment guidelines for GIC have been relaxed with effect from April 1, 1995. A general insurance company is permitted to invest upto 25 per cent of its total assets in other than approved investments. GIC is required to invest only 45 per cent of the accretions in socially-oriented sectors, as against 70 per cent earlier and remaining 55 per cent in the market.

Cumulative assistance sanctioned by GIC by the end of March 1997 stood at Rs. 6307.0 crores forming only 1.7 per cent of the total assistance sanctioned by AFIs. The actual cumulative assistance disbursed by GIC aggregated to Rs. 4172.0 crores forming 1.6 per cent of the total assistance disbursed by AFIs and 66.1 per cent of the total assistance sanctioned by GIC in the same period. There has been substantial increase in the assistance sanctioned and disbursed by GIC over the years. By the end of March 1982, cumulative assistance sanctioned by GIC stood at Rs. 224.87 crores forming 1.5 per cent of the total assistance sanctioned by AFIs which increased to Rs. 6307.0 crores showing an increase of 28.1 times over 1982 level. Likewise, the actual disbursements of assistance by GIC stood at Rs. 160.23 crores by the end of March 1982 forming 1.6 per cent of the total disbursements by AFIs which increased to Rs. 4172.0 crores showing an increase of 26 times over 1982 level. Thus, we notice increase in the assistance sanctioned by GIC both in absolute and relative terms, while assistance disbursed by GIC shows increase only in absolute terms, in relative terms its share remained the same over the years. However, annual average of assistance sanctioned by GIC declined from 44.9 per cent during 1980-85 to 13.5 per cent during 1985-90, but increased to 31.8 per cent during 1990-97. Likewise, annual average
of assistance disbursed by GIC declined from 50.8 per cent to 13.1 per cent but increased to 27.5 per cent during the same period.

Sectorwise analysis of assistance sanctioned by GIC shows that private sector has been the largest recipient of financial assistance from GIC. During 1996-97, GIC sanctioned a sum of Rs. 789.4 crores, of which private sector accounted Rs. 653.2 crores forming 82.7 per cent of total sanctions followed by public sector which accounted Rs. 77.8 crores forming 9.9 per cent and Joint sector which accounted Rs. 58.4 crores forming 7.4 per cent of total sanctions of GIC during the same period.

Industrywise assistance sanctioned by GIC shows considerable concentration among few industries. During 1996-97, basic metals industry accounted the largest share of 30.6 per cent followed by chemicals and chemical products 17.4 per cent, fertilizers 8.9 per cent, transport equipment 6.5 per cent, electricity generation 5.4 per cent, electrical and electronic equipment 4.6 per cent, machinery 3.2 per cent, textiles 2.4 per cent during the same period. These eight industries together accounted 79.0 per cent of the total assistance sanctioned by GIC and all other industries together accounted 21 per cent of the total assistance during the same period.

Purposewise assistance sanctioned by GIC shows that during 1996-97, new projects accounted Rs. 38.0 crores forming 4.8 per cent of the total assistance, Rs. 136.1 crores forming 17.2 per cent for expansion/diversification, Rs. 10.0 crores forming 1.3 per cent for modernisation/renovation and remaining Rs. 605.3 crores forming 76.7 per cent of the total assistance for other purposes mainly for long-term working capital, meeting cost overrun etc. during the same period.

Statewise distribution of assistance sanctioned by GIC shows that during 1996-97, Maharashtra got the highest share of 34.2 per cent of the total assistance followed by Gujrat 16.3 per cent, West Bengal 11.7
per cent, Tamil Nadu 8.2 per cent, Punjab 4.4 per cent, Delhi 4.3 per cent and Karnataka and Goa 4.1 per cent each during the same period. These eight States together accounted 87.3 per cent of the total assistance, while the shares of remaining States and Union Territories were only 12.7 per cent of the total assistance sanctioned by GIC during the same period.

(vii) State Industrial Development Corporations (SIDCs)

State Industrial Development Corporations (SIDCs) were set up during sixties and early seventies under the Companies Act, 1956, or as autonomous corporations under specific State Acts, as a wholly-owned State Government undertakings for promotion and development of medium and large industries in their respective States. The main objective of SIDCs is to act as catalytic agent for industrial development in their States. SIDCs provide financial assistance to industrial units by way of term loans, underwriting and direct subscriptions to shares and debentures and guarantees. They also undertake a variety of promotional activities like preparation of feasibility reports, industrial potential surveys, entrepreneurship development programmes and developing industrial areas/estates. Some SIDCs also offer a package of development services which include technical guidance, assistance in plant location and coordination with other agencies. SIDCs are also engaged in setting up of medium and large industrial projects in joint sector in collaboration with private entrepreneurs or as a wholly-owned subsidiaries. Some SIDCs also administer the incentive schemes of Central/State Governments and participate in risk capital. At present, there are 28 SIDCs in the country, eleven of them also function as the State Financial Corporations. Such SIDCs are in Andaman and Nicobar, Arunachal Pradesh, Daman and Diu and Dadra and Nagar Haveli, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Goa, Pondicherry and Sikkim.

By the end of March 1997, cumulative assistance sanctioned by all 28 SIDCs together aggregated to Rs. 13,352.1 crores forming 3.6 per
cent of the total assistance sanctioned by AFIs. The actual cumulative assistance disbursed by SIDCs amounted to Rs. 9702.4 crores forming 3.8 per cent of the total assistance disbursed by AFIs and 72.7 per cent of the total assistance sanctioned by SIDCs. However, there has been substantial increase in the assistance sanctioned and disbursed by SIDCs over the years. By the end of March 1982, cumulative assistance sanctioned by SIDCs stood at Rs. 1091.62 crores forming 7.3 per cent of the total assistance sanctioned by AFIs which increased to Rs. 13,352.1 crores by the end of March 1997 indicating an increase of 12.2 times over 1982 level. Likewise, the actual disbursements of assistance by SIDCs stood at Rs. 673.15 crores by the end of March 1982 forming 6.6 per cent of the total assistance disbursed by AFIs, which increased to Rs. 9702.4 crores by the end of March 1997 indicating an increase of 14.4 times over 1982 level. However, in absolute terms both assistance sanctioned and disbursed have increased over the years, but in relative terms their importance have declined. The annual average of assistance sanctioned and disbursed by SIDCs has fluctuated over the years. The annual average of assistance sanctioned by SIDCs declined from 25.7 per cent during 1980-85 to 7.9 per cent during 1985-90, but increased to 16.5 per cent during 1990-97. Likewise, annual average of assistance disbursed by SIDCs declined from 29.6 per cent to 13.1 per cent but increased to 13.6 per cent during the same period.

Sectorwise analysis of assistance sanctioned by SIDCs shows that private sector has been the largest recipient of financial assistance from SIDCs. By the end of March 1997, cumulative assistance sanctioned to the private sector aggregated to Rs.11,712.2 crores forming 87.7 per cent of the total assistance sanctioned by SIDCs followed by joint sector which accounted a sum of Rs.1072.9 crores forming 8.0 per cent, public sector which accounted Rs. 502.0 crores forming 3.8 per cent and cooperative sector which accounted Rs. 65.0 crores forming only 0.5 per cent.
Industrywise assistance sanctioned by SICDs shows that textiles industry got the largest share of 16.1 per cent of the total assistance by the end of March 1997 followed by chemicals and chemical products 13.8 per cent, food products 9.9 per cent, basic metals 7.4 per cent, electrical and electronic equipment 5.1 per cent, machinery 4.8 per cent, paper 4.7 per cent, metal products 4.6 per cent and services 4.0 per cent. These nine industries together accounted 70.4 per cent of the total assistance, while all other industries together accounted 29.6 per cent of the total assistance sanctioned by SICDs by the end of March 1997.

SICDs grant assistance not only for establishing of new projects but also to the existing projects for their expansion, diversification, modernisation and renovation, etc. purposes. New projects have received the major share in the total assistance sanctioned by SICDs. By the end of March 1997, all SICDs have sanctioned an assistance of Rs. 9237.8 crores representing 69.2 per cent of the total assistance sanctioned to the new projects. On the other hand, assistance for expansion/diversification of existing projects aggregated to Rs. 2136.6 crores forming 16.0 per cent, while assistance for modernisation/renovation purposes stood at Rs. 1138.9 crores forming 8.5 per cent of total sanctions. Besides these, another sum of Rs. 843.8 crores forming 6.3 per cent of the total assistance was also sanctioned to the existing projects as supplementary assistance. Thus, only 30.8 per cent of the total assistance of SICDs has gone to the existing projects, while 69.2 per cent of their assistance has gone to new projects. This reflects that SICDs are taking greater interest in the establishment of new projects than assisting the existing projects for their expansion, diversification, modernisation or renovation purposes.

Statewise distribution of assistance sanctioned by SICDs shows that by the end of March 1997, SICDs of Maharashtra got the highest share of 15.1 per cent of the total assistance followed by the SICDs of U.P. 14.1 per cent, Gujrat 13.2 per cent, Karnataka 12.9 per cent, Punjab
7.3 per cent, Tamil Nadu 6.1 per cent, Andhra Pradesh 4.2 per cent and Rajasthan 3.8 per cent. SIDCs of these eight States together accounted 76.7 per cent of the total assistance and remaining 23.3 per cent of the total assistance was accounted by all other SIDCs.

SIDCs also provide financial assistance to the projects located in the backward areas. Cumulative assistance sanctioned by SIDCs to the projects located in the backward areas accounted to Rs. 6494.1 crores constituting 48.6 per cent of the total assistance sanctioned by SIDCs by the end of March 1997. Actual assistance disbursed to the backward areas amounted to Rs. 4900.3 crores forming 50.5 per cent of the total assistance disbursed by SIDCs. Statewise distribution of assistance sanctioned to backward areas shows that U.P. got the highest share of 14.1 per cent followed by Gujrat 11.6 per cent, Karnataka 11.0 per cent, Maharashtra 9.6 per cent, Andhra Pradesh 7.2 per cent, Goa 6.0 per cent, Madhya Pradesh 5.8 per cent, and Rajasthan 5.6 per cent in the same period. These eight States together accounted 69.4 per cent of the total assistance sanctioned to backward areas and remaining 30.6 per cent of the total assistance was shared by all other States.

SIDCs have granted assistance to industrial enterprises in varying amounts of different sizes. Sizewise cumulative assistance sanctioned by SIDCs by the end of March 1997 shows that size range of more than Rs. 60 lakhs got the highest share of 78.6 per cent of the total assistance followed by the size range of Rs. 30 to 40 lakhs 6.7 per cent, size range of Rs. 40 to 60 lakhs 6.5 per cent, size range of Rs. 10 to 30 lakhs 5.7 per cent and upto Rs. 10 lakhs only 2.5 per cent of the total assistance sanctioned by SIDCs.

Schemewise assistance sanctioned by SIDCs shows that by the end of March 1997, cumulative assistance in the form of rupee loans aggregated to Rs. 11,104.5 crores forming 83.2 per cent of the total...
assistance and assistance by way of underwriting/direct subscriptions, guarantees and seed/special capital were Rs. 1752.6 crores, 426.1 crores and 68.9 crores constituting 13.1 per cent, 3.2 per cent and 0.5 per cent respectively of the total assistance.

(viii) Risk Capital and Technology Finance Corporation Limited (RCTC)

The Risk Capital and Technology Finance Corporation Limited (RCTC) was established in January 1988 on reconstitution of the Risk Capital Foundation (RCF), which was established by IFCI in 1975. RCTC provides risk capital assistance to new entrepreneurs to enable them to meet the gap in promoter's equity in medium scale projects and technology finance for projects envisaging latest technology/product/process development as also innovative services. RCTC provides assistance in the form of conventional loans or interest-free conventional loans on a project and risk sharing basis with the project promoters. RCTC also subscribes to the equity of projects with suitable buy-back arrangements with the promoters.

RCTC at present operates two schemes viz. Risk Capital Scheme and Venture Capital Scheme. With the launch of Venture Capital Scheme, Projects eligible under Technology Finance and Development Scheme introduced in 1988 are considered under Venture Capital Scheme. The objectives of both the schemes are similar. Under the Risk Capital Scheme, RCTC provides assistance by way of equity participation to the extent of 10 per cent of paid-up capital of the company or Rs. 100 lakhs whichever is lower to new entrepreneur for setting up medium scale ventures with some innovative features and costing between Rs. 5 to 50 crores.

By the end of March 1997, cumulative assistance sanctioned by RCTC stood at Rs. 153.9 crores forming only 0.04 per cent of the total assistance sanctioned by AFIs, while actual cumulative disbursements of assistance amounted to Rs. 106.9 crores forming 0.04 per cent of the
total assistance disbursed by AFIs and 69.5 per cent of the total assistance sanctioned by RCTC. Schemewise assistance sanctioned by RCTC shows that Venture Capital Scheme accounted the largest share of Rs. 79.3 crores forming 51.6 per cent of the total assistance sanctioned by RCTC followed by Risk Capital Scheme which accounted Rs. 58.6 crores forming 38 per cent, Technology Finance Scheme accounted Rs. 13.3 crores forming 8.6 per cent and short-term loans accounted Rs. 2.7 crores forming 1.8 per cent.

Sectorwise analysis of assistance sanctioned by RCTC shows that private sector has been the largest recipient of financial assistance from RCTC. By the end of March 1997, cumulative assistance sanctioned to private sector aggregated to Rs. 135.0 crores forming 87.7 per cent of the total assistance followed by joint sector which accounted a sum of Rs. 17.7 crores forming 11.5 per cent and public sector which accounted Rs. 1.2 crores forming only 0.8 per cent of the total assistance sanctioned by RCTC.

Industrywise assistance sanctioned by RCTC shows that chemicals and chemical products got the largest share of 12.9 per cent of the total assistance by the end of March 1997 followed by food products 10.9 per cent, textiles 8.9 per cent, electrical and electronic equipment 6.5 per cent, basic metals 5.7 per cent, transport equipment 4.7 per cent, services 3.9 per cent and machinery 3.4 per cent. These eight industries together accounted 56.9 per cent of the total assistance, while all other industries together accounted 43.1 per cent of the total assistance sanctioned by RCTC by the end of March 1997.

New projects received the major share in the total assistance sanctioned by RCTC. By the end of March 1997, cumulative assistance sanctioned to new projects amounted to Rs. 125.2 crores forming 81.4 per cent, while assistance for expansion/diversification purposes stood at
Rs. 27.5 crores forming 17.8 per cent and modernization/renovation purposes accounted Rs. 1.2 crores forming only 0.8 per cent of the total assistance sanctioned by RCTC.

Statewise distribution of assistance sanctioned by RCTC shows that by the end of March 1997, U.P. got the highest share of 18.1 per cent of the total assistance followed by Haryana 15.1 per cent, Andhra Pradesh 14.2 per cent, Rajasthan 8.8 per cent, Maharashtra 6.7 per cent, Tamil Nadu 6.4 per cent, Delhi 5.5 per cent, Madhya Pradesh and Gujrat 3.7 per cent each. These nine States together accounted 82.2 per cent of the total assistance and remaining 17.8 per cent of total assistance was shared by all other States and Union Territories in the same period.

(ix) Technology Development and Information Company of India Limited (TDICI)

The Technology Development and Information Company of India Limited (TDICI) was incorporated under the Companies Act by ICICI and UTI in July 1988 as India's first venture capital finance company. It took over the venture capital operations of ICICI. TDICI primarily provides assistance to small and medium industries conceived by technocrat entrepreneurs in the form of project loans, direct subscription to equity and a quasi-equity instrument called conditional loans. The industrial units assisted by TDICI are in the field of computers, chemicals/polymers, drugs, diagnostics and vaccines, biotechnology, electrical/electronics/telecommunications, environmental engineering, non-conventional energy, etc. TDICI works closely with R&D organisations, industrial associations, professional groups and experts in various technologies and industries. It provides its client companies a comprehensive technomanagerial support and guidance services.

Cumulative assistance sanctioned by TDICI by the end of March 1997 stood at Rs. 280.4 crores constituting 0.07 per cent of the total assistance sanctioned by AFls, while actual cumulative disbursements of
assistance aggregated to Rs. 257.8 crores forming 0.1 per cent of the total assistance sanctioned by AFls and 91.9 per cent of the total assistance sanctioned by TDICI. Componentwise assistance sanctioned by TDICI shows that rupee loans including normal and conditional loans accounted Rs. 47.6 crores forming 16.9 per cent of the total assistance, direct subscriptions including equity/preference and debentures accounted Rs. 231.5 crores constituting 82.6 per cent and others accounted Rs. 1.3 crores forming 0.5 per cent of the total assistance sanctioned by TDICI by the end of March 1997.

Industrywise assistance sanctioned by TDICI shows that industrial products and machinery got the highest share of 35.8 per cent of the total assistance by the end of March 1997 followed by food processing 9.6 per cent, computer software and services 8.9 per cent, medical 9.6 per cent, consumer related industries 7.3 per cent, computer hardware/systems 5.1 per cent, bio-technology 3.8 per cent, and energy related industries 3.5 per cent. These eight industries together accounted 82.1 per cent of the total assistance, while all other industries together accounted 17.9 per cent of the total assistance sanctioned by TDICI.

Statewise analysis of assistance sanctioned by TDICI shows considerable concentration among few developed States. By the end of March 1997, Maharashtra got the highest share of 31.3 per cent of the total assistance sanctioned by TDICI followed by Tamil Nadu 17.3 per cent, Karnataka 13.5 per cent, Andhra Pradesh 11.5 per cent and Gujrat 6.6 per cent. These five States together accounted 80.2 per cent of the total assistance sanctioned by TDICI, while remaining 19.8 per cent of the total assistance was shared by all other States and Union Territories.

(x) Tourism Finance Corporation of India Limited (TFCI)

The Tourism Finance Corporation of India Limited (TFCI), a specialized all-India development financing institution, was set up as a
public limited company under Companies Act, 1956 to cater the needs of the tourism industry. TFCI was promoted by IFCI along with other all-India financial institutions and leading commercial banks. TFCI started its operations on February 1, 1989.

TFCI provides rupee loans, underwriting, direct subscriptions to shares/debentures, suppliers' credit, equipment leasing and equipment procurement for setting up and/or development of tourism-related activities, facilities and services. Apart from conventional tourism projects in the accommodation and hospitality segments, TFCI assists schemes for setting up of non-conventional tourism projects like restaurants, highway facilities, travel agencies, amusement parks, ropeways, car rental services, ferries for inland water transport, airport facilitation centres, training institution for hotel personnel, etc.

Cumulative assistance sanctioned by TFCI by the end of March 1997 stood at Rs. 1329.9 crores constituting only 0.4 per cent of the total assistance sanctioned by AFIs, while actual cumulative disbursements of assistance aggregated to Rs. 725.4 crores forming only 0.3 per cent of the total assistance sanctioned by AFIs and 54.5 per cent of the total assistance sanctioned by TFCI. Schemewise assistance sanctioned by TFCI shows that rupee loans accounted the largest share of Rs. 1228.9 crores forming 92.4 per cent of the total assistance sanctioned followed by underwriting/guarantees which accounted Rs. 67.1 crores constituting 5.0 per cent and others Rs. 33.9 crores forming 2.6 per cent of the total assistance sanctioned by TFCI by the end of March 1997.

Sectorwise assistance sanctioned by TFCI shows that private sector has been the largest recipient of financial assistance sanctioned by TFCI. Cumulative assistance sanctioned to private sector by the end of March 1997 aggregated to Rs. 1233.1 crores forming 92.7 per cent of the total assistance sanctioned by TFCI followed by public sector which
accounted Rs. 73.5 crores forming 5.5 per cent and joint sector which accounted Rs. 23.3 crores forming 1.8 per cent of the total assistance.

Industrywise analysis of assistance sanctioned by TFCI shows that hotels accounted the highest share of Rs. 1105.7 crores by the end of March 1997 constituting 83.1 per cent of the total assistance followed by amusement parks which accounted Rs. 62.4 crores forming 4.7 per cent, car rentals Rs. 21.7 crores forming 1.6 per cent and other industries together accounted Rs. 140.1 crores forming 10.6 per cent of the total assistance sanctioned by TFCI. Purposewise analysis of assistance sanctioned by TFCI shows that by the end of March 1997, new projects accounted Rs. 1042.7 crores forming 78.4 per cent of the total assistance sanctioned by TFCI followed by expansion/diversification purposes of existing industries which accounted Rs. 160.8 crores constituting 12.1 per cent, modernisation/renovation purpose accounted Rs. 81.7 crores forming 6.1 per cent and others Rs. 45.7 crores forming 3.4 per cent.

Statewise analysis of assistance sanctioned by TFCI shows that Tamil Nadu got the highest share of 18.9 per cent of the total assistance by the end of March 1997 followed by Maharashtra 15.7 per cent, Delhi 12.5 per cent, Rajashtan 8.8 per cent, Karnataka 6.8 per cent, Gujrat 6.4 per cent, Kerala 4.9 per cent and U.P. 4.6 per cent. These eight States together accounted 78.6 per cent of the total assistance, while remaining 21.4 per cent of the total assistance was shared by all other States and Union Territories.

From the above discussion, it is clear that institutional structure for providing industrial finance in India is now fairly developed and well equipped to meet the growing requirements of the industrial sector.