Chapter IV

FUNCTIONS OF INDUSTRIAL DEVELOPMENT BANK OF INDIA (IDBI)
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For over 40 years IDBI has essayed a key nation-building role, first as the apex Development Financial Institution (DFI) in the realm of industry and now as a full-service commercial bank. As a DFI, the erstwhile IDBI stretched its canvas beyond mere project financing to cover an array of services that contributed towards balanced geographical spread of industries, development of identified backward areas, emergence of a new spirit of enterprise and evolution of a deep and vibrant capital market. Today, IDBI as a new generation Universal Bank touches the lives of millions of Indians through an array of corporate, retail, SME and Agri products and services without diluting its secular development finance charter.

IDBI Bank in its continued and committed endeavour to provide prompt and quality service to its valued clients, has introduced the Citizens’ Charter, which is intended to provide information in respect of IDBI Bank’s various activities relating to customer service, for the benefit of its customers but its not a legal document creating rights and obligations.

IDBI Bank provides financial assistance to industrial concerns by way of a variety of products and services which include project finance, equipment finance, asset credit, equipment lease, technology upgradation fund scheme, refinance for medium scale industries and bills finance. It provides project, related finance for the establishment of the new industrial projects as well as for expansion, diversification and modernisation of existing industrial enterprises. In response to the changing financial needs of industries, IDBI
Bank has also designed other products to meet the short term funding, core working capital and other short-term requirements of industrial units. It also offers fee-based services in the areas of merchant banking, corporate advisory services, forex services, etc. IDBI Bank has also set up subsidiaries and associates to offer banking products and services, capital market and trusteeship services, as also registrar and transfer services structured to meet customised client requirements.

For meeting the fund requirements thereof as well as towards its various other business operations, IDBI Bank raises resources directly from the market (at market - related interest rates) from retail as well as institutional investors - both within India and abroad, through a variety of investor-friendly instruments. IDBI’s Bank resource raising efforts have brought it closer to all sections of society.

IDBI Bank has been mobilising resources through a combination of debt and equity. It made a public issue of equity shares in 1995 in terms of the Offer Document approved by SEBI. IDBI Bank’s shares are listed on National Stock Exchange and Mumbai Stock Exchange. The shares can be held in dematerialised (demat) form in National Securities Depository Ltd. (NSDL) or Central Depository services (India) Ltd. (CDSL). NSDL/CDSL are depositories where the securities of an investor are held in electronic form through the medium of Depository Participants (DPs). This facility obviates the difficulties of loss, signing of transfer deeds, delay in transfer, etc. and offers scope for paperless trading.

IDBI Bank also raises funds from the public through public issues of unsecured bonds. The objective of various bond issues is to part finance funding requirement of IDBI Bank and at the same time provide appropriate investment opportunities for the retail investors. The three Registrars appointed by IDBI Bank for various public issues have also been retained for servicing the public issues of IDBI Bank.
(A) FINANCIAL ACTIVITIES OF IDBI:

(i) Financial Gap Fillers:

Development Bank like IDBI, IFCI, ICICI, SIDC, IRBI all have been started with the motive of increasing the pace of industrialisation. The traditional financial institutions could not take up this challenge because of their limitations, but in order to keep pace with the development and modernisation along with industrialisation these development banks were made multipurpose institutions, besides financing they were assigned promotional work also. These banks not only provide medium-term and long term loans but also help industrial enterprises in many other ways too. Thereby subscribing in to the bonds and debentures of the companies, underwrite to their shares and debentures and guarantee the loans raised from foreign and domestic sources. They also help undertakings to the acquire machinery from within and outside the country.

During 2002-03, this bank raised total resources of Rs. 11,108 crore, comprising Rs. 10,605 crore of Rupees resource and Rs. 503 crore of FC resources. The overall cost of incremental borrowing stood at 8.10% with an average maturity of 2.96 years. The main sources of funds in the retail segment continued to be IDBI Suvidha Fixed Deposits and IDBI Flexibonds. From wholesale segment, the leading sources of funds include Omni Bonds, IDBI, Corporate Deposit Scheme and Commercial Paper. The principal investors in IDBI instruments were individuals, PSUs, PFs/GFs, Mutual Funds etc. While Rs. 4023 crore were raised from retail sources (Flexibonds: Rs. 2183 crore and Suvidha Fixed Deposits. Rs. 1840 crore, Rs. 6582 crore were raised from the wholesale segment. During the year, a major thrust was given to raise more resources from the retail segment.
(ii) **UNDERTAKE ENTREPRENEURIAL ROLE:**

We find developing countries lack entrepreneurs who can take up the job of setting up new projects due to lack of expertise and managerial ability. Development banks were assigned the job of entrepreneurial gap filling. They undertake the task of discovering investment projects, promotion of industrial enterprises, provide technical and managerial assistance, undertaking economic and technical research, conducting surveys, feasibility studies etc. The promotional role of development banks is very significant for increasing the pace of industrialisation. This bank continued to support established accredited Voluntary Agencies (VAs) in their projects to provide self-employment and wage employment opportunities in the industrial sector to physically/socially disadvantaged sections of society in various parts of the country.

At the same time Bank’s assistance for Entrepreneurship Development Programmes (EDPs), an amount of Rs. 0.16 lakh was sanctioned to Bihar Industrial and Technical Consultancy Organisation Ltd. (BITCO). A sum of Rs. 36 Lakh was disbursed to various agencies conducting EDPs and for carrying out special studies and seminars etc.

During 2005-06 five meetings of Heads of All India Financial Institutions were held under the auspices of Bank. Issue of common interest to the Financial Institution (FIs) were discussed at these informal meetings.

Bank convenes the Senior Executive Meetings (SEMs) of FIs where consensus or the jointly financed projects and such other related issues of common interest are taken up for discussion. During 2005-06 six SEMs were organised, where in various matters relating to policies, sharing of assistance conversion options, rehabilitation proposals, mergers and acquisitions, other legal aspects etc. were discussed.
(iii) COMMERCIAL BANKING BUSINESS:

Development Banks normally provide medium and long term funds to industrial enterprises. The working capital needs of the units are met by commercial banks. In developing countries, commercial banks have not been able to take up this job properly. Their traditional approach in dealing with lending proposals and assistance on securities have not helped the industry. IDBI has been providing a wide range of merchant banking and advisory services, which include issue management, private placement of bonds/equity project advisory, credit syndication, valuation, corporation restructuring and Public Sector Undertaking disinvestment. Project of corporate advisory and credit syndication services continue to be the focus area of Bank. During the year 2005-06 Bank successfully completed for syndication assignments involving mobilisation of Rs. 828 crore and 12 advisory assignments, as compared to two syndication assignments involving mobilization of Rs. 1040 crore and four advisory assignments in 2001-02.

IDBI Bank Ltd. is currently handling four PSU disinvestment/restructuring assignments. During the year bank completed two PSU disinvestment assignments including a buy side advisory assignment and one PSU restructuring assignment.

IDBI Bank Ltd. in its endeavor to benefit from the retail buoyancy, strategically emphasized to design innovative products and enlarge client base to increase its share, with improved yield.

Bank in its stint to cater to the diversified needs of the retail customers, offers an array of innovative Retail Asset products, both secured (Housing Loan, Mortgage Loans, Educational Loans and Overdraft to Merchant Establishments). During the year Bank increased its bouquet of retail products by launching loan against Rent Receivables. Loan against Commercial Property, Reverse Mortgage Loan, Holiday Travel and Loan to the Staff of
IDBI Bank Ltd. assisted units. Bank successfully participated in various property exhibitions at major centers that gave a significant mileage to the Home Loan products of Bank. The coverage of Bank's Education Loan Scheme has been extended by Launching On-line Education Loan. Bank now has Retail Asset Centres across 30 cities and 24 more centres are proposed during the FY (Financial Year) 2008-09. With a view to enhancing of the geographic spread, product acceptance, operational efficiency and credit expertise, all the branches of Bank have started lending retail asset products.

Bank is continuously making innovation to offer value-added services to its esteemed clients and towards this endeavor, the Bank has formalized tie-ups with IDBI Capital Market Services Limited, a 100% subsidiary of the Bank and with Motilal Oswal Securities Limited to offer state of an internet-based trading facility in Equities, Futures and options markets. The clients can also purchase and redeem units of Mutual Funds and can subscribe to Initial Public Offerings Corporates/ Institutions using this facility. This unique facility provides total convenience as all the above services can be availed with the click of a mouse and the complete process is seamless. Bank has started selling life insurance products of IDBI Fortis Life Insurance Company Limited under the Bank assurance arrangement.

Bank is also giving a thrust for expansion of its ATM network with the number of installed ATMs going up from 520 as on March 31, 2007 to 755 as on March 31, 2008. The momentum is expected to continue during the current financial year and Bank is poised to have a network of about 1200 ATMs by the end of March 2009.

Bank has always been at the forefront of promoting Alternate Channels for delivery of Banking products and services. As a part of these efforts during the financial year 2007-08 it launched the Master Card Debit Card,
relaunched the cash card product and upgraded its Net Banking architecture thereby enhancing customer experience.

(iv) **JOINT FINANCE:**

Another feature of development bank's operations is to take up joint financing along with other financial institutions. There may be constraints of financial resources and legal problems (prescribing maximum limits of lending) which may force banks to associate with other institutions for taking up the financing of some projects jointly. It may also not be possible to meet all the requirements of a concern by one institution. So more than one institution may join hands, not only in large projects but also in medium-size project it may be desirable for a concern to have, for instance, the requirements of a foreign loan in a particular currency, met by one institution and underwriting of securities met by another, whereas in case of big projects where substantial financial assistance is needed, more institutions financial assistance is needed, more institutions may form a consortium to meet their needs.

Now generally the members of the consortium will undertake joint appraisal of projects and then decide the quantum of assistance to be provided by each institution.

Sanctions amounting to Rs. 138 crore were made during April 2003 – September 2004, by way of subscription to the right issue of IDBI Bank Ltd. by Rs. 88 crore and Rs. 50 crore to the equity capital of IDBI Home Finance Ltd. Disbursements of Rs. 53.5 crore during the 12 months period April 2002 - May 2003.\(^3\)
(v) **REFINANCE FACILITY:**

IDBI Bank Ltd. also extends refinance facility to the lending institutions. In this scheme there is no direct lending to the enterprise. The lending institutions are provided funds by development banks against loans extended to industrial concerns. In this way the institutions which provide funds to units are refinanced by development banks. In India, Industrial Development Bank of India provides refinance against term loans granted to industrial concerns by state financial corporation, commercial banks and state co-operative banks.

The expression "indirect finance" refers to the provision of finance to industrial concerns through State Financial Corporation (SFCs) and State Industrial Development Corporation (SIDCs). In Indirect Finance, the responsibility for repayment to IDBI Ltd. rests with the relevant intermediary institution or bank.

IDBI Ltd. grants refinance facilities to SFCs and SIDCs against their loans to medium-sized industrial concerns throughout India. The bank has widened the scope of the Refinance Scheme to cover infrastructure/Technology Upgradation Fund Scheme projects.

Bill of exchange discounted by banks arising from the sale of indigenous machinery on deferred payment terms are rediscounted by IDBI Ltd. IDBI Ltd. subscribes to the share capital, bonds and debentures issued by SFCs and other financial institutions. At the same time they provides lines of credit to select SFCs and SIDCs by way of resource support.

(vi) **CREDIT GUARANTEE:**

The small scale sector is not getting proper financial facilities.

Generally credit risk is assessed as a part of project appraisal, which considers various parameters. Management, track record of the promoters and
the company, technology, overall capacity, demand and supply scenario, competitors, industry environment etc. are assessed to evaluate the credit risk which will in turn decide the assistance level and the spread chargeable (credit spread) over the bench mark interest rate. While the appraisal system assesses the credit risk quality, exposure limits set for individual companies, groups and industries facilitate limiting credit risk quality. IDBI Ltd. also has a 10 point grading system of Health Codes for its borrowers.

Further, IDBI Ltd. has a data base of its borrowers which is updated regularly.

Credit risk management both at the Transaction level as well as at the portfolio level, aims at building up sound asset quality and long term profitability of the institution and encompasses activities like risk identification, risk measurements, risk mitigation and risk based pricing.

The IDBI Board, in August 2000, approved the proposed implementation of Credit Risk Management System (CRMs) in IDBI within a period of 3 years. Pursuant to the above decision, to manage the credit risk proactively, a Risk Management Committee was set up in the Bank. The RMC comprising senior executives of the Bank, enunciates the overall risk philosophy of the Bank, lays down policies and strategies in accordance with the former and reviews progress of implementation of the risk management framework.

A Credit Risk Management Group (CRMG) has also been set up to establish a credit safining system guided to the business of IDBI and the Bank’s specific requirements and eventually to put a credit Risk Management System in place.

Risk identification and evaluation is done at the credit sanctioning stage itself. IDBI Ltd. has in house experience and expertise in appraisal of projects. The appraisal techniques are continuously reviewed and upgraded to
take into account. The knowledge acquired and experience of project implementation as also the changing complexities of the economic scenario. All sanctions are committee based to ensure better discussion/evaluation. A senior officer from Risk Management Group attends Credit Committee meetings to provide independent risk evaluation inputs, to facilitate appropriate credit decisions. The risk mitigation measures, exposure limits are set for individual corporates, corporate groups and industries. The exposure norms have recently been revised. The new norms have been designed to have an in-built check against exposure to companies/groups/industries. Besides, project-specific risk mitigation covenants are incorporated in the terms and conditions of loans. The risk perception also gets reflected in pricing, within the constraints of competition.

**Credit Guarantee its approval process:** In the context of emerging environment, the credit delivery mechanism has been revamped based on the recommendation of Booz-Allen and Hamilton, the consultants appointed by IDBI Ltd. The customer base has been segmented into corporate and mid-corporate divisions, with industry-focused groups in these divisions. A dedicated group has been constituted to deal with infrastructure-related projects. All sanctions and credit-related matters are approved by specific committees. Different committees are formed to assess and approve credit proposals depending on the size and complexities of the proposals. Major committees constituted are credit committee at the Head Office and Zonal Committees at the zonal level. Proposals outside the powers of credit and Zonal Committees are referred to the Executive Committee.

The functions and the composition of various committees involved in the credit approval process are as follows:
(a) Zonal Committees:

Four zonal committees have been constituted at the respective zones viz. Western Zonal Committee at Mumbai, Northern Zonal Committee at Delhi, Southern Zonal Committee at Chennai and Eastern and North Eastern Zonal Committee at Kolkata. The Zonal Committees comprise the Chief General Manager (CGM) for the respective zone as the Chairman and the General Managers (GMs) of the respective branches within that zone as the members of the committee. Besides, an official of CGM rank from Head Office also participates in Zonal Committees as a member.

The functions of the zonal committees are as follows:

1) To screen the proposals from the branches in their respective zones, with exposure within their delegated authority for taking up detailed appraisal.

2) To sanction assistance under the powers delegated to it by the Board of Directors.

3) To review the progress and performance of assisted projects periodically and take appropriate action.

4) To review the quality of portfolio, asset classification, provisioning etc, at quarterly intervals.

5) To review the operational targets, performance, profitability etc. of individual branches.

(b) Credit Committee:

The credit committee is empowered to sanction assistance upto specified limits with respect to Head Office cases and cases from branches wherever it exceeds the power of zonal committee, cases for assistance above the threshold limits of Credit Committee are referred to the Executive Committee.
The Credit Committee (CC) has been reconstituted w.e.f. March 9, 2004 by merging the erstwhile High Powered Committee and Empowered Committee in it. CC is presently headed by the Senior-most Executive Director and all other Executive Directors, Legal Advisor and a Chief General Manager from the Corporate Finance Department and Rehabilitation Finance Department as Members, Chief General Manager/ General Managers of the Treasury and Funding Division, Credit Recovery Department, Credit Risk Management Group, ALM Group, Legal Department and Chief General Managers/ General Managers from other concerned BOs/ Operational Departments are invited as participants.

The functions of the credit committee include:

1. Screening the proposals for assistance received at the HO and those in BOs involving assistance exceeding the threshold limit for ZCs for a detailed appraisal.

2. Sanctioning assistance under the powers delegated to it by the Board of Directors from time to time.

3. Reviewing the progress/ performance of assisted projects periodically and taking action.

4. Reviewing the quality of the portfolio, asset classification, provisioning etc at quarterly intervals.

5. Dealing with and approving cases of restructuring of liabilities and onetime settlements of dues.

6. Reviewing the policies, products, pricing etc. relating to direct finance operations and initiating action as may be considered necessary.

7. With reconstituting, CC also carries out the function hitherto performed by erstwhile High Powered Committee and Empowered Committee viz. to approve restructuring and one-time settlement cases.
(c) Executive Committee:

All proposals beyond the threshold limit of Credit Committees are referred to the Executive Committee, which is a Sub-Committee of the Board. The Executive Committee deals with sanctions of assistance and other operational matters.

Follow-up and Monitoring:

An elaborate project monitoring is done both during implementation and operating periods through periodical progress reports/annual reports of the borrowings units, follow-up visits and periodic interaction with the Chief Executive/Senior Executive of the Companies. The system enables IDBI Ltd. to monitor the progress of the project, diagnose difficulty, if any, and work out remedial measures where needed. Where considered necessary on grounds of higher exposure, IDBI Ltd. also considers nomination of its officers/outside professionals on the Boards of assisted companies. All assisted cases are periodically reviewed at the appropriate credit for a like Zonal/Credit/Executive Committee.

(vii) Underwriting of securities: Development banks acquire securities of industrial units through either direct subscribing or underwriting or both. The securities may also be acquired through promotion work or by converting loans into equity shares or preference shares. So development banks may built portfolios of industrial stocks and bonds. These banks do not hold these securities on a permanent basis. They try to disinvest in these securities in a systematic way which should not influence market prices of these securities and also should not lose managerial control of the units.

Development banks have become a world wide phenomena. Their functions depend upon the requirements of the economy and the state of development of the country. They have become well recognised segments of
financial markets. They are playing an important role in the promotion of industries in developing and underdeveloped countries.

**(viii) Forex Services:** IDBI Bank Ltd. opens Letters of Credit (LCs) and effects foreign currency remittances on behalf of its assisted companies for import of goods and services. In line with the prevailing guidelines for External Commercial Borrowings (ECBs), the Bank also disburses FC (Foreign Currencies) loans for project related Rupee expenditure. A Forex Trader Software has been implemented which enables speedier generation and transmission of LCs and amendments through the SWIFT connectivity. To enhance customer service, the LC and FC operations have been decentralised to cover more branches. IDBI Ltd. offers various foreign exchange related services, namely spot and Forward purchases of currencies for letters of credit and debt servicing, as well as forex advisory services through its dealing room.

IDBI Ltd. has been awarded ISO 9002 certification for its Treasury Operations for implementation of Quality Management System (QMS). This certification assures that the Treasury Operations of IDBI conform to international standards.

**(ix) Entrepreneurship Development:** The erstwhile IDBI took the lead in setting up the Entrepreneurship Development Institute of India Ltd. (EDII) at Ahmedabad as a national institute to foster entrepreneurship development. IDBI has also taken the lead in creating similar institutions in some of the industrially less developed states. IDBI supported the establishment of the Biotech Consortium of India Ltd., to assist in the promotion of bio-technology projects. The erstwhile IDBI sponsored industrial potential surveys in various parts of the country in 1970 which was followed by setting up of a chain of Technical Consultancy Organisations (TCOs) in collaboration with other financial institutions and banks. TCOs provide advisory services to
entrepreneurs on product selection, which preparation of feasibility studies and technology selection and evaluation.

**B. OPERATIONAL ACTIVITIES OF IDBI**

Development Banks follow a procedure for evaluating a proposal for a project. The basic objective is to set whether the applicant fulfils various conditions prescribed by the lending institution and the project is viable. The acceptance of a wrong proposal will result in the wastage of scarce resources so at times IDBI Bank adopt the following procedure for lending.

**Project Appraisal and Eligibility of Applicant**: Every financial institution serves a particular area of activity or there are certain limits prescribed beyond which they cannot go. Before processing the application, it is important to find out whether the applicant is eligible under the norms of the institution or not.

The second aspect which is looked into is to determine whether the enterprise has fulfilled various conditions prescribed by the government. In case some licence is required from the government, it should have been taken or an assurance is received from the licencing authority. After satisfying these preliminary issues the project is appraised by a team of technical, financial and economic officers of the institutions from various angles.

Discussions are held with the promoters and clarification is sought on various points. The bank/ institution considers financial assistance in the light of (i) Guidelines for assistance to industries issued by the government or others concerned from time to time (ii) Guidelines issued by the bank. (iii) Policy decisions of the Board of Directors of the bank.

Sanctions and disbursements under project finance during April 2005 – September 2006 amounted to Rs. 5730.7 crore and Rs. 3636.3 crore respectively. During the period, the top five industries which were sanctioned
assistance under project finance are Telecom Services (27.9%), Electricity Generation (25.5%), Fertilisers (11.2%) Textiles (4.8%) and Iron and Steel (42%).

(ii) TECHNICAL APPRAISAL:

A technical appraisal involves the study of:

- Feasibility and suitability of technical process in Indian conditions.
- Locations of the project in relation to the availability of raw material, power, water, labour, fuel, transport, communication facilities and market for finished products.
- The scale of operations and its suitability for the planned project.
- The technical soundness of the projects.
- Sources of purchasing plant and machinery and the reputation of suppliers etc.
- Arrangement for the disposal of factory effluents and use of bye-products, if any.
- The estimated cost of the project and probable selling price of the product.
- The programme for completing the project.
- The sources of supplying various inputs and marketing arrangements.
- Details of any technical collaboration and its practical aspects. The technical appraisal determines the suitability of the project.

As part of the Technology Upgradation Plan IDBI took steps for upgrading/ redesigning the existing VSAT – based Wide Area Network (WAN). The proposed upgradation of WAN would be finalised on crystalisation of the contours of IDBI’s conversion into a commercial bank. IDBI has put in place IT-related security measures. However, to enhance security measures to ward off the ever-increasing IT security threats, a

IDBI Intech Ltd. (Intech.) was set up as a wholly owned subsidiary of IDBI Bank in March 2000 to undertake Information Technology (IT) related activities. It is registered with Software Technology Parks of India (STPI). The authorised capital of Intech is Rs. 100 crore comprising equity share capital of Rs. 75 crore and preference share capital of Rs. 25 crore. IDBI subscribed an amount of Rs. 8.10 crore towards the equity share capital of Intech.

During the year, Intech serviced the IT needs of this Bank, in terms of Facilities Management Services (FMS) till September 2002 and Software Maintenance till January 2003.

The company also provided services to Delhi Finance Corporation, Indian Renewable Energy Development Agency Ltd. (IREDA), SIDBI, IDBI Bank Ltd., IDBI Principal Asset Management Company, Investor Services of India Ltd., NABARD, Kerala Financial Corporation, etc. Intech was awarded a contract by Punjab National Bank for conducting acceptance test for ATMs Telebanking Software, Branch Automation Software’s servers and PCs etc. on an all India basis. Intech was empanelled by National Institute of Agricultural Marketing, Rajasthan and Government of Maharashtra as the service provider IT Vendor.

Intech has set up a 100 – seat contact center which would commence full scale operations from April 2003. Intech purposes to leverage its contact center operations for procuring BPO assignments providing prospect lists and telemarketing services.

Intech was awarded the ISO 9001-9002 quality certification by Bureau Veritas Quality International BVQI Intech has also initiated activities in
quality process for Capability Maturity Model (CMM) level 3 and the certification is expected to be received by September 2003. The year 2002-03 was the second full year of effective operations of Intech. During the year the aggregate revenue from sales and services and other income was Rs. 6.13 crore as against the revenue of Rs. 7.85 crore for the previous year.

The company earned profit before tax of Rs. 44 lakh for the year ended March 31, 2003 as against Rs. 42 lakh for the year ended March 31, 2002.

(iii) ECONOMIC VIABILITY:

The economic appraisal will consider the national and industrial priorities of the project export potential of the product employment potential, study of market.

An Asset Liability Management (ALM) system is in place in this Bank in terms of the operational guidelines issued by RBI in December, 1999, for the management of market risk (viz. liquidity, interest rate and foreign exchange risks) exposures in a co-ordinated manner. The risk management system, strategies and tolerance levels (risk limits) are being periodically reviewed and upgraded based on actual experience.

(iv) ASSESSING COMMERCIAL ASPECTS:

The examination of commercial aspects relates to the arrangements for the purchase of raw materials and sale of finished products. If the concern has some arrangement for sale then the position of the party should be assessed.

One of the prominent developments in international finance in recent decades is asset securitisation. It is the process of pooling and repackaging the cash flow of illiquid financial assets into marketable securities, which can be sold to investors. In India, securitisation has gained some prominence in the latter part of the last decade and is still considered nascent. As a sizeable portfolio of corporate assets is held in the form of loans, securitisation would
enable IDBI to repackage the cash flow arising from the income and repayment streams of these assets into liquid marketable securities for sale to investors. This would achieve the multiple industry/company exposures, managing asset liability positions and providing alternative sources of funding, besides improving the bottom line. During the year Bank securitised loan assets with principal outstanding aggregating Rs. 583.3 crore.

(v) FINANCIAL FEASIBILITY:

The financial feasibility of a new and an existing concern will be assessed differently. The assessment for a new concern will involve :

(i) The needs for fixed assets and working capital and preliminary expenses will be estimated to find out its needs.

(ii) The financing plans will be studied in relation to capital structure, promoters contribution and debt equity ratio.

(iii) Projected cash flow statements both during the construction and operation periods.

(iv) Projected profitability and the likely dividend in near future.

If a project is already in operation and is undertaking expansion on diversification, the financial feasibility will be different. The analysis of existing capital structure, contribution of owners, debt-equity ratio, past financial performance result shows by the profit and loss account and balance sheets, the sources of raising funds, likely needs of the concern (as per the need of the economy situation) future debt equity ratio (after extending financial help), debt service coverage, internal rate of return, etc, will help in assessing the financial position of the concern and viability for investing in the project.

IDBI stands committed to introducing products and services to cater to diverse sections of the society and thereby including in the formal financial
system sections of the society hither to excluded. As a first step in this endeavour, this bank launched the ‘Sabka’ savings account with an intention to make basic banking services accessible to a vast majority of the unbanked and underbanked population. The facility offers core-banking facilities and conveniences at a low average balance requirement. The scheme was subsequently further modified so as to cover a wider network of customer.

(vi) **MANAGERIAL COMPETENCE:**

The success of a concern depends upon the competence of management. Proper application of various policies will determine the success of an enterprise. A lending institution would see the background, qualifications, business experience of promoters and other persons associated with management. The persons forming Board of Directors should have adequate technical, financial and business experience.

During the year 2006-07, Bank trained 3359 employees through 280 training programmes. Of these, 126 were in-house training programmes covering 3101 participants at Bank’s Jawaharlal Nehru Institute for Development Banking (JNIDB), Hyderabad and Training Centre at Belapur, Navi Mumbai and also hands on training at various Branches. During the year 2006-07 243 officers were nominated for 146 external training programmes conducted by other institutes/training organisation in India and 15 officers were nominated for 8 training programmes held abroad.

In addition, 9 training programmes covering 219 participants were conducted at the training centre of the erstwhile. The United Western Bank Ltd. (UWB) at Satara, which was merged with Bank in October 2006.

The training programmes were focussed on the areas of Retail Banking, especially Banking Basics, Branch Operations, Finacle, Retail Products, Third Party Products (Insurance, Mutual Funds and Government Business etc.) and related areas.
The other functional programmes were in the areas of the priority sector lending credit Derivatives. Induction programmes covering the functions of the Bank and the various skills required for efficient execution of the same were conducted for new entrants. In addition, several soft skill programmes on Business Etiquette, Innovation and creativity in Business, Problems solving, presentation skills, Effective Communication and customer service, negotiation skills and personal effectiveness etc. were also organized. Periodic meets of Heads of various business domains, Zonal/ Branch in-charge and Retail and Sales Heads were organised setting a platform for exchange of views and enhancing business.

Mastek Ltd., a leading IT solutions player with global operations is providing new technology and IP-led enterprise solutions to insurance. Government and financial service organisations worldwide, and IDBI Fortis Lift Insurance Co. Ltd. a joint venture between three leading financial conglomerates – IDBI Federal Bank and Fortis, each of which enjoys a significant status in their respective business segments, have jointly announced the launch of their Insurance business in India on Mastek’s Elixir TM Policy administration system.

After the successful launch, both companies which are headquartered in Mumbai also announced the signing of the contract for the second phase which would enhance the scope of Mastek to provide additional modules of Elixir the covering Channel Management, Claims, Re-Insurance etc. In addition to basic policy administration Mastek’s elixir TM, is a component based solution for policy administration specifically targeted to insurance companies that want to launch hybrid products and improve the efficiency of their distribution networks. This single solution is designed to support all product lines including traditional life, health, unit linked annuities and
pension products. It is an end-to-end policy administration platform that integrates the front and back office.

The implementation of the globally successful system is to be done in two phases, the first of which went live in March 2008 effectively and helped IDBI Fortis launch their business in India. The second phase would be implemented over a period of next eight months.

The Bank has placed thrust on increasing assistance to Small and Marginal Enterprises (SMEs) as it would be the engine of future business growth. Pursuant to this objective, the Bank is setting up city SME Centres (CSCs), which would serve Pan India. The CSCs would provide support in terms of loan processing and would undertake back office related activities to buttress the credit delivery mechanism. The dedicated SME Relationship Managers at branches would provide a whole range of banking services with regard to SMEs. The first such CSC has been operative since March 2008.

Bank has been continuously attempting to design customized products for SMEs from time-to-time and accordingly launched a special current account product for hosiery industry.

(vii) NATIONAL CONTRIBUTION:

Besides commercial profitability, national contribution of the project is also taken into account. The role of the project in the national economy and its benefits to the society in the form of good quality products, reasonable prices, employment generation, helpful in social infrastructure etc. should be assessed. Development banks aim at the overall welfare of the society.

During the year 2006-07, IDBI Bank became a member of Banking Codes and Standards Board of India (BCSBI) recently set up by the Reserve Bank of India. The Board of Directors of the Bank adopted the code of Bank’s commitment to customers (the code) for implementation. The code is
voluntary and sets minimum standards of banking practices for banks to follow when they are dealing with individual customers. It provides protection to customers and explains how banks are expected to deal with them for their day to day operations. Also, it has in place customer service committee of the Board (CSCB) and Standing Committee on Customer Service (SCCS) to ensure that Bank’s products processes and services are periodically fine-tuned to meet the desired objective of BCSBI of achieving customer satisfaction.

Bank continues to remain a prominent player in infrastructure financing. It has been actively participating in structuring and financing of infrastructure projects in the areas of power, telecom, roads, airports, seaports, railways and logistics as well as Special Economic Zones, ever since the infrastructure sector was opened to private investment. Besides providing financial assistance, Bank interests with Government, other stakeholders and market participants, on policy and operational issues, facilitating smooth flow of funds to infrastructure sector. Bank is a member of the core committee of the Government set up for finalization of the Ultra Mega Power Projects. Further, it is also an active member of the Inter-Institutional Group for power sector, which meets to resolve various issues for achieving timely financial closure of identified power projects. Bank continues to provide assistance to road projects considering the imperatives of road infrastructure development for achieving higher growth in the national economy. Bank has also taken initiatives in funding urban transit systems and seaports under the Public Private Partnership route, Bank has created a separate vertical to assist the corporates taking up infrastructure projects. The vertical has been designed to provide end-to-end solutions to the infrastructure companies viz. corporate advisory, syndication of debt/ equity, financial structuring term loans, working capital, securitisation and other related services.
(viii) BALANCING OF VARIOUS FACTORS:

Various factors related to the banking services should be balanced against each other. The circumstances of the individual project will help in weighing various factors. Some factors may be strong so their in depth analysis should be avoided. In case a project is profitable, there will be no need to assess cash flow. Weaknesses located in certain areas may be off set by the good points in the other. An experienced management and sound economic outlook may compensate some weakness in financial position. The responsibility of lending bank lies in balancing judiciously different considerations for arriving at a decision.

(ix) LOAN SANCTION:

After the appraisal, report on the project is prepared by the bank's officers, it is placed before the advisory committee consisting of experts drawn from various fields of the particular industry. If the advisory committee is satisfied by the proposal then it recommends the case to the Managing Director or Board of Directors along with its own report. When the assistance is sanctioned then a letter to this effect is issued to the party giving details of conditions on which it is granted. A loan agreement is also got signed by the promoters or directors of the enterprise.

Now when we talk about IDBI, it generally follows a proactive Credit Risk Policy and employs best international practices through appropriate credit delivery processes, portfolio and account monitoring, tracking early warning signals and remedial management procedures. Sectoral exposures and target businesses are monitored regularly, putting in place appropriate industry specific lending policies.

IDBI uses credit ratings at transaction level and portfolio level in managing its credit risk. It is also in the process of upgrading its risk management architecture by putting in place a comprehensive Credit Risk
Management System, covering various business segments and risk management tools. For implementation of BASEL II guidelines for credit risk, IDBI Bank initially adopted Standardised Approach and at the same time put in place processes and infrastructure to adopt Internal Rating Based Approach in due course of time.

The Bank provides the project finance, both in rupee and foreign currencies, to boost capital formation and infrastructure development in the country, it also funds projects for expansion, diversification and modernization. In project, appraisal and monitoring, Bank follows global best practices and in the process has created sizeable and well-diversified assets portfolio. In the recent years, Bank has been increasingly providing non-project finance with short and medium term maturities in the form of short-term loan, working capital and Treasury Products to meet the ongoing requirement of Corporates. Bank offers a wide array of corporate banking products under various business segments such as Deposits, Cash Management Services, Central and State Government agency business (both, direct and indirect taxes), Trade Finance and Treasury Products. In respect of trade services, Bank has set up dedicated trade finance sales teams for product offering at key locations and has been pursuing focused and specialized approach in this business segment. Trade Finance operations of Bank are available through designated branches, which provide Trade Finance Products viz, Letters of Credit, Bank Guarantees, Collections, Remittances, Forward Contracts, Packing Credit, Post Shipment Finance, Maturity Factoring, Invoice Discounting and Trade Advisory Services.

With the major initiatives by syndication structuring and Advisory Department (SSAD), Bank has emerged as one of the leading players in Debt Syndication and Advisory arena. With a view to churn Bank’s loan portfolio as also to generate fee-based income, SSAD started securitisation activities
during the financial year 2007-08 and earned the fame of being a leading public sector bank in the field of securitisation.

IDBI Ltd. periodically assesses the composition of its asset portfolio in terms of industry-wise exposure, return, overall domestic and global trends in these industries, demand-supply gap, capacity build up as also the future potential. Market Research Department (MRD) carries out industry research and provides inputs to Project Appraisal Development / Corporate Finance Departments and facilitates appraisal and follow-up work. MRD maintains a large updated data base of industry trends built up over a period of years.

IDBI Ltd. is presently in the process of up-dating the present credit risk evaluation system and convert it into a technology driven module.

IDBI Ltd. considers the business plans and resource forecasts of State Financial Corporations (SFCs) and State Industrial Development Corporations (SIDCs) to evaluate their fund requirements. Limits for refinancing and lines of credit are fixed taking into consideration other resources available.

Under Bills Rediscounting, IDBI Ltd. extends annual limits to commercial banks, Electricity Boards, State Road Transport Organisations and Corporations. The limits are reviewed periodically. Since the credit risk in indirect finance is borne by the primary lender, IDBI Ltd. fixes uniform interest rates for refinance assistance to primarily lenders (SFCs/ SIDCs), in tune with the movement in prime lending rates for such finance.

(x) LOAN DISBURSEMENT:

The loan is disbursed after the execution of loan agreement. The execution of documents of security or guarantee etc. should proceed the disbursement of loan. In case some property is pledged to the bank then title deeds of such property are also properly scrutinized. The fulfillment of
various conditions proceeding to loan disbursement determine the time of paying the money to the party.

Sanctions and disbursements under project finance during the year 2006-07 stood at Rs. 557.1 Crore and Rs. 1329.7 crore respectively. In the year 2004-05 the top five industries which were sanctioned assistance under project finance were telecom services (Rs. 105 crore), parts (Rs. 75 crore), tyres and tubes (Rs. 73 crores) automobiles (Rs. 40 crore) and roads and bridges (Rs. 40 crore). 4

FOLLOW UP:

The job of a lending Bank does not end by disbursing the assistance. It has first to see whether the construction of the project is as per schedule decided earlier. In case some delay is taking place in executing the plan then the reason for it should be determined, later during operations, the results should be properly followed. It should be seen whether the revenue earned by the concern will be sufficient to meet its obligations or not. So a proper follow up by the bank will enable it to follow the progress of the unit.

(C) APEX ROLE OF IDBI

Industrial Development of India IDBI was set up in 1964 under an Act of the parliament providing credit technical and other services for the development and other services for the development of industries, particularly the medium and large industries. It was established as a wholly owned subsidiary of the RBI. Under the Public Financial Institution Law Act 1976, the ownership of IDBI was transferred from RBI to the Government of India and various responsibilities which RBI earlier had, now rested with the reconstituted IDBI to discharge its apex role as an autonomous institution. Its apex roles are:
1. Planning, promotion and development role.

2. Co-ordinating role.

3. Providing technical and administrative assistance.

4. Supporting.

5. Undertaking market and investment Research and Techno-economic study for the development of industries.

National Bank for Agriculture and Rural Development (NABARD) was set up in July 1982 Apex Development Bank for promotion of agriculture, SSI, cottage and village industries, handicrafts, rural crafts and allied economic activities in the rural areas. As per preamble to the Act the bank has been established for:

a) Providing credit for promotion of activities mentioned above.

b) Financing.

c) Promoting integrated rural development.

d) Securing prosperity of rural areas.

e) Regulating and co-ordinating the activities of agencies, getting assistance from it for the rural development.

Export and Import Bank, EXIM BANK was set up in 1982 as the agency for promoting, financing and facilitating India’s Foreign Trade. The Exim Bank finances exporters and importers, coordinates the working of institutions engaged in financing export and import of goods and services, finances export-oriented units and undertakes promotional activities necessary for international trade. It took over the export finance functioning of IDBI and began functionary on 1st March 1982.

Suffice it to say that Exim Bank is the Principal (Apex) Financial Institution in India for:
a) Co-ordinating the working of institutions engaged in financing of foreign trade.

b) Facilitating and promoting foreign trade.

c) Providing regulatory functions.

d) Power to issue directions.

e) Development functions.

Small Industrial Development Bank of India (SIDBI) was set up as a wholly owned subsidiary of IDBI, in April 1990 under an Act of the Indian parliament as the Principal Financial Institution for:

a) Promoting

b) Financing

c) Development of Industries in the small scale sector, and

d) Coordinating the function of other institution engaged in similar activities.

In order to provide greater operational flexibility, the SIDBI Act was amended in the year 2000 and the bank was de-linked from IDBI with effect from March 27, 2000.

Thus we find that whether it is RBI, IDBI, NABARD, Exim Bank or SIDBI, all of them are Apex or PRINCIPAL INSTITUTIONS fully enjoying operational autonomy but assigned with special but different task from each other, on which the total banking, industrial, agricultural, foreign trade is shouldered for promotion, development, supervision, regulation and coordination, for the over all development of the economy.

Although their area of operation is different because of their specialised nature, yet we find a common role assigned to all of them as a principal institution.
From the above it can be concluded that apex body/ institution is the principal financial institution for co-ordination, in conforming with national priorities, the working of institutions engaged in financing, promoting or developing industry, for assisting the development of such institutions, and providing credit and other facilities for the development of industry and matters connected therewith.

The apex body coordinates, directs and monitors operations of the institutions engaged in assisting, financing or developing industry for assisting the development of such institution, and providing credit and other facilities for the development of industry and matters connected therewith.

The apex body coordinates, directs and monitors operations of the institutions engaged in assisting, financing and developing which come within the preview of the supervisory role. The apex body ensures that those institutions function within the framework of overall national policies as enunciated by the Government of India from time to time. It also provides and arranges means and facilities for dissemination of knowledge and information relating to promotion and development of industries, for exchange of views and ideas on subjects of common interest. It cooperates with various institutions and organisations in India and abroad in the collection and exchange of information pertaining to industries, sponsors professional, technical and management, services, sponsor studies, surveys, research and development projects pertaining to industries. It liaises with and represents to the central and state governments, the term lending and other financial institutions on the common problem. Further, it co-operates and affiliates, if necessary, with other similar bodies, institutions, associations with the intention of furthering the objectives of apex institutions.
(i) Planning Promotion and Development Role:

The economic development of underdeveloped countries requires something more than the mere availability of finance. Thus the role which development banks play in contributing to national industrial growth cannot be assured merely by the statistics of financial assistance provided by them. The non-financial deterrents in the way of rapid industrialization are to be removed and the removal of these deficiencies is of no less an important task for development banks than the provision of finance. Development banks are required to perform the task of bringing together the elements essential to modern industrial development, providing the element that may be missing in a particular case and of sparking the mixture. Thus a development is intended to provide the necessary capital, enterprise managerial and technical knowledge when these are clearly inadequate or non-available and also assist in building up the financial and socio-economic infra-structure favourable to quick economic development.

The IDBI was established as an apex financial institution to co-ordinate the activities of other financial institutions and to provide various developmental services to other development banks, financial institutions and entrepreneurs. Infact the IDBI was conceived as a developmental agency, and for this purpose its statue was made extra ordinarily flexible.

The functions and activities of IDBI are in a way promotional and developmental. To separate some of them as promotional and review them is, therefore to draw a distinction without or difference. However, the present chapter deals with certain non-financial activities which are designed to accelerate the overall process of industrial growth and ensure its dispersal not only among backward regions but also amongst the new entrepreneurs in the small and medium sectors. A brief review of such promotional activities is presented here:
As it has already been mentioned that to perform the non-financial functions required for economic development has been one of the main objectives of the establishment of IDBI. The IDBI Act has given a very wide scope for such functions under clauses ‘h to k of Sec. 9 (1)’. It has given powers to the IDBI to take research and survey for evaluating and dealing with marketing or investments, to carry on techno-economic studies in connection with the development of industry, to provide technical and administrative assistance to any industrial concern or any person for promotion, management or expansion of any industry. IDBI Act has also provided power to the Bank to plan, promote and develop industries to fill up gaps in the industrial structure in the country.

The years 1970-71 and 1971-72 have been very important so far the promotional activities of the IDBI are concerned. This was a period of consolidation as well as exploration having attained a certain degree of maturity in what may be described as its traditional activities. Upto the year 1970 from its inception in 1964 The IDBI launched upon its innovational and promotional activities. The traditional activities were aimed at stepping up the rate of capital formation in the industrial sector in the country, the promotional activities aimed at achieving its socially desirable distribution both among regions as well as among small and new entrepreneurs. The broad objectives of these promotional activities are to help using about regional balance by promoting industries in less developed regions. Thus from the 1970 onward, the IDBI has not only strengthened its organisational base for fulfilling its objective of promoting and sustaining rapid development of industries but also endeavoured to see that the development impulse as well as the benefits of development are well spread out among all regions in the country. Thus the generation of growth impulses through setting up of industries in the backward regions has become one of the major tasks of IDBI.
The promotional activities of IDBI are oriented towards meeting the dual objectives of balanced regional development and acceleration in the industrial growth. Activities directed towards the first objective include identification and follow up of projects located in the backward regions. Activities which come under the second objective are the efforts at building up an appropriate framework for industrial development.

(ii) Coordinating Role:

In order to secure the greater involvement of the state level institutions in identification and implementation of the projects, the IDBI in collaboration with other financial institutions has constituted 22 Inter-institutional Groups (IIGs) at State level, covering practically the entire country. The main objective of IIGs is to accelerate the process of industrial development within the particular state. These IIGs have served as useful forum for co-ordinating the activities and promotional measures of various state level institutions while they are not decision making bodies, they could, within the framework of national policies devise the strategy for stimulating industrial development in the states concerned taking into account the local requirements and ensure that the strategy is implemented. During eightees a review of the functioning of the IIGs was undertaken. On the basis of this Review, IIGs have been directed not only to review regularly the projects under implementation of other identified projects and to initiate measures for their speedy execution.

(iii) Providing Technical and Administrative Assistance:

To give the inputs to its promotional activities, the IDBI constituted a Technical Assistance Fund (TAF) in 1977. Initially an amount of Rs. One Crore was allocated to the fund out of IDBI’s profit. The amount of this fund to be utilized to finance a wide range of promotional activities such as techno-economic surveys preparation of project profiles, feasibility studies, project reports, special studies on any aspect of a project and such other activities,
which in the opinion of IDBI, will promote industrial development, undertaking and promoting research, establishment of prizes, scholarships or chairs in universities, academic institutions and research foundation providing technical assistance and expertise by sponsoring services of individual experts, consulting firms, experts, consulting firms, experts from academic institutions and specialised institutions, sponsoring and assisting entrepreneurial development programmes and entrepreneurial development institutions, supporting and financing, if necessary, losses of technical consultancy organisations set up by the all India financial institutions etc.

With the help of the TAF, a number of studies have been sponsored by the IDBI. These include a study on efficacy of incentives for small industry, a techno-economic survey of Mizoram and evaluation of IDBI assisted industrial estates in southern India and joint sector projects in various regions of the country.

Studies were also under taken on carpet weaving and sericulture in Jammu and Kashmir, coconut coir complex in Andhra Pradesh, tiny section in Himachal Pradesh, Coconut coir complex in Andhra Pradesh, tiny sector in Himachal Pradesh, Rajasthan, Andhra Pradesh and Orissa. Various aspects of development of backward areas were also examined with the help of studies on dynamics of growth in Jamshedpur, foundry industry in Dhanbad and Coimbatore as well as on the impact of concessional finance for industrial development in eight selected districts of Maharashtra, Uttar Pradesh, Rajasthan and Andhra Pradesh.

Development of entrepreneurship in the country is one of the most important promotional functions of any Development Bank. To play, more effectively, its catalytic role the IDBI has been encouraging state level institutions to organize Entrepreneurial Development Programmes in their respective states. This programme is gaining momentum and IDBI is being
increasingly approached for guidance and assistance in organizing such programmes. IDBI can also extend some financial assistance to the sponsoring institution. IDBI organized a National Seminar on EDPs in March 1980 to provide a forum to the concerned institutions and individuals for exchange of views on various related aspects. The main recommendations of the seminar related to innovations in designing EDPs suited for different target groups, identification of the right type of training institutions, linking technical institutions to industrial estates for inplant training and conducting courses in regional languages. To derive the maximum benefit from the EDPs, the need for institution of a package deal for linking all the necessary facilities and support systems in the fields of finance, marketing and technology, post training counselling, building up of adequate follow up machinery and periodical evaluation of the success of EDPs as a continuous process were also emphasized. On the basis of deliberations at the Seminar, IDBI has started to formulate a workable plan which could ensure wider dispersal of EDPs.

IDBI from the very beginning has been assisting the entrepreneurs and State Industrial Development Corporations in identification, formulation and implementation of projects. A list of consultants and of the consultancy firms was prepared and every year it has been revised and brought up to date. On request, IDBI catered to the needs of entrepreneurs for advice and guidance on specific issues relating to products/ processes, selection of consultants. In this respect, the Directory of Industrial Consultants which was prepared by the IDBI, proved very useful to various State level institutions and banks in selection of consultants for their project. During eighties for the first time, the names of consultancy firms were also printed in the form of Directory, in view of the growing number of enquiries from prospective entrepreneurs and other agencies. This Directory provides details of 278 consultants who have specialised in different fields.
(iv) Supporting:

The basic concept of regional development requires the identification of those factors which inhibit the growth of industry in that region and then to evaluate its potential. Accordingly, with the help of other term lending institutions IDBI initiated industrial potential surveys of specified backward regions for the purpose of identifying specific project ideas for implementation in the next 5 to 10 years in the light of resource endowments demand potential and availability of infrastructure facilities. The IDBI, in collaboration with the other financial institutions had completed industrial potential surveys of all the backward states and union territories by the end of the year 1976-77. The Reports of all these surveys have been published and can be obtained from the IDBI and its branches. To give the practical shape of its development policies and to foster the project promotion and associated development activities in the backward regions, a separate department, namely, the Regional and Backward Area Development has been set up by the IDBI in Feb 76. This Department has independent cells in the Regional Offices for attending to work relating to the industrial development, particularly of the backward areas in the region. This Department functions within the small and village industries wing of IDBI.

The IDBI has also associated itself with surveys of backward districts of development states by making available the services of its officers for conducting the surveys. However, the survey of districts is mainly the responsibility of State Governments/ State Financial Institutions. The IDBI has also circulated detailed outlines on how to conduct district surveys for the benefit of the state level institutions.

To help the prospective entrepreneurs, the IDBI has prepared about 300 project profiles covering different industries. It was further realized that a permanent project profiles shelf should be created and for this IDBI has
collected project profiles prepared by other organisations and so for 1000 such project profiles on various industries are available with IDBI and can be obtained from any of the IDBI’s offices.

(v) **Undertaking Market and Investment Research and Technoeconomic Status for Development of Industries.**

To facilitate the work of IIGs and to fulfill the requirements of new projects for consultancy assistance ranging from information on market to actual implementation, the IDBI has set up 13 Technical Consultancy Organisations in various states as a logical extension of Inter Institutional Group idea, a view to filling up predominantly the gaps in the technical services required by the small and medium entrepreneurs and the state level corporations. These organisations are being promoted by the IDBI not only to provide the consultancy but also to become lead institutions for some of the promotional activities in their respective regions. The total number of TCOs has risen to 13, out of these, eight have been sponsored by IDBI, three by the IFCI and two by ICICI.

The IDBI’s sponsored TCOs are one each in Kerala (KITCO), North Eastern Region, Guwahati (NEITCO), Bihar (BITCO), Uttar Pradesh (UPICO), Andhra Pradesh (APITCO), Orrisa (ORITCO), Jammu and Kashmir (J&K ITCO) and West Bengal (WEBCON). The TCO in West Bengal has also been given the responsibility to cater to the needs of Sikkim and Andman and Nicobar Islands. The TCOs established by the IFCI and ICICI are in Himanchal Pradesh (HIMCON), Rajasthan (RAJCON), Madhya Pradesh (MPCON), Gujarat (GITCO) and Tamil Nadu (ITCOT). With the establishment of these TCOs, almost all the backward states in the country have been covered.
sponsoring institutions but also to give a lead in promotional activities such as resource area studies and tracing of entrepreneurs. More stress has now been laid on improving the capabilities and capacity of the TCOs to render more diversified consultancy services to their clients.

These TCOs are now undertaking, besides their main functions of project preparation, undertaking feasibility studies, the rehabilitation programmes for sick units, turn-key assignments area and market studies and design engineering services. Other important areas in which TCOs have ventured are motivating and training of entrepreneurs, preparation of district action plans, integrated area development plan, organising industrial campaigns and providing comprehensive services for functional industrial complexes.

To make these TCOs more effective and viable, the IDBI has taken various measures. These measures are: augmenting the capital base of TCOs, training of professional staff and secondary its own staff when necessary, providing a forum to discuss the policy issues and to forum to discuss the policy issues and to exchange experiences. To enable the TCOs to share their experiences a conference of the Managing Directors of TCOs was convened by IDBI at Bombay in April 1977. A Training Programme on Industrial Projects Feasibility and Appraisal was arranged. Again a conference of MDs of TCOs was held in Bombay in Dec. 1979 which decided, among other things to introduce a system of inter- TCO exchange of information and orientation of skills particularly for the benefit of tiny and small units.
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1. IDBI, Annual Report 2002-03, p. 23

