

# [The the form of loans, underwriting and direct](https://assignbuster.com/the-the-form-of-loans-underwriting-and-direct/)

The IDBI was established under the Industrial Development Bank of India Act, 1964. It remained a wholly-owned subsidiary of the Reserve Bank of India till 1976, when it was taken over by the Government of India.

The main function of the IDBI is to provide credit and other facilities for the development of industry, to coordinate the work of institutions engaged in financing, to promote or develop industries and to assist the development of such institutions. Its programme can be classified into following categories: Direct Financial Assistance to Industries: It provides direct assistance in the form of loans, underwriting and direct subscription to shares and debentures and guarantees. Loans, as a form of direct finance, constitute the major part of the IDBI’s financial assistance to industries. Indirect Financial Assistance to Industries: This form of assistance is generally routed through some other financial institutions like commercial banks, state financial corporations, etc.

The assurance takes the form of refinancing of industrial loans, rediscounting of bills, subscription to shares and bonds of financial institution and seeks capital assistance. Assistance to Backward Areas and Small-scale Industries: To encourage industries in backward areas it provides direct financial assistance in the form of loans at concessional rates, concessional refinance assistance to projects in backward areas and special concessions to projects in the North-East. Small-scale industries have been provided with financial assistance at concessional terms. Small Industries Development Fund was established under its aegis in 1986 to facilitate the development assistance in this sector. IDBI has taken steps to reshape its role from a development finance institution to a commercial institution. With the Industrial Development Bank Act, 2003 IDBI attained the status of a limited company, i. e. Industrial Development Bank of India Limited.

Consequently, erstwhile Development Financial Institution of the country formally entered the portals of banking business as IDBIL from Oct. 1, 2004 over and above the business currently transacted.