

OPERATIONAL EFFICIENCY OF INDUSTRIAL FINANCE CORPORATION OF INDIA

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Abstract

Government of India set up the Industrial Finance Corporation of India (IFCI) in July 1948 under a special Act. This is the first financial institution set up in India with the main object of making medium and long term credit to industrial needs. Any public limited company or co-operative society incorporated and registered in India which is engaged, or proposes to engage itself, in the manufacture, preservation or processing of goods, or in the shipping, mining or hotel industry or in the generation or of distribution of electricity or any other form of power, is eligible for financial assistance. This paper is an attempt to measure the existence of IFCI in providing working capital to trade and industry mainly in the form of loans and advances. The study concluded the objectives, functions, operational policies of IFCI.

Keywords: IFCI, Operational Efficiency, Policies, Trade, Stocks, Bonds, Shares, Operational Flexibility.

Introduction

Finance is blood of any business enterprise. This is because in the modern money-oriented economy, finance is one of the basic foundations of all kinds of activities. It is the major key, which provides access to all the sources for being employed in manufacturing and merchandising activities. It has rightly been said that business needs money to generate more money. At the time of the country's independence the Indian capital market was relatively under-developed. Although there was demand of new capital, there so the government decided to establish the industrial finance corporation of India (IFCI) on July 1, 1948 as the first financial institution in the country to cater to the demand for medium and long term finance for the industrial sector. The Industrial Development Bank of India, Scheduled banks, insurance companies, investment trusts and co-operative banks are the shareholders of IFCI. The Union Government has guaranteed the repayment of capital and the payment of a minimum annual dividend. The corporation is authorized to issue bonds and debentures in the open market, to borrow foreign currency from the World Bank and other organizations, accept deposits from the public and also borrow from the Reserve Bank. The authorized share capital of the IFCI was Rs. 10 crores at the initial stage, According to the Industrial Finance Corporation (Amendment) Act, 1986, the authorized capital of the corporation has been raised from Rs. 100 crores to Rs. 250 crores (the authorized capital may be fixed by the government of India by notification from time to time).

Functions

The functions of the IFCI base as follows:

- The corporation grants loans and advances to industrial concerns.
- Granting of loans both in rupees and foreign currencies.
- The corporation underwriters the issue of stocks, bonds, shares etc.
- The corporation can grant loans only to public limited companies and co-operatives but not to

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