

Industrial Finance Corporation of India (IFCI)

The various sources of finance may be broadly classified as under:

1. Ownership Funds

It includes owner's investment as sole proprietor or partners of a firm. In companies it is raised by issue of shares, ploughing back of profits, depreciation policy, dividend policy, reorganization and price mechanism.

2. Borrowed Funds

There are external sources of business. It includes borrowings from relatives and other sources by sole owners and partners of business. In companies borrowed funds include debentures public deposits, banks, insurance companies and special financial institutions

Initially established in 1948, the Industrial Finance Corporation of India was converted into a public company on 1 July 1993 and is now known as Industrial Finance Corporation of India Ltd. The main aim of setting up this development bank was to provide assistance to the industrial sector to meet their medium and long-term financial needs. The IDBI, scheduled banks, insurance sector, co-op banks are some of the major stakeholders of the IFCI. The authorized capital of the IFCI is 250 crores and the Central Government can increase this as and when they wish to do so.

Functions of the IFCI

- First, the main function of the IFCI is to provide medium and long-term loans and advances to industrial and manufacturing concerns. It looks into a few factors before granting any loans. They study the importance of the industry in our national economy, the overall cost of the project, and finally the quality of the product and the management of the company. If the above factors have satisfactory results the IFCI will grant the loan.
- The Industrial Finance Corporation of India can also subscribe to the debentures that these companies issue in the market.
- The IFCI also provides guarantees to the loans taken by such industrial companies.
- When a company is issuing shares or debentures the Industrial Finance Corporation of India can choose to underwrite such securities.
- It also guarantees deferred payments in case of loans taken from foreign banks in foreign currency.
- There is a special department the Merchant Banking & Allied Services Department. They look after matters such as capital restructuring, mergers, amalgamations, loan syndication, etc.
- In the process of promoting industrialization the Industrial Finance Corporation of India has also promoted three subsidiaries of its own, namely the IFCI Financial Services Ltd, IFCI Insurance Services Ltd and I-Fin. It looks after the functioning and regulation of these three companies.

Cont...

IFCI as a Business Facilitator

The Industrial Finance Corporation of India has made a significant contribution to the development of our economy. Also, it is responsible for the growth, expansion, and modernization of our industrial sector.

The Industrial Finance Corporation of India has also been beneficial for the import and export industry, the cause of pollution control, energy conservation, import substitution, and many such initiatives and industries. Some sectors, in particular, have seen a lot of benefits. Some of these are...

- Agricultural Based Industries like paper, sugar, rubber, etc.
- Service Industries like restaurants, hospitals, hotels, etc.
- Basic industries in any economy like steel, cement. Chemicals etc.
- Capital and goods industries like electronics, fibers, telecom services, etc.