

# Objectives of development banks

[Finance](#), [Banks](#)



Objectives of Development Banks  
Development Banks are those financial institutions that provide funds and financial assistance to new and upcoming business enterprises. Development bank helps in According to Willian Diamond, “ development bank is a financial institution to promote and finance enterprises in private sector.

“ Development banks like IDBI, SIDBI, and IFCI etc. were set up to meet long term and short term capital requirements of the industry. Development banks coordinate the activities of those institutions, engaged in financing, promoting and developing industries. They help in accelerating industrial and economic growth. The following are the objectives of development banks: 1. Rapid Industrial growth: Industrial sector is the dynamic sector of the Indian economy. This sector contributes to the generation of employment and income in the country.

Funds are provided by the development banks to start a new business venture, expansion and diversification of the business in new sector etc. These funds are utilised to achieve several objectives that leads to accelerate industries and economic growth. Development banking supports the programmes of industrialisation of the country, by promoting entrepreneurial activities. 2.

Encouraging entrepreneurs: Industrialisation helps in curbing economic and social problems thereby making economies progress. Emerging entrepreneurs are encouraged to give shape to their ideas. Development bank helps those entrepreneurs by providing funds for commencing new business.

Government has recognised the importance of entrepreneurs in the industrial development and thus providing number of facilities and incentives to motivate them for undertaking industrial projects. 3. Balanced regional development: There has been always an issue related to regional disparities.

Development bank helps in curbing these regional disparities by providing funds to the entrepreneurs at low rate of interest if the organisation is planned in the backward areas. This would lead to the development of all areas thereby making balanced regional development. 4. Filling gaps: It is not possible for the commercial banks to fulfill all financial needs of all the customers. Absence of organised capital market, absence of adequate facilities for financing industries arise the problem of slow development of industrialisation.

Such development banks can fulfill the credit gap. They provide long- term funds for industries where gestation period may be longer. 5. Helps government: Government formulates financial policies with the help of development banks. They also help in implementing these policies.

For example, NABARD bank is set up as an apex development bank for extending support to the rural areas. It helps the government in matters relating to the rural development, offers training and research facilities for banks working in the field of rural development, and acts as a regulator for co-operative banks and RRBs. paper paper -X