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Class - BA-II

Source of Industrial Finance

(F) Indigenous Bankers: -

In spite of the establishment of the new financial institutions, indigenous bankers also advance financial help to a few large scale industry, particularly during the time of stress, both for fixed capital and working capital. But mainly they have provided finance to small scale industries.

In the absence of adequate institutional finance, these industries have been forced to depend upon indigenous bankers. These banks charge a

very ~~cheap~~ heavy rate of interest, thus making finance a costly affair. However, the importance of these banks, even as a source of finance for small industries, is on the decline.

(G) ~~Development~~ Development Finance Institutions: —

Established with the help of the Government to fill-in the gap in industrial finance and to promote the objective of planning, these institutions cater to the needs of large and small industries.

The new institutions supplying industrial finance are Industrial Development Bank of India, Industrial Finance Corporation of India, Unit Trust of India and General Insurance Corporation of India, Industrial Reconstruction Bank of

India, State financial corporations and State Industrial Development Corporations.

These institutions provide huge quantity of finances for setting up the new industries, for meeting their several needs and several forms. These also ensure and monitor the use of finance in preplanned directions.

(H) Foreign Capital: -

A supplement to domestic finance, external capital too has been made use of in meeting the needs of industrial finance, mostly for long term needs. This has ~~been~~ taken several forms. There is the foreign aid (i.e. loans of concessional term) from foreign governments and foreign institutions like (like world bank) extended to the government.

Some foreign companies have given funds as a part of direct investment - or, as part of collaborations with Indian companies. There are also non-Residential Indians who have invested in collaboration with Indians. Indian companies have also raised loans from foreign markets.

The sources of industrial finance are thus of various types. And so are the instruments of finance. A number of them are modern, such as shares, debentures, and loans from the financial institutions.