

P R E F A C E

For four decades since World War II Third World countries witnessed a mushroom growth of development finance institutions (DFIs) in the public sector. Some studies at the behest of the World Bank during the eighties have revealed that the industrial DFIs are usually caught into the trap of long arrears after 10-15 years' operation, and that, the majority of them are in the red. They are still retained in the business because their respective governments believe that they can be, and have indeed been, an effective media for the accomplishment of national development objectives. To them, the establishment of DFIs are a strategy for rapid industrialization. Thus the only raison de etre of the financially weak DFIs is their logistic support to the realization of development objectives. This study seeks to investigate whether an industrial DFI in India can lend that support at all.

As the title of the thesis indicates, we intend to probe into the problem here in a broader perspective. Taking the case of Industrial Development Bank of India (IDBI), the country's apex industrial DFI, we study the relevance of IDBI in Indian development scenario so as to identify the objectives which the Bank is required to fulfil. This has been done in two chapters. While Chapter 1 searches for the genesis of DFIs in India in general with a view to identifying their relevance, and hence their objective profile, we discuss in Chapter 2 the relevance of IDBI in the presence of another public sector industrial DFI, viz. Industrial Finance Corporation of India (IFCI).

The following four chapters are intended to assess IDBI's efficiency in channelizing credit in harmony with the fund requirement for the accomplishment of development objectives. Chapter 3 develops an appraisal methodology after duly reviewing the literature, both the mainstream and allied. IDBI's efficiency are then assessed with respect to its three broad development objectives in three consecutive chapters. The observations and policy implications are summarized in Chapter 7.

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