In the modern commercial age, functions of banks have grown and expanded with such rapidity that a single type of bank cannot perform all types of functions. Hence, different types of banks are required to satisfy the economic needs of different sections of society. However, on the basis of activities that they discharge, banks may be classified as –

Public Sector Banks
   (i) Central Banks
   (ii) Industrial Banks
   (iii) Agricultural Banks
   (iv) Foreign Exchange Banks
   (v) Commercial Banks
   (vi) Co-operative Banks
   (vii) Saving Banks
   (viii) Regional Rural Banks

Private Sector Banks
   (i) Industrial Development Bank Of India (IDBI)
   (ii) Industrial Credit And Investment Corporation Of India Limited (ICICI)
   (iii) Unit Trust Of India (UTI)
Foreign Banks

(i) International Bank

Special Financial Institutions

(i) Industrial Finance Corporation (IFCI)
(ii) State Finance Corporation (SFC)
(iii) Industrial Investment Bank Of India Ltd. (IIDBI)
(iv) Small Industries Development Bank Of India (SIDBI)
(v) National Bank For Agriculture And Rural Development (NABARD)
(vi) Export Import Bank Of India (EXIM)
(vii) National Housing Bank (NHB)

Public Sector Banks: -- Public sectors banks are those banks, which are owned and controlled by the government. In India, all the nationalized banks and the regional rural banks fall under this category.

They are as follows --

Central Banks: -- Each country has normally one central bank, which is also known as bank of the banks. The Central Bank of our country is the Reserve Bank Of India (RBI). This bank has got the role of right to issue notes. Central Bank has right to control over the banking system of the country and also to issue instructions from time to time.

The main functions of the Central Bank are as follows:
(i) To issue notes according to the requirement of the country.
(ii) To provide loans to the government.
(iii) To provide protection to the government reserves.
(iv) To keep the accounts public money
(v) To exercise control over the credit system.
(vi) To collect necessary facts and data related to money matters.
(vii) To provide advance loans and to offer financial assistance on the bills after their resale to all the banks because of being the bank of banks.
(viii) To offer advices to the government over banking laws.

**Industrial Banks:** -- Industrial banks have been established to provide technical assistance and short-term financial assistance to industrial units. The capital of these banks remains much more compared to the commercial banks. The capital is being pooled through Shares, Credit Certificates, Central bank, government and foreign banks. There is a great significance of these banks in the industrialization because these banks not only finance for industrial operations but also for the establishment of industrial units. The important aspect of it is its considerably lower rates of interest compared to other banks. The example of this type of banks are -- Industrial Finance Corporation Of India (IFCI), Industrial Development Bank Of India (IDBI), and Industrial Credit and Investment Corporation Of India (ICICI), Industrial Reconstruction Bank Of India
The main functions of Industrial Banks are as follows:

(i) To receive long-term deposits.
(ii) To manage medium-term and long-term Loans for industries.
(iii) To underwrite Industrial Securities.
(iv) To provide guarantee for industrial units.
(v) To prepare plans for various schemes related to the establishment and development of industries in backward areas.

Agricultural Banks: -- Agricultural banks have been established to provide financial assistance to the agricultural requirements. Short-terms as well as long-term loans are provided to the farmers by these banks. By short-term loans farmers manage their requirements of fertilizers, seeds and pesticides whereas by long-term loans farmers arrange for land development, pumping sets, tractors and other agricultural machinery. Co-operative Banks and Land Development Bank manage financial assistance for both kinds of need. The Capital formation in these banks is being done by the sale of shares, public deposits in the form of different types of accounts, reserve funds, government aid and loans through state co-operative banks. During these days Rural Banks have been established for the successful management of agricultural finance.
The main functions of the Agricultural banks are as follows:
(i) To provide financial aid for short-term requirements like seeds, fertilizers, pesticides, etc.
(ii) To provide financial aid for the long-term requirements like agricultural machinery, implements, tractors, pumping sets, and land development.
(iii) To arrange financial aid for digging the wells, purchase of livestock, and for all attempts towards saving crops from floods and droughts.

**Foreign Exchange Banks:** -- Foreign Exchange Banks have been established to fulfill the requirements related to the foreign trade. As a matter of fact, commercial banks deal with the business of foreign exchange and as such there is no separate category of these banks in most of the countries. However, in India, banks manage foreign exchange, foreign trade, and offer financial assistance for such works, which are known as Foreign Exchange Banks. Export and Import Bank of India (EXIM Bank) is the apex banking institution in the field of foreign trade in India.

The main functions of the Foreign Exchange Banks are as follows:
(i) To manage adequate foreign exchange for the government-owned industry and trade.
(ii) To function like commercial banks.
Commercial Banks: -- Banks dealing with the business of normal banking are called Commercial Banks. Different individuals and institutions divide the capital of such banks into shares, which are being purchased by different individuals and institutions. The main function of these banks is to provide financial assistance for commercial activities of the undertaking. Normally, these banks make advances and provide short-term loans to different customers. Such loans and advances are granted on the basis of personal securities, bill of exchange, finished goods, agriculture crops and other liquid properties. The examples of this type of banks are – State Bank of India and 20 Nationalized Banks.

The main functions of the Commercial Banks are as follows:

(i) To receive the deposits from the people.
(ii) To open various kinds of accounts.
(iii) To collect cheques, demands drafts, bills of exchange, promissory notes, hundees, certificates, affidavits etc. and to deposit the amount in their respective accounts.
(iv) To discount the bills of exchange, certificates on a nominal commission.
(v) To transfer the amount from one place to another.
(vi) To provide information about the financial position of the customer.
(vii) To provide financial aid for small-scale industries trade associations.
(viii) To provide lockers facility.
(ix) To provide aid and direction in the capital investment.
(x) To arrange for foreign exchange.
(xi) To work to its customers like agency.
(xii) To issue drafts traveller’s cheques, gift cheques and credit certificates.

Co-Operative Banks: -- Co-operative banks are established in each state under "Co-operative Societies Act" of each state. Co-operative Bank acts as banking institution of the state. Operational areas of these banks are distributed at the district level. These banks are having special significance in the rural areas. Reserve bank exercises partial control over co-operative banks. These banks get financial assistance from Reserve Bank Of India at concessional rates. Functions of these banks are similar to that of commercial banks. However, they differ in terms of their structure and ownership as compared to the commercial banks. Functions of co-operative banks are managed in a democratic way. The co-operative banks have an unlimited responsibility. There are three types of co-operative banks in India – (i) Primary Co-operative Credit Societies. (ii) Central or District Co-operative banks. (iii) Regional Co-operative Banks.

The main functions of Co-operative banks are as follows:
(i) Co-operative banks accept deposits from the people.
(ii) These banks provide financial assistance for agriculture and allied activities in rural areas.
(iii) Co-operative banks provide loan facilities to the member of Salary Earners Societies.
(iv) Co-operative banks provide credit facilities for other than agriculture as well.

**Saving Banks:** -- They specialize in the mobilization of the small savings of the low and middle-income groups. Post office and commercial banks are mainly into this savings banks business. Thus, they promote the habit of thrift and saving among lower strata of the society. They encourage all kinds of savings and deposits and restrict cash withdrawals except when most needed by the depositors. They invest mainly in government securities and do not lend to public in general. They are not found in many countries.

The main functions of saving banks are as follows:

(i) To accept the savings of the people and provide interest on them.

(ii) These banks offer facilities of withdrawal of amount from saving accounts according to the need of holders of savings accounts.

**Regional Rural Banks:** -- The government of India constituted these banks by passing a special Act in the year 1976. According to the Act the R.R.B.s were to be established mainly with a view to develop the rural economy by providing cheaper finance to agriculture, trade and industry.
Each R.R.B. is to be sponsored by a Scheduled Commercial Bank, which should subscribe to its share capital and provide managerial and staff assistance for the first five years of its existence.

The RRBs enjoy the status of a scheduled commercial bank and has been authorized to mobilize deposits and to provide short-term loans directly and only to the small and marginal cultivators, agricultural worker, village artisans and small entrepreneurs and persons of small means engaged in any productive activities and also to all types of cooperative societies. The RRBs enjoy the special concessions offered by RBI with regard to cash reserve ratio, liquidity ratio, interest rates on deposits etc.

**Private Sector Banks:** -- These banks are owned and run by individuals or corporations. An individual has control over the bank in proportion to the shares of the bank held by him. Bank Of Punjab, Bank Of Rajasthan etc. are the example of private sector banks in India.

They are as follows –

**Industrial Development Bank Of India (IDBI):** -- The need of rapid industrialization necessitated the establishment of a new institution with large financial resources. Furthermore, there was a strong need for coordinating the activities of various financial institutions engaged in providing finance to industries. In order to fulfill this two-fold objective, the Industrial Development Bank Of India (IDBI) was established on July 1, 1964. Initially, it was set-up as a wholly owned
subsidiary of the Reserve Bank Of India. But in February 1976, the IDBI was made an autonomous institution and its ownership shifted from the RBI to the Government of India.

Financial Resources: -- The initial authorized capital of IDBI was Rs.50crores, which has been raised to 500crores. It can be further raised to Rs.2000crores. The main sources of finance of the Bank are share capital, reserves, borrowings from the Reserve Bank and the government, bonds and debentures etc. Funds are also raised through deposits from companies. As an apex institution of industrial finance, the IDBI has built up huge resources for carrying its promotional and developmental activities. In recent years, it has also raised resources in foreign currencies by way of loans and sale of bonds in foreign capital markets.

Functions Of IDBI: -- The main function of IDBI is to finance industrial enterprises like manufacturing, mining, processing, transport industry, hotel industry etc. The IDBI generally provides the following types of assistance—

(1) Direct Assistance
(2) Indirect Financial Assistance
(3) Special Assistance
(4) Promotional Function
(5) Refinance Of Loans
(6) Assistance To Small Scale Industries
(7) Assistance To Backward Regions
Direct Assistance: -- The bank provides direct financial assistance to the industrial concern in the form of, (i) granting loans and advances, (ii) subscribing to purchasing or underwriting the issues of stock, bonds or debentures and, (iii) guaranteeing loans and advances raised by industrial concerns from the scheduled banks, IFCI and other notified financial institutions.

Indirect Financial Assistance: -- (i) The IDBI provides indirect assistance by refinancing the loans and advances given to industrial concerns by other financial agencies such as IFCI, SFCs, scheduled commercial banks, state co-operative banks etc. and, (ii) The IDBI can subscribe to the shares, bonds and debentures of the IFCI, SFCs and other notified financial institutions, thereby increasing their resources and thus enabling them to provide larger assistance to the industries.

Special Assistance: -- The bank has established 'Development Assistance Fund' for the benefit of those industrial concerns which fail to get loans from anywhere.

Promotional Function: -- The IDBI also undertakes various promotional activities such as marketing and investment research, techno-economic surveys etc. It provides technical and
administrative advice for expansion, better management, and promotion etc. of industrial concerns.

**Refinance Of Loans:** -- The IDBI has been providing refinance facilities in various forms -- (i) refinancing term-loans to industries and export trade, (ii) by subscribing to the shares and bonds of the financial institutions, and (iii) rediscounting the bills of exchange. By 2006, the Bank sanctioned refinance of Rs.58737 crores.

**Assistance To Small Scale Industries:** -- The IDBI has sanctioned assistance to the small-scale industries through its refinance schemes. However, after the establishment of ‘Small Industries Development Board Of India’ (SIDBI), the entire responsibility of IDBI regarding small and tiny sector has been transferred to SIDBI from April 1990.

**Assistance To Backward Regions:** -- The IDBI has initiated certain financial and non-financial measures to encourage industries in backward areas such as (a) loans at concessional rates with longer initial grace period, (b) concessional refinance facilities to projects in backward areas, (c) special concessions to projects under the bill rediscounting scheme.

**Soft Loan Scheme:** -- The IDBI introduced in 1976 the ‘Soft Loan Scheme’ for providing concessional finance to the selected industries like cement, sugar, jute, cotton textile, engineering industries for
modernization, replacement and renovation of their plants and equipment.

Scheme For No-Industry Districts: -- The IDBI has started a special scheme for no-industry districts in order to develop industries in such districts by providing financial, technical and administrative assistance.

New Institutions: -- The Bank has established some new institutions like (i) Credit Analysis and Research Ltd. (ii) Investors Services Of India Ltd. (iii) IDBI Ltd and (iv) IDBI Mutual Fund Ltd. etc.

Industrial Credit And Investment Corporation Of India Limited (ICICI): -- Under the joint agreement of India, U.S.A. and U.K. the Industrial Credit and Investment Corporation Of India was established on January 5, 1955. It was registered under the Indian Companies Act. In 1997, Shipping Credit and Instrument Corporation Of India (ISICI) were merged with the ICICI.

Financial Resources: -- Various sources of financial resources of the capital are Indian banks, insurance companies, public and foreign institutions. In 1997, its paid-up capital was Rs.550crores. Out of this, 70% was Indian, 20% British and 10% American. The government and the IDBI have also provided loans to the corporation. However, its most important source of rupee-funds is the issue of bonds and debentures to the public.
Functions of ICICI: -- The ICICI performs the following functions --

(1) To provide long-term and medium-term loans in rupees and foreign currencies.

(2) To participate in equity capital of industrial concerns.

(3) To underwrite new issues of shares and debentures.

(4) To guarantee loans raised by private concerns from other sources.

(5) To provide financial services such as deferred credit, leasing credit, installment sale, asset credit, venture capital etc.

(6) To provide technical, managerial and administrative assistance to industrial concerns.

(7) To function as a Mutual Fund.

(8) This corporation was originally established to provide finance to industrial concerns in the private sector. But its scope has been gradually widened to the project in the public, joint and co-operative sectors.

(9) More than half of the total assistance provided by the ICICI, has been to four growth-oriented industries such as chemicals, petrochemicals, heavy engineering and metal products.

(10) In recent years, the Corporation has shown increasing interest in the development of small-scale industries and the projects in backward regions.

(11) The Corporation promoted the Housing Development Finance Corporation Ltd. in 1977 to provide loans for the construction and purchase of residential houses.
(12) Since 1983, it has been providing leasing assistance for computerization, modernization, equipment of energy conservation, export orientation, pollution control etc.  
(13) By establishing merchant banking division, it has started foreign banking activity.  
(14) The ICICI has set up many associate institutions like (i) ICICI Securities and Finance Company Ltd., (ii) ICICI asset Management Company Ltd., (iii) ICICI Premier, (iv) ICICI Investors Services Ltd. and (v) ICICI Banking Corporation Ltd.  
(15) The Corporation has done little to promote industrial development in the less developed regions. About three-fifth of the total assistance provided by the ICICI has been received by Maharashtra, Gujrat and Tamilnadu.  

Progress: -- The Corporation sanctioned loans of Rs.50479crores during 2006-07; out of which Rs.35836crores were disbursed. Besides, foreign exchange loans of Rs.9290crores were sanctioned. During 2004-05, loans of Rs.35276crores were given at low interest rates to the industrial concerns operating in backward areas.  

Unit Trust Of India (UTI): -- The Unit Trust Of India (UTI) was formally established in February 1964. Under Indian Unit Act 1963, UTI started functioning since July 1, 1966. Its head office is situated at Mumbai while its four regional offices are working at Mumbai, Kolkata, chennai and New Delhi. UTI has established a private sector bank named 'UTI Bank Ltd.' which started its working in Ahmedabad on April 2, 1994.
Financial Resources: -- The financial resources of the UTI can be divided into two categories -- (i) Initial Capital -- Its initial capital was Rs.5crores which was subscribed by the Reserve Bank Of India, Life Insurance Corporation, State Bank Of India, scheduled banks and other financial institutions, and (ii) Unit Capital -- It has been obtained through the sale of units under various schemes.

Functions Of UTI: -- The main functions of UTI are –
(a) To mobilize and pool the savings of the middle and income groups.
(b) To enable them to share the benefits of growing industrial prosperity of the country.

These functions are done through a three-fold approach –
(1) It sells units of the Trust among investors in the country.
(2) It invests the sale proceeds of the units and the initial capital in industrial and corporate securities.
(3) After meeting the expenses of the Trust, the income received from the investments is distributed to unit holders as dividend. The dividend declared by the UTI is exempted from income tax subject to certain conditions.

Foreign Banks: -- A bank, which is foreign in origin and has his head office in that country is called foreign bank.
They are as follows –
**International Banks:** -- International banks have been established to provide financial assistance and assist on financial matters of international level. Some of the important examples of these banks are: World Bank, International Monetary Fund, International Development Association, International Financial Corporation, and Asian Development Bank.

The main functions of International Banks are as follows:

(i) To provide finance and accelerate co-operation among member countries.

(ii) To offer financial help to the member countries during emergencies.

(iii) To encourage and control international trade.

(iv) To establish stability in foreign exchange rates.

(v) To provide financial aid for balanced economic growth of member countries.

**Special Financial Institutions:** -- The following are the major specialized financial institutions in India --

**Industrial Finance Corporation (IFCI):** -- The Industrial Finance Corporation Of India (IFCI) was the first all-India Development Bank. The Government of India set it up in July 1948 under a special Act. On July 1, 1993, it was reconstituted as a public limited company. It is now known as Industrial Finance Corporation Of India Limited.
Financial Resources: -- The financial resources of the IFCI consist of three components – (1) share capital, (2) bonds and debentures, and (3) other borrowings.

Share Capital: -- Its paid-up capital was initially Rs.5crores. Since then, it has been increased several times and on March 27, 2007, it was Rs.953crores. The Industrial Development Bank Of India, scheduled banks, insurance companies, co-operative banks and investment trusts are the shareholders of IFCI.

Bonds And Debentures: -- The IFCI is authorized to issue bonds and debentures in the open market. The Government Of India with regard to repayment of principal sum and the payment of interest guarantee the bonds and debentures.

Borrowings: -- The Corporation can borrow from the Government, the RBI and the Industrial Development Bank Of India. Besides, it can borrow foreign currency from the World Bank and other organizations. It can accept deposits from the public.

Functions of IFCI: -- The IFCI provides medium and long-term finance to large-scale industrial units organized as public limited companies. Some of the important features of the functioning of the Corporation are as follows –

(1) Granting of loans or advances both in rupees and foreign currencies, repayable within 25 years.

(2) Subscribing to debentures of the industrial units.
(3) Underwriting the issue of stock, shares or debentures of industrial units.
(4) Giving securities for the loans rose by an industrial concerns in the open market.
(5) Guaranteeing deferred payments for the import of capital goods.
(6) The IFCI is authorized to give medium and long-term finance to the extent of Rs. 1 crore to the industrial units engaged in manufacturing, mining, construction, shipping and in generation and distribution of electricity. Under certain circumstances, the limit of loan can be increased with the permission of the Government of India. Most of the loans have been advanced by the IFCI to the industries of high national priority like fertilizers, cement, paper, industrial machinery, power generation etc. as regards the distribution of loans, maharashtra, occupied the first place.
(7) Loans have generally been given for a period of 12 years. The repayment of loans, however, can be extended up to 25 years.
(8) The rate of interest has been changing over time. The present interest-rate is 14% on domestic loans and 14.5% on foreign exchange loans.
(9) In recent years, nearly 50% of the IFCI assistance has been given to the projects located in backward districts. Besides, the IFCI has actively participated in the financing of industrial co-operatives.
In June 1976, the IFCI established Risk Capital Foundation to provide technical interest-free credit assistance to new industries.

In 1988-89, it introduced two new schemes of financial assistance -- (i) a scheme for equipment leasing, and (ii) a scheme for equipment procurement. Under the Equipment Leasing Scheme, it provides equipment (indigenous or imported) to the existing industrial units. Under the Equipment Procurement Scheme, it agrees to procure equipment and then resell it (by endorsement of documents) to the eligible existing units operating in corporate or co-operative sectors.

The IFCI has set up Merchant Banking and Allied Services Department (MBAD). The MBAD has taken up assignments for capital restructuring, merger and amalgamation, loan syndication with other financial institutions.

The Corporation has set up Technical Consultancy Service for backward areas.

Progress Of IFCI: -- In 2004-2005, the Corporation sanctioned loans of the value of Rs.13684crores and disbursed loans of the value of Rs.8750crores. During 2006-2007 (April-Dec.), it sanctioned and disbursed Rs.19949crores and 29,249crores respectively.

State Finance Corporation (SFC): -- The Government Of India passed the State Financial Corporation Act on September 28, 1951, whereby the State Governments were authorized to set up finance corporations in their states. The first State Finance Corporation (SFC)
was set up in Punjab in 1953. At present, there are 18 SFCs in the country.

Financial Resources: -- The financial resources of SFCs consist of (1) capital and reserves, (2) bond and debentures issues, (3) borrowings and (4) fixed deposits.

Capital And Reserves: -- The State Government within the minimum limits of Rs.50lakhs fixes the authorized capital of a SFC and Rs.5crores dividend into shares. The respective state governments, the RBI, scheduled banks, co-operative banks, insurance companies, improvement trusts and private parties purchase the shares of SFCs.

Bonds And Debentures: -- A SFC can increase its funds by the sale of bonds and debentures which are mostly subscribed by commercial banks, LIC and other financial institutions.

Borrowings: -- The SFCs can borrow from the RBI, respective state governments and Industrial Development Bank Of India.

Functions Of SFC: -- The SFCs provide long-term finance to small scale and medium-sized industrial undertakings. The financial assistance is provided in the form of (a) loans and advances not exceeding 20 years, (b) subscription to debentures repayable within 20 years, (c) guaranteeing of loans raised from the market and other financial institutions, repayable within 20 years, (d) undertaking the issue of stocks, shares, bonds and debentures by industrial
undertakings, (e) guarantee of deferred payments for purchase of plant, machinery, equipment etc.

The SFCs can also act as agent of the Central and State Governments, IFCI, IDBI or some other special industrial financing institution in respect of grant of loans and subscription to bonds or debentures.

Progress: -- In 2005-2006, there were 30 State Finance Corporations in the country. During 2006-2007 the SFCs sanctioned loans of Rs.6523 crores and disbursed Rs.4164 crores. Out of this amount, the share of small-scale industries was about 77%.

**Industrial Investment Bank Of India Ltd. (IIBIL):** -- Keeping in view the problem of industrial sickness, the Government of India established the Industrial Reconstruction Corporation Of India (IRCI) in April 1973. The main objective of this Corporation was to prevent and cure the problem of industrial sickness. The IRCI was expected to provide assistance to sick industrial units. By a special Act in March 1985, the Government converted the IRCI into a statutory corporation to be called the 'Industrial Reconstruction Bank Of India Ltd.' (IRBIL). In March 1997, the IRBI was reconstituted into a new full-fledged all-purpose development financial institution under the Companies Act, 1956 and renamed as 'Industrial Investment Bank Of India' (IIBIL). The entire assets and liabilities of IRBI were transferred to the new company IIBI.
Functions Of IIBIL: -- The main purpose of IIBIL is to provide financial assistance for the reconstruction of sick or closed industrial units. It provides technical and managerial assistance also.

Progress: -- The IIBIL sanctioned loans of Rs.8175crores by 2006-2007 out of which Rs.4689 were actually disbursed.

Small Industries Development Bank Of India (SIDBI): -- The Small Industries Development Bank Of India (SIDBI) was set up in 1989 by the Government of India under a special Act, as a subsidiary of IDBI. The Bank (SIDBI) commenced its operation from April 2, 1990.

Financial Resources: -- At present, the paid-up capital of this Bank is Rs.450crores, which can be increased to Rs.1000crores. It has taken over the outstanding portfolio of IDBI relating to small-scale sector worth over Rs.4000crores.

Functions Of SIDBI: -- The main functions of this bank are as follows –

(1) To refinance loans and advances extended by the primary leading institutions to small-scale industrial units.
(2) To discount and rediscount bills arising from sale of machinery to or manufactured by small industries.
(3) To initiate the process of modernization and technical upgradation of the existing units.
(4) To give direct assistance and refinance loans extended by primary lending institutions for financing of export of products manufactured by small-scale sector.

(5) To facilitate the marketing of the products of the small scale sector in India and aboard.

(6) To provide special assistance to labour intensive industries to enable them to provide more employment.

(7) To provide services like leasing, factoring etc. to the industrial concerns of the small-scale sector.

Progress:--The SIDBI sanctioned loans of the value of Rs.15434crores and disbursed loans worth Rs.9994.5crores in 2006-2007.

National Bank For Agriculture And Rural Development (NABARD): --A need was being felt in the country for a single broad-based organization which may extend adequate financial assistance to the various credit institutions of rural areas and also provide guidance concerning the formation and implementation of rural development programmes. On the recommendation of Shiva Raman Committee appointed By the RBI, National Bank for Agriculture and Rural Development (NABARD) was established on July 12, 1982 by an Act of Parliament. NABARD is now the apex bank for rural credit.

NABARD took over the functions of – (i) the erstwhile Agriculture Development and Rural Planning Credit Cell of the RBI, and, (ii) the erstwhile Agriculture Refinance and Development
Corporation. NABARD does not provide credit directly to farmers and other rural people but only through its assistance to co-operative banks, commercial banks and regional rural banks.

**Capital And Reserves:** -- The authorized share capital of NABARD was Rs.500crores and its paid up capital was Rs.100crores, contributed equally by the RBI and the Government of India. NABARD (Amendment) Bill 2000 was accepted by the president. Under this Amendment, the authorized capital of NABARD has been raised from Rs.500crores to Rs.5000crores.

**Functions Of NABARD:** -- NABARD is an apex institution in the field of rural credit. An idea about NABARD's assistance to agriculture and rural development can be had from the following details –

(1) Refinance Facilities
(2) Different Type Of Credit
(3) Loans To State Governments
(4) Coordinating Function
(5) Inspection Of Certain Institutions
(6) Research And Development Fund
(7) Agent Of Government And Reserve Bank
(8) Different Type Of Credit To Various Institutions
(9) Refinance Assistance For Rural Development Programme
(10) Rural Infrastructure Development Fund
(11) Encouragement To Investments In Less Developed Areas
(12) Agricultural Development Finance Companies
(13) Kisan Credit Card Scheme
(14) Financial Assistance To Non-Farm Sector
(15) Operation Of Research And Development Fund

Refinancing Facilities: -- NABARD acts as a refinancing institution for all kinds of production and investment credit to agriculture, small scale industries, cottage and village industries, handicrafts and rural crafts, artisans and other economic activities in order to promote integrated rural development. NABARD provides refinance facilities to four agencies, namely scheduled commercial banks, regional rural banks, state co-operative banks and state land development banks (now known as state co-operative agricultural and rural development banks). The total amount disbursed by the Bank in 2007 amounted to Rs.15143crores.

Different Types Of Credit: -- It provides short-term, medium-term and long-term credit to State Co-operative Banks, Regional Rural Banks, Land Development Banks and other financial institutions approved by the RBI – (i) It provides short-term credit up to 18 months to state co-operative banks for seasonal agricultural operations and other agricultural purposes. (ii) It provides medium-term credit from 18 months to 7 years to state co-operative banks and regional rural banks for approved agricultural purposes. (iii) It provides long-term credit up to 25 years for investment in agriculture under schematic lending to state co-operative banks, land development banks, regional rural banks and commercial banks.
Loans To State Governments: -- It provides long-term loans up to 20 years to state governments to enable them to subscribe to the share capital of co-operative credit institutions.

Coordinating Function: -- It has the responsibility of coordinating the activities of Central Government, State Government, Planning Commission and other all-India and state level institutions engaged in the development of small scale industries, village and cottage industries, rural crafts etc.

Inspection Of Certain Institutions: -- It has been entrusted with the responsibility of inspecting district and state co-operative banks and regional rural banks.

Research And Development Fund: -- The bank maintains a Research and Development Fund to promote research in agriculture and rural development to formulate and design projects and programmes to suit the requirements of different areas.

Agent Of Government And Reserve Bank: -- As regards rural development, NABARD functions as an agent of the Central Government and the Reserve Bank of India. It helps the Government of India and Reserve Bank in rural development programmes. The Bank provides training and research facilities regarding rural development and rural banking.
Different Type Of Credit To Various Institutions: -- (i) It has provided short-term credit to state co-operative banks for seasonal agricultural operations. (ii) It has sanctioned medium-term credit limits to state co-operative banks and district co-operative banks for approved agricultural purposes. (iii) It has sanctioned long-term credit limits to state government to enable them to contribute to the share capital of co-operative credit institutions.

Refinance Assistance For Rural Development Programme: -- NABARD provides refinance facilities under Integrated Rural Development Programme for various schemes like minor irrigation, dairy development, livestock, poultry, fisheries, land development etc.

Rural Infrastructure Development Fund: -- The Rural Infrastructure Development Fund (RIDF) was set up with initial fund of Rs.2000crores in 1995-96. The main purpose of this fund is to provide funds to state governments and state owned corporations to enable them to complete various rural infrastructure projects like irrigation, development of rural roads and bridges, etc. Under this head, a total amount of Rs.9774crores was disbursed till the end of March 2007.

Encouragement To Investments In Less Developed Areas: -- NABARD has adopted a policy of promoting agricultural investment in the less developed and under banked states. It has also undertaken a rehabilitation programme for weak District Co-operative Banks and State Co-operative Banks in the country. This programme covers
banks, which are financially and administratively weak on account of high over dues, inadequate internal resources, untrained staff, etc.

Agricultural Development Finance Companies: -- NABARD took initiative in establishing state level Agricultural Development Finance Companies. The main purpose of such companies is to strengthen the flow of credit to high value agricultural operations and associated infrastructure. Such companies have been set up in Andhra pradesh, Tamilnadu and Karnataka. The ratio of equity participation between public and private sectors will be 45:55.

Kisan Credit Card Scheme: -- NABARD started a 'Kisan Credit Card Scheme' in 1998-99. The aim of this scheme is to provide credit facilities to farmers for their entire credit needs relating to full year. During 2006- 2007, regional rural banks and co-operative banks together issued 1.89lakh cards.

Financial Assistance To Non-Farm Sector: -- With the objective of promoting integrated rural development and prosperity of rural areas, NABARD also provides financial assistance to small scale industries, cottage and village industries, industrial co-operative societies for meeting their working capital.

Operation Of Research And Development Fund: -- For granting financial assistance to state land development banks, state co-operative banks, regional rural banks and other institutions. For example, assistance is provided from this fund to regional rural banks
for setting up their Technical, Monitoring and Evaluation Cells. Assistance is also given to various institutions for holding research seminars/conferences/symposia studies on subjects relating to NABARD.

Export Import Bank Of India (EXIM): -- The Export-Import Bank Of India (EXIM Bank) was established on January 1, 1982.

Capital And Reserves: -- The authorized capital of EXIM Bank is Rs.500 crores. Its paid-up capital is subscribed by the Central Government. The Central Government may also give loan to this bank. The Bank may raise funds from other sources also -- (i) It may issue debentures and bonds in the open market. (ii) It may get financial assistance from the Reserve Bank Of India for its National Industrial Credit (long-term operations) Fund. (iii) The Bank can borrow foreign currency in or outside India.

Functions Of EXIM: -- The EXIM Bank performs the following functions:

(1) It gives long-term loans to export-oriented industry and trade.
(2) It gives direct loans to promote export.
(3) It provides credit for export marketing.
(4) It provides refinancing facilities for export credit.
(5) It gives guarantee for export credit.
(6) It provides loans to Indian parties in order to enable them contribute in the share capital of a joint venture in a foreign country.
(7) It finances export and import of machinery and equipment on lease basis.
(8) The Bank also undertakes limited merchant banking functions.

The EXIM Bank undertakes three broad programmes of financing, viz., loans, rediscounting of bills and guarantees. At present, it is operating the following financial programmes --

1. Loans To Indian Companies
2. Loans To Foreign Governments, Companies And Financial Institutions
3. Loans To Commercial Banks In India

Loans To Indian Companies: -- This Bank provides loans to Indian companies under its -- (a) Direct Financial Assistance to exporters, (b) Technology and Consultancy Services, (c) Overseas investment financing for equity participation by an Indian company in joint venture abroad, (d) Pre-shipment Credit in case of export contract regarding capital goods.

Loans To Foreign Governments, Companies And Financial Institutions: -- The EXIM Bank provides loans to foreign governments, companies and financial institutions under its -- (a) Overseas Buyer's Credit Scheme, (b) Re-lending facility to overseas banks etc.

Loans To Commercial Banks In India: -- This Bank provides loans to commercial banks in India under its -- (a) Export Bills
Rediscounting Scheme, (b) Refinance of Export Credit Guarantee Programme.

Present position: -- The EXIM Bank sanctioned loans worth Rs.10832 crores in 2006-2007. Out of this amount, only Rs.5729.6 crores could be disbursed.

National Housing Bank (NHB): -- National Housing Bank is a statutory corporation established under the National Housing Bank Act, 1987. It is a subsidiary of the Reserve Bank Of India. The NHB started functioning on July 9, 1988 with its head office in New Delhi.

Capital And Reserves: -- The authorized share capital of NHB is Rs.500 crores. On June 30, 1999, it's paid up capital stood at Rs.350 crores whereas the reserves and surplus were Rs.481.30 crores. The NHB is authorized to raise resources through the issue of bonds and debentures. It can accept long-term deposits. In addition, it can borrow from the central government and other approved institutions. It can also borrow in foreign currency from banks and financial institutions operating in India and abroad. Moreover, it can take short-term loans for fixed period up to 18 months from RBI and also long-term loans from National Housing Credit (Long-term Operations) Fund by the RBI.

Functions Of NHB: -- The NHB is the apex housing finance institution. Its main functions are as follows --

(1) Credit For Housing
(2) Refinancing Facilities

(3) Other Functions

**Credit For Housing:** -- The prime responsibility of the NHB is to promote and help specialized housing institutions in mobilizing resources and providing credit for housing.

**Refinancing Facilities:** -- The NHB is authorized to provide refinancing facilities to housing finance institutions. The Bank has been empowered to inspect the books of accounts of any housing finance institution to which it has given financial assistance.

**Other Functions:** -- The National Housing Bank also performs the following functions --

(a) To prepare schemes for mobilization of resources and extension of credit for housing purposes.

(b) To give guarantee and provide underwriting facilities to housing finance institutions.

(c) To provide guidelines to housing finance institutions and ensure their development on sound lines.

(d) To provide advisory services to the Central and State Governments, Local Authorities and other related agencies on matters relating to housing.