

Development Banks

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- They provide medium and long-term finance to the industrial and agricultural sectors
- They provide finance to both private and public sectors.
- They do term lending, investment in securities and other activities.
- They even promote saving and investment habits in the public.



Industrial Development Banks

1. Industrial Finance Corporation of India (IFCI)

- The IFCI was the first specialized financial institution set up in India to provide term finance to large industries in India. It was established on 1st July, 1948 under the Industrial Finance Corporation Act of 1948.
- **Functions of IFCI:**
 - For setting up a new industrial undertaking.
 - For expansion and diversification of existing industrial undertakings.
 - For renovation and modernization of existing concerns.
 - For meeting the working capital requirements of industrial concerns in some exceptional cases.

2. SIDBI

- Small Industries Development Bank of India (SIDBI) was set up under an Act of Parliament in 1990. Though it was a wholly owned subsidiary of Industrial Development Bank of India, presently the ownership is held by 33 Government of India owned / controlled institutions. It

is headquartered in Luck now.

▪ **Functions:**

- To initiate steps for technological up gradation and modernization of existing units.
- To expand the channels for marketing the products of SSI sector in domestic and international markets.
- To promote employment oriented industries especially in semi-urban areas to create more employment opportunities and thereby checking migration of people to urban areas.

3. Export-Import Bank of India (EXIM Bank):

- The Export-Import Bank of India (Exim Bank) is a public sector financial institution created by an Act of Parliament, the Export-import Bank of India Act, 1981.
- The business of Exim Bank is to finance Indian exports that lead to continuity of foreign exchange for India.
- The Exim Bank extends term loans for foreign trade.

4. National Housing Bank (NHB):

- The National Housing Bank (NHB) is a state owned bank and regulation authority in India created on July 8, 1988 under section 6 of the National Housing Bank Act (1987).
- Its headquarters is in New Delhi.
- The institution owned by the Reserve Bank of India was established to promote private real estate acquisition. Now it is owned by the Government of India.
- The NHB is regulating and re-financing social housing programs and other activities like research etc. Its vision is promoting inclusive expansion with stability in housing finance market.

Agricultural Development Bank:

1. National Bank for Agriculture & Rural Development (NABARD).

- It was established on 12 July 1982 by a special act by the parliament and its main focus was to uplift rural India by increasing the credit flow for elevation of agriculture & rural non-farm sector.
- NABARD is the apex institution in the country which looks after the development of the cottage industry, small industry and village industry, and other rural industries.
- It is completely owned by Government of India
- **Role:**
 - Undertakes monitoring and evaluation of projects refinanced by it.
 - Refinances the financial institutions which finance the rural sector.
 - Regulates the institutions which provide financial help to the rural economy.
 - Provides training facilities to the institutions working in the field of rural upliftment.
 - Regulates the cooperative banks and the RRBs.

2. Land development banks

- These provide long-term credit to agriculturalists at moderate rates of interest and provide for the repayment of loans in easy annual or semiannual installments spread over a number of years.
- These Banks have two-tier structure,
 - Primary Land Development Bank at district level with branches at taluk level.
 - State Land Development Bank.
- All primary Land Development Banks are federated into Central Land Development Bank at the State Level. In some States, there is “ Unitary structure” wherein, there is only one State Land Development Bank at the state level operating through its branches and sub-branches at district and below levels.

- **2.1. Primary Land Development Banks (PLDB):**
 - All landowners are eligible to become members and borrow funds by mortgaging their land.
- **2.2. Central Land Development Bank (CLDB):**
 - The members of the CLDBs are the PLDBs and a few individual promoters.
 - It grants long-term loans to agriculturists through the PLDBs and branches of CLDBs.
 - It raises funds through floating debentures, which are guaranteed by the State Government.
 - When PLDB obtains loan from the CLDB, it assigns the mortgage deeds obtained from the borrowers to the CLDB.
 - The CLDB floats debentures and raises funds against the security of these properties.
 - The NABARD and LIC subscribe for the debentures in large amounts and the former also extends refinance assistance to LDBs.