


Subject: Tourism & Hospitality

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**Paper 16: Tourism and Hospitality Entrepreneurship and
Legal Environment**

Module 34: Role of institutions for financial support to entrepreneurs



THE DEVELOPMENT TEAM

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| ITEMS | DESCRIPTION MODULE |
|------------------------|--|
| Subject Name | Tourism & Hospitality |
| Paper Name | Tourism and Hospitality Entrepreneurship and Legal Environment |
| Module Title | Role of institutions for financial support to entrepreneurs |
| Module Id | Module No-34 |
| Pre- Requisites | Basic knowledge about financial institutions at centre & state level giving support to entrepreneurs |
| Objectives | To Know About the organisations/institutions which give financial help to the entrepreneurs |
| Key Words | Preference share, debentures, underwriting, diversification, rehabilitation, micro credit. |

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QUADRANT I

ROLE OF INSTITUTIONS FOR FINANCIAL SUPPORT TO ENTREPRENEURS

LEARNING OBJECTIVES

- To understand the need for financial institutional support to entrepreneurs
- To know the types of financial institutions providing assistance to entrepreneurs
- Role and functions of various institutions at the National and State level
- Role of Commercial Banks to entrepreneurs
- To understand the role of Regulatory Institutions
- Difference between Banking and Non-Banking Intermediaries

INTRODUCTION

Entrepreneurial activities and growth of small scale industries have contributed immensely in economic development of India. Since the adoption of five year plans the government is also paying special attention to the growth of entrepreneurship development. It has implemented a large number of policies and programs along with several incentives and types of assistance to boost small and medium enterprises. The government has setup many financial institutions at the Central and State level to provide assistance to entrepreneurs. Entrepreneurs require finance for various activities at different phases starting from consultancy research and development till marketing of the products and also for modernization and expansion of their plant.

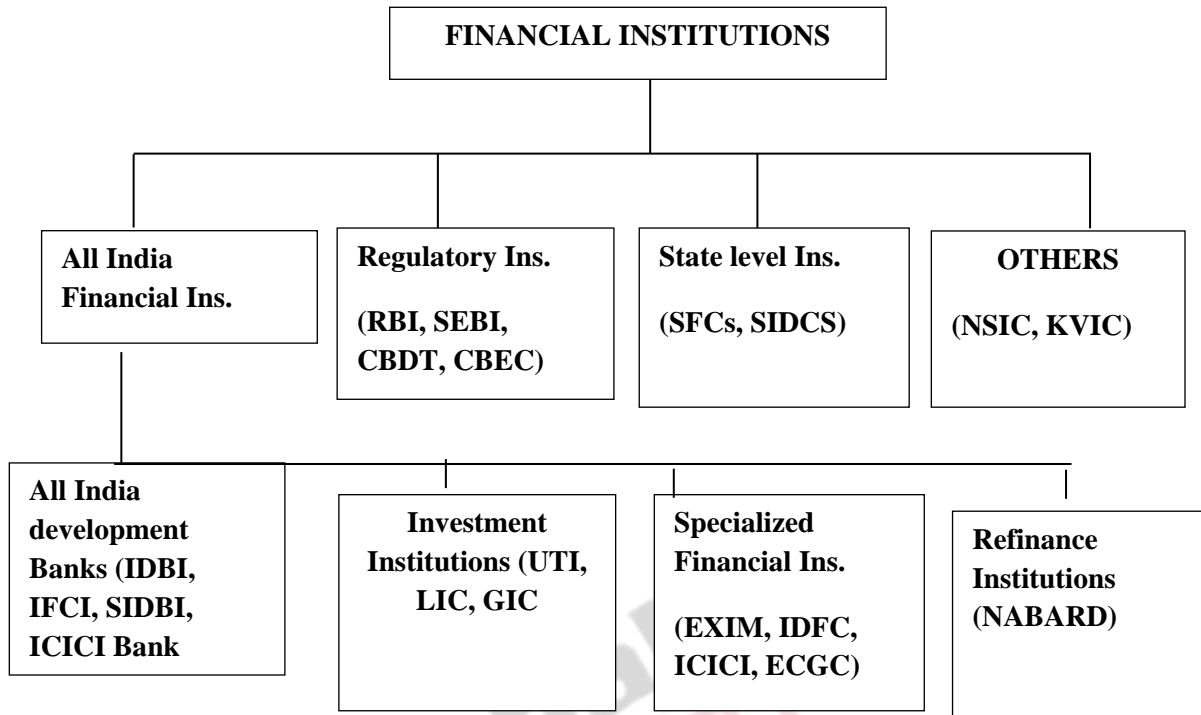


Fig. 1. Types of Financial Institutions

1. FINANCIAL INTERMEDIARIES

A financial intermediary is an institution that makes easy the flow of funds between lenders and borrowers indirectly. The lenders give funds to an intermediary institution (such as a bank) which is then passed on to the borrowers in the form of loans or mortgages. Intermediaries are both banking and non-banking intermediaries.

1.1. Banking intermediaries:

- Central Bank
- Commercial Bank
- Specialized Bank

- Post office Saving Banks

1.2. Non-Banking intermediaries:

- Equipment leasing Companies
- Hire Purchase Financial Companies
- Loan Companies
- Investment Companies
- Residuary Non-Banking Companies
- Mutual funds
- Micro financial Companies
- Housing Finance Companies
- Insurance Companies
- Stock Broking Companies
- Merchant Banking Companies

2. DIFFERENCES BETWEEN BANKS AND NON-BANKING FINANCIAL CORPORATION (NBFC):

| BASIS OF COMPARISON | BANKS | NBFC |
|---------------------|---|--|
| Meaning | Bank is a government authorized financial intermediary that aims at providing banking services to the general public. | NBFCs provide banking services without holding a bank license. |
| Incorporation | Banking Regulation Act, 1949 | Companies Act, 1956 |

| | | |
|-------------------------------|--|--------------------------|
| Demand deposit | Accepted | Not accepted |
| Foreign investment | Allowed up to 74% for private sector banks | Allowed up to 100% |
| Payment and settlement system | Integral part of the system | Not a part of the system |
| Maintenance of reserve Ratios | Compulsory | Not required |
| Deposit Insurance facility | Available | Not available |

3. ALL INDIA FINANCIAL INSTITUTIONS (AIFIS)

3.1 Industrial Development Bank of India (IDBI)

IDBI, a wholly owned subsidiary of Reserve Bank of India was established in 1964 under an Act of parliament. But in 1976, the ownership of IDBI was transferred to the government of India for financing. Promoting and developing industry in India. After the public issue of IDBI in July 1995 the Government shareholding came down to 75%. Some of the institution build with the support of IDBI are the Securities and Exchange Board of India (SEBI), National Stock Exchange of India (NSE), the national Securities Depository Limited (NSDL), the Stock Holding Corporation of India Limited (SHCIL), the Credit Analysis and Research Ltd., the Exim Bank India, the small Industries development Bank of India (SIDBI) and the Entrepreneurship Development Institute of India with the Industrial development bank (Transfer of Undertaking and Repeal) Act, 2003 it became IDBI Ltd.

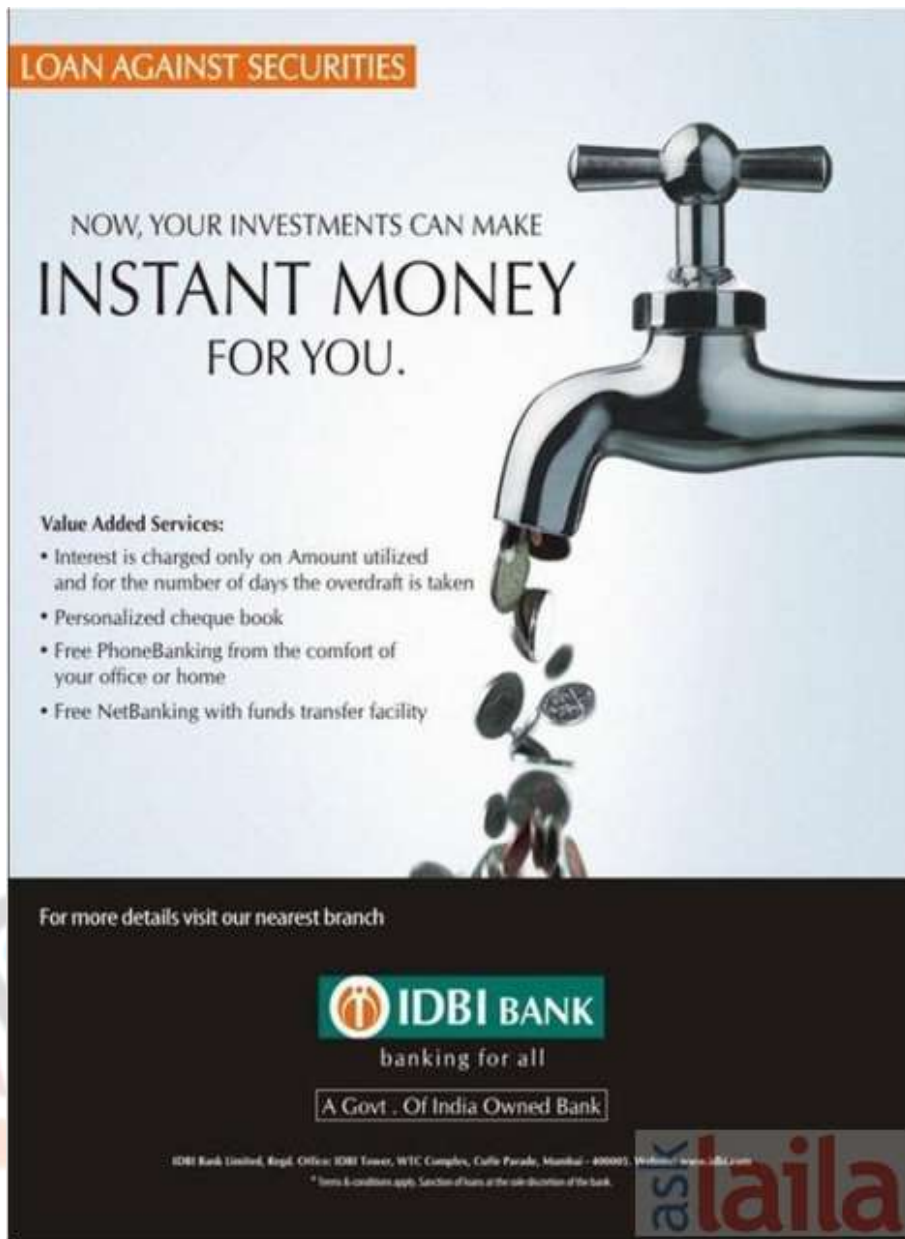


Fig. 2. A promotional pamphlet of IDBI

Functions of IDBI:

- Financial assistance for the establishment of new project as well as for expansion, diversification, modernization and technology up gradation of existing industrial enterprises.

- It undertakes promotional activities for new entrepreneurs, provides consultancy services to small and medium enterprises, upgradation of technology and programs for economic upliftment of the underprivileged.
- TCOs provide services to small and medium enterprises in the selection, formulation and appraisal of projects, their implementation and review.
- It has also provided support to Science and Technology Entrepreneur's Park, Energy Conservation, Common Quality Testing Centers for small industries.

It is currently the India's largest financial institution.

3.2 Industrial Finance Corporation of India (IFCI)

IFCI was established in 1948 under an Act of Parliament and was later on transformed into a corporation in 1993. It provides assistance only for productive purposes, such as purchase of machinery, building factory, buying land, new industrial project as well as expansion, diversification, modernization of existing units.

Functions of IFCI:

- Direct Financing - These include loans and advances, underwriting the issue of stock, shares, bonds and debentures of industrial concerns, subscribing to equity, preference share and debentures of companies, foreign currency loans etc.
- New Promotional activities-
Promotional activities include fourteen promotional schemes, eight consultancy fee subsidy schemes, four interest subsidy schemes and two entrepreneurship development schemes

The consultancy Fee Subsidy Schemes are meant for Village and Small Industries (VSI) through Technical Consultancy Organization (TCOs). The Interest Subsidy scheme provide

encouragement for self-employment to youths, women entrepreneurs so that they adopt quality control measures and help in increasing use of indigenous technology. The Entrepreneurship Development Schemes help to provide self-employment in tourism related activities. It also helps to revive sick units to retain employees.

3.3 The Small Industries Development Bank of India (SIDBI)

SIDBI was set up under a special Act of the Parliament in October 1989 as a wholly owned subsidiary of the IDBI and commenced its operations from April 2, 1990. The Credit Rating Information Services of India Ltd. has rated SIDBI with 'AAA' grade for its unsecured bonds.



Fig. 3. SIDBI Products and Services

Functions of SIDBI:

- Indirect assistance is provided to SSIs through a large network of 913 PLIs in the country. Refinance is provided for expansion, technology up gradation, modernization, quality promotion, diversification of existing units and rehabilitation of sick units. Refinance is also given for cyber cafes, nursing homes, industrial infrastructure and to promote hotel and tourism activities to qualified professional for self-employment.

- Direct assistance is provided through Regional Offices across the country. It includes setting up of new SSI units, technology up gradation and diversification, acquiring of ISO900 service certification, development of markets for SSI sector, discounting of bills/ exchange, manufacturing, pre-shipment and post-shipment credit and Export Bill Finance etc.
- Foreign currency loans to import equipment, loans to execute export orders, export bills financing in foreign currency.
- SIDBI's Venture Capital includes fund for Software and IT Industry, assistance for innovative indigenous technology and expertise.
- Support services and development services for rural industrialization, technology up gradation, market promotion, dissemination of information etc.
- SIDBI Foundation for Micro Credit was launched in January 1999 for channelizing funds to the poor. Besides, Rural Industries Program (RIP) is executed through Non-Governmental Organizations, Technical Consultancy Organizations and development Professionals to provide training and credit, motivation and information to SSI.

3.4 Industrial Credit and Investment Corporation of India Ltd. (ICICI)

The Industrial Credit and Investment Corporation of India Ltd. was set up under the Indian Companies Act in January 1955. The main objective is to meet the needs of the industry for permanent and long term funds in the private sector. The other objectives are; to assist in the expansion of market, to provide finance for equipment, and rehabilitation of industrial units.

Functions of ICICI:

- It guarantees loans from other private investment sources.

- It provides other financial services such as deferred credit, leasing credit, installment sale, asset credit and venture capital.

It provides assistance by way of rupee and foreign currency loans and direct subscriptions to shares/ debentures and guarantees.

4. REGULATORY INSTITUTIONS

4.1 Reserve Bank of India (RBI) - The preamble of the Reserve Bank of India Act (1934), under which it was constituted, specifies its objectivities "as to regulate the issue of Bank notes and keeping the reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage".

Functions of the RBI:

- Monetary policy
- Regulation and supervision of the banking and non-banking financial institutions, including credit information companies
- Regulation of money, forex and government securities markets
- Debt and cash management for Central and State Governments
- Management of foreign exchange reserves
- Banker to banks
- Banker to the Central and the State Governments
- Currency management
- Development role

4.2 Security and Exchange Board of India (SEBI) - The SEBI Act was passed on 13th January 1992 with the following objectives:

- To protect the interest of investors and the steady flow of savings into the capital market.
- To regulate the securities market and ensure fair practices.
- To promote efficient services by brokers, merchant bankers and financial intermediaries.

Functions of SEBI include both regulatory function and Developmental functions. Developmental functions are important from entrepreneur's point of view as it helps in training of entrepreneurs.

4.3 Central Board of Direct Taxes (CBDT) - The CBDT is a statutory authority functioning under the Central Board of Revenue Act, 1963.

The essential functions of the CBDT include:

- Provision of essential inputs, ideas and requirements for planning and policy in India with regard to direct taxes.
- Helps in administration of direct taxes through income tax department.
- Public grievances
- Insures that the cabinet decisions are implemented

4.4 Central Board of Excise and Customs - renamed as Central Board of Indirect Taxes and Customs is the nodal agency responsible for administering Customs, Central Excise Services tax and Narcotics in India.

5. INVESTMENT INSTITUTIONS

5.1 Life Insurance Corporation of India (LIC)

The life Insurance Corporation of India, as a wholly - owned corporation of the Government of India, on nationalization of the life insurance business in the country was set up under the LIC Act in 1956. LIC operates a variety of social security schemes for individuals and groups across various segments of society.

Functions of LIC:

- LIC invest not less than 75% In Central and State Government securities including Government - guaranteed marketable securities in the form of shares, bonds and debentures.
- It provides loans for infrastructure facilities like housing, rural electrification, water supply, sewerage.
- It provides financial assistance to the corporate sector by way of term loans and underwriting subscription to shares and debentures.



"DAD, DO YOU REALLY THINK TRYING TO SELL ME LIFE INSURANCE COUNTS AS QUALITY TIME?"

After the passage of Insurance Laws (Amendment) Bill, 2015 which sets a higher cap on foreign investment in insurance joint ventures, nearly all foreign Joint venture partners have shown interest in increasing the equity state in their respective joint ventures. In the financial year 2016-17 the Indian life insurance industry is likely to report 12-15 % growth.

5.2 General Insurance Corporation of India (GIC)

The General Insurance Corporation of India was formed in pursuance of section a (1) of General Insurance Business (Nationalization) Act (GIBNA). It was incorporated on 22 Nov. 1972 under the companies Act, 1956. After a process of mergers and consolidation, GIC was re-organized with four fully owned subsidiary companies: National Insurance Company limited, New India Assurance Company limited, Oriented Insurance Company limited and United India Insurance Company.

In November 2000, GIC was notified as India's Re insurer and no longer a holding company of its subsidiaries. GIC is the sole Re- Insures of India. Is now called GIC Re. It has emerged as an important Re- Insurer in SAARC countries, Southeast Asia, Middle East and Africa, Europe and America. It had a net income of Rs 28.48 billion and revenue of Rs 184.36 billion in 2015-16. It has been extending term loans to industries and providing facilities for underwriting/direct Subscription to their shares and debentures.

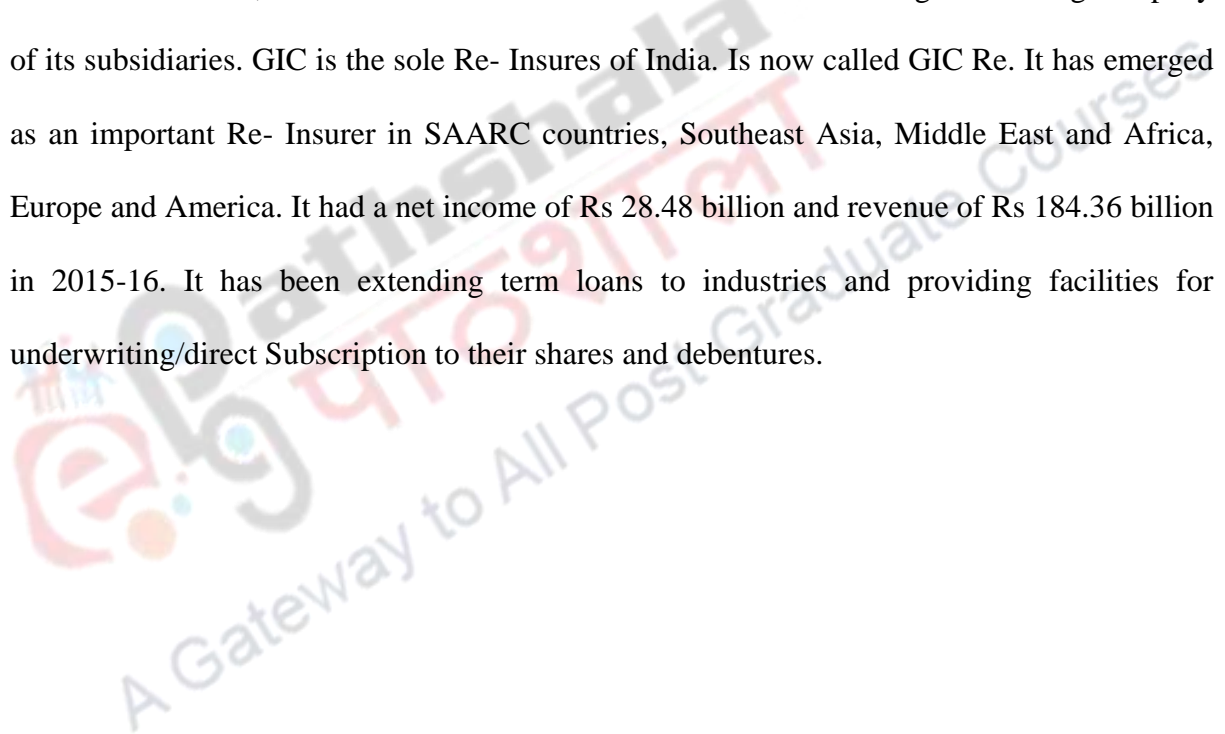




Fig. 4. Drivers of GIC (Source: www.everestgrp.com)

5.3 Unit Trust of India (UTI)

The Unit Trust of India (UTI) was established under an Act of Parliament in 1964. Its subsidiaries include UTI Ventures, UTI Investment Advisory Services Ltd, UTI Investment Ltd, and UTI Capital. The number of investors on May 2017 is more than 7 lac and this product is suitable for investors who are seeking long term capital growth and investment in equity instrument of companies with good growth prospects. It was delinked from RBI and IDBI took the regulatory and administrative control.

The main objectives are:

- To stimulate and pool the savings of the middle and low income groups.

- To provide assistance to the corporate sector by way of term loans and underwriting subscription to shares/debentures.
- To enable unit holders to share the benefits and prosperity of the industrialization in the country.

6. SPECIALIZED FINANCIAL INSTITUTIONS EXPORT IMPORT BANK (EXIM)

The Exim Bank was set up on January 1, 1982 to promote India's foreign trade to promote India's foreign trade by providing financial assistance to exporters and importers.

Functions of EXIM:

- It Provides finance for joint ventures in foreign countries.
- Provides technical and administrative assistance to the parties engaged in export and import business.
- Dissemination of advisory services and advance information to the foreign governments and banks
- The Bank offers buyer's credit and lines of credit to the foreign governments and banks. It undertakes merchant banking functions of companies engaged in foreign trade.

A 'cluster of Excellence' Program was introduced to obtain ISO 9000 certification. Three schemes were introduced to promote exports.

These are:

- Production Equipment Finance Program
- Export marketing finance
- Export Vendor Development Finance.

As on March 31, 2017, Bank has so far provided Finance to 587 Ventures set up by over 457 companies in 78 countries. Aggregate assistance for overseas investment: Rs 52,913.07 crore.

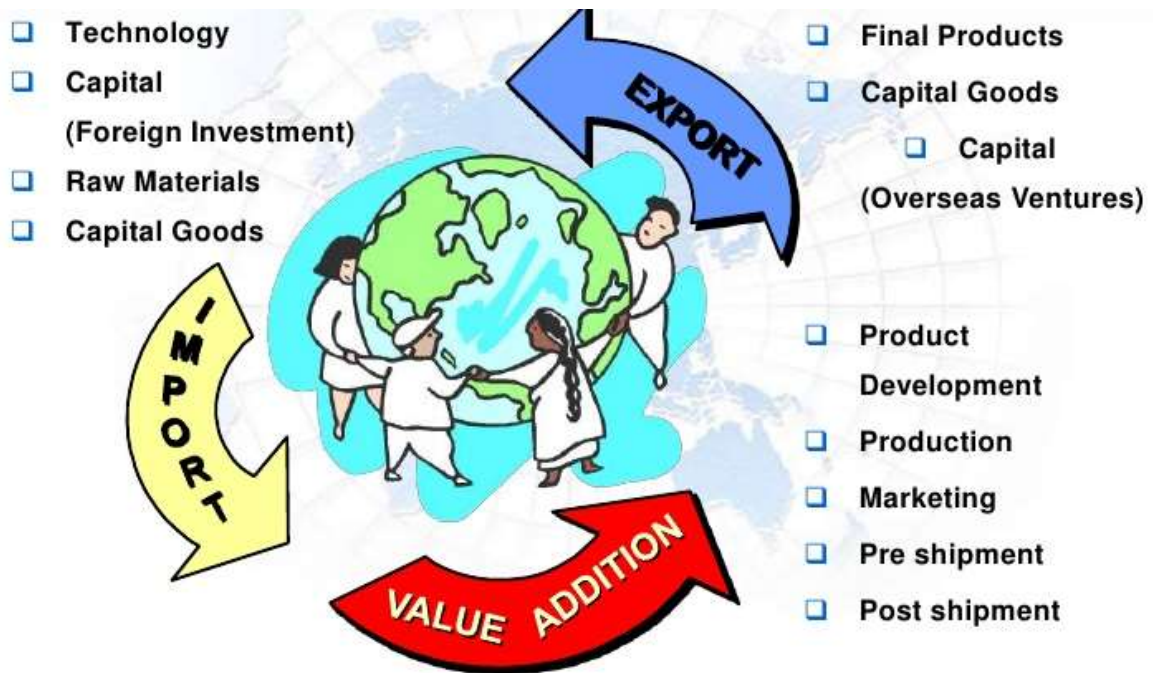


Fig. 5. EXIM Bank: Partner in Globalization

7. STATE LEVEL INSTITUTIONS

7.1. State Financial Corporations (SFCs)

The state financial corporations were set up under the state financial corporations Act, 1951. It provides medium and long term finance to small and medium industries. There are 18 SFCs functioning in different states of India. In order to get financial accommodation, the industrial concern must be engaged in any of the following activities.

- Manufacturing, preservation or processing of goods;

- Mining;
- Hotel industry;
- Road transport;
- Generation or distribution of electricity or any other form of power;
- Development of any area of land as an industrial estate;
- Fishing or providing shore facilities for fishing or the manufacture thereof;
- Providing special or technical knowledge or other services for the promotion of industrial growth.

Functions:

- SFCs undertake the issue of stock, shares, bonds or debentures of industrial concerns and grant loan and advances repayable within a period not exceeding 20 years.
- Guaranteeing the loan raised by industrial concerns on such terms and conditions as may be mutually agreed upon, but they should be repayable within 20 years.
- SFCs guarantee deferred payments of the industrial concern which purchases capital goods within India.
- It undertakes the issue of stocks, bonds or debenture of industrial concern, subject to their being disposed off in the market within 7 years.
- It provides for discounting of bills of exchange.
- SFCs participate in the equity capital of the small scale industrial units being set up in rural areas.

SFCS also play the role of promotional agency by diversification of funds. Almost every state in India has its own SFC and renders the same function. Some of the examples are:

- Punjab Financial Corporation
- The Tamil Nadu Industrial Investment Corporation (TIIC)

- Karnataka State Small Industries Development Corporation LTD. (KSSIDC)
- West Bengal Financial Corporation
- Himachal Pradesh Financial Corporation etc.

7.2. State Industrial Development Corporations (SIDCS)

The State Industrial Development Corporations (SIDCS) were established under the company Act, 1956 and it is owned by the state Government for the promotion and development of medium and large industries.

There are 28 SIDCS in the country. The Board of Directors nominated by the state governments look after the affairs of SIDCS. The various promotional activities undertaken by SIDCS include preparation of feasibility reports, industrial potential surveys, entrepreneurship development programs and development of industrial estates. The other activities are equipment leasing, providing tax benefits under state government's package Scheme of incentives, merchant banking services and setting-up of mutual funds. They also provide services such as technical guidance, assistance in plant location and coordination with other agencies.

The Functions of SIDCS:

- Grant of financial assistance to industrial units by providing loans, guarantees and lease finance also.
- Administer all those incentive schemes provided by the Central/ State Governments for less developed regions.
- Provide risk capital to entrepreneurs by way of equity participation and seed capital assistance.

However, there is diversity in the activities of SIDCS that depend on the extent of industrialization and institutional network existing in the state.

8. THE NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD)

The national Bank for Agriculture and Rural Development came into existence on July 12, 1982. With its establishment, NABARD has taken over the Agricultural Refinance and Development Corporation and has taken over from the Reserve Bank of India its refinancing in relation to the State Co-operative Rural Banks. The NABARD has the power to provide short term refinance assistance for periods not exceeding 18 months and 7 years for medium term loan to state Cooperative Banks, Regional Rural Banks and any financial institutions approved by the RBI for financing of agriculture operation or marketing of crops. The long term loans can extend up to a maximum period of 25 years.

NABARD provides two types of refinance:

- To Regional Rural Banks (RRBS) and apex institutions and State government,
- The refinance is extended to augment resources for ground level development to rural credit.

Schemes Offered by NABARD:

8.1. Micro Finance

Assistance to Self Help Promoting Institutions (SHPIs) for promotion and linkage of SHGs

- Micro Enterprise Development Program (MEDP) to provide supplemental support to develop/ upgrade skill and business acumen SHG members for taking up income generating activities (IGAs)

- Schemes for providing technical support for NGOs.
- Incentive for promotion of Joint Liability Groups (JLGs) of SF/MF/ Tenant Farmers and Share Croppers under farm sector.

8.2. Support under Financial inclusion fund (FIF) to meet developmental and promotional interventions.

8.3. Rural Entrepreneurship Development Programme (REDPs) for Non- farm sector. This includes skill development programme, Rural Haats, Solar Home lighting system, Credit linked Capital Subsidy Scheme (CLCSS) for technological up-gradation.

8.4. NABARD Promotional fund scheme for farm innovation (FIPF), Farmer's Technology Transfer Fund) (FTTF), Umbrella Program for Natural Resource Management (UPNRM), Tribal Development Fund (TDF), Watershed Development fund (WDF).

8.5 Production Credit support

8.6 Rural infrastructure Development

8.7 Village Development Program (VDP)

It is a convergence program of different agencies working at the village level. Thus, this apex institution is accredited with all matters concerning policy, planning and operation in the field of credit for agriculture and other economic activities in rural areas. NABARD plans to raise Rs 50,000 crore by the fiscal year march 2018 against Rs. 40,000 in 2016-17. For financial year 2018, NABARD plans to increase its lending to over Rs. 10 Lakh crore. It will also refinance between Rs. 7,000 crore to Rs. 10,000 crore through a government owned special purpose vehicle (SPV) for the Pradhan Mantri Awas Yojana (PMAY). The government has earmarked Rs. 3,500 crore in financial year 2018 as against Rs. 1,400 crore last year as capital.

9. NATIONAL SMALL INDUSTRIES CORPORATION LTD. (NSIC)

The National Small Industries Corporation Ltd. (NSIC) was set up in 1955 by the government of India with a view to promoting, aiding and fostering the growth of small scale industries in the country. Initially the corporation had four subsidiary corporations at Delhi, Mumbai, Kolkata and Chennai, In 1961, all the subsidiary corporations were merged with the main corporation. Now, three branch offices exist in Mumbai, Kolkata and Chennai.

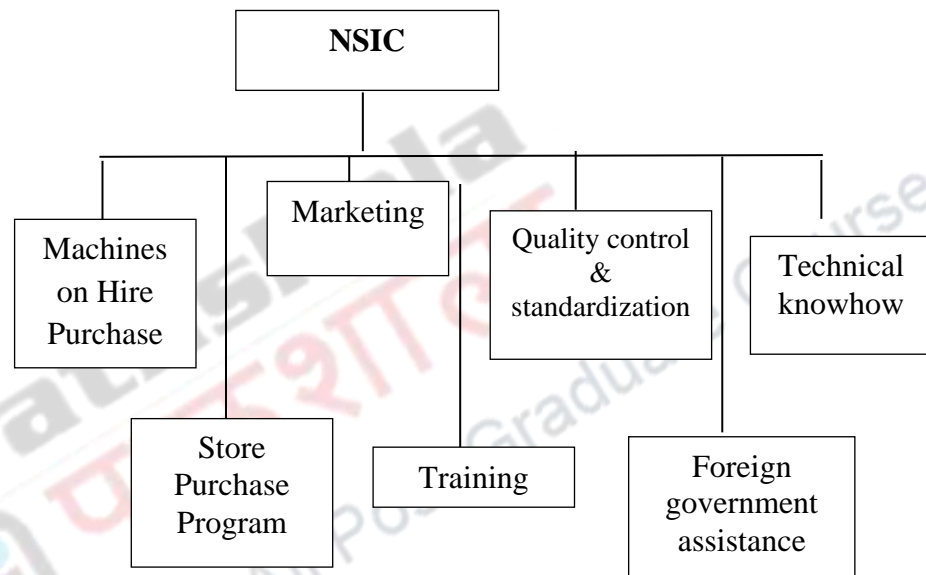


Fig. 6. Activities of NSIC

Functions:

- **Composite Term Loan Scheme** has been launched to benefit the entrepreneurs existing and prospective entrepreneurs to acquire land and building, machinery capital under one roof.
- To facilitate SMEs to expand their capacities or diversify their technology.

Equipment leasing is provided as per the market needs.

- **Hire Purchase Schemes:** Woman entrepreneurs, weaker sections, handicapped and ex-servicemen and SC/St entrepreneurs get special focus when indigenous and imported machinery and equipment on easy financial terms are supplied.
- **Working Capital Finance:** In case of emergent requirements by viable and well managed units on selective basis, the schemes helps to provide working capital to help them to pay off their purchase of consumable stores, spares and production related overheads.
- **Marketing Support:** NSIC try to bring SMES Closer to various Governmental purchasing agencies. These agencies then get the knowledge about SMEs, their quality goods and services, economic prices and delivery schedules.
- **Tender Marketing:** SSTs lack brand equity and credibility and also have limited finance. To help them, NSIC participates in bulk local/ global tender on behalf of SSIs.
- **Government Stores Purchase Program:** The units participating in this program have to register them with the corporation. They can get benefits like free supply of tender forms, exemption from payment of earnest money, security deposits, etc.
- **Technology Upgradation and Software Technology Parks:** The NSIC has set up a Technology Parks Transfer Centre and all information is provided to on-line connections Software Technology Park Company has been set up under software Technology Parks of India (STPI) for 100% export of Software. NSIC- STP provides high speed better communication facilities, uninterrupted power supply, modern business center and other administrative support.
- **Assist in exports:** For this NSIC provide exposure to the products of SSEs in trade fairs, testing, facilities, pre-shipment credit facility, export incentives etc. The NSIC

has adopted an integrated approach for promoting and developing small industries and to achieve its socio-economic objectives.



Fig. 7. A unique package of assistance for small entrepreneur.

10. KHADI AND VILLAGE INDUSTRIES COMMISSION

The KVIC was established in 1956 under the KVIC Act and only ten village industries were listed but after the amendment of the Act in July 1987, seventy more new village industries were brought under it.

Functions:

- KVIC is intensifying industries in rural areas and promoting rural employment.
- It provides training for skill improvement and good technology for standardization and quality control.

- KVIC gives sales promotion help to rural entrepreneurs as they use local raw materials and local skills.
- Export incentive is given for better design and development.

The Khadi program comprises of hand spun and hand woven cotton, woolen, muslin and silk varieties, the village industry programs are the following:

- Mineral based industry
- Forest based industry
- Agro based and food processing industry
- Polymer and Chemical based industry
- Rural engineering and Bio- Technology industry.
- Handmade paper and Fire industry and service industry.

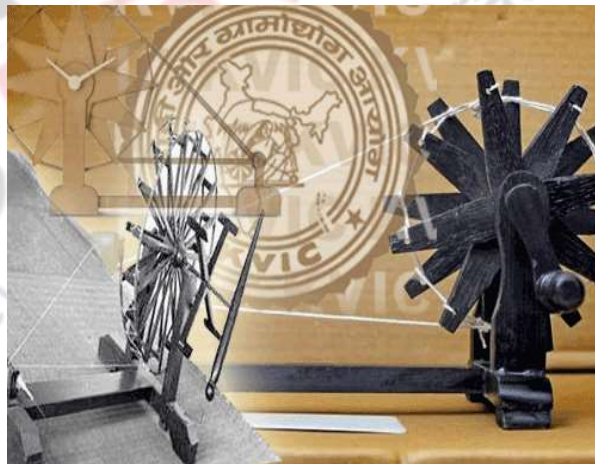


Fig. 8. (Source: <http://knnindia.co.in>)

KVIC is functioning under the administrative control of the Ministry of Micro, Small and Medium Enterprises. Its head office is in Mumbai and six zonal offices in Delhi, Bhopal, Bangalore, Kolkata, Mumbai and Guwahati. At the Head office different Directorates have been established to coordinate the function like training, marketing, funding, economic

research and rural employment Generation Program (REGP) etc. All this has led to an increase in the production of village industries from 25, 298 crore in 2013-14 to 26, 965 crore in 2015-16.

11. COMMERCIAL BANKS

Commercial Banks are the primary channel for working capital requirement all over the country. However, about 40% of the overall lending is compulsory for priority sectors include agriculture, small industries, export, etc.

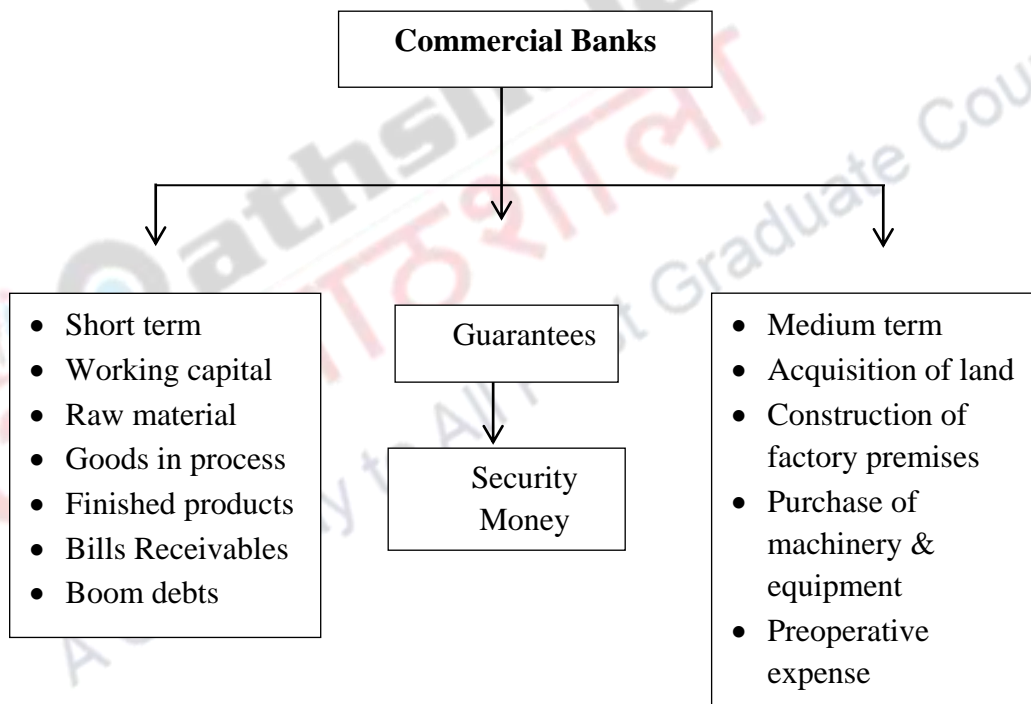


Fig. 9. Types of assistance by commercial Banks

The banks apart from extending term loans provide all assistance at the stages of project conception, formulation and implementation.

CONCLUSION

Industrialization with special emphasis on small sector is the prime focus of Government of India. It has set up a number of financial institutions at the all India and State level. These institutions provide not only financial facilities but other types of assistance also, such as, availability of raw material, marketing of products, training of personnel, developing infrastructure and promoting exports.

REVIEW QUESTIONS

1. Discuss the role of IDBI in financing small enterprises in the country.
2. What are the main functions of SIDBI? Discuss the various types of assistance it provides to small enterprises.
3. Give an account of financial assistance provided by IFCI to small entrepreneurs.
4. Why was EXIM Bank set up? Discuss the various types of assistances the Bank provides to the entrepreneurs engaged in export and import business in India.
5. How do the SFCs contribute to the development of small entrepreneurs in the country? Discuss.
6. State the need for institutional finance for enterprises. Which are institutions providing finance to enterprises at the all India level?
7. What are the problems encountered by the small entrepreneurs in getting financial assistance from financial institutions in India?

MULTIPLE CHOICE QUESTIONS

- 1) One of the following functions of IDBI is to assist other financial institution by ____ of loans granted for exports.
 - a) planning
 - b) refinancing
 - c) both (a) and (b)
 - d) None of these
- 2) State level financial institutions are.
 - a) SFCs
 - b) SIDC
 - c) SIIC
 - d) All of the above
- 3) The primary objective of IDBI is to ____ regulate and supervise the working of other financial institutions like IFCI, SFCs, UTI.
 - a) Co-ordinate
 - b) Control
 - c) planning
 - d) none of the above
- 4) All Indian Financial Institutions are
 - a) IDBI
 - b) IFCT
 - c) ICICI
 - d) all of the above
- 5) Industrial Development Bank of India is ____
 - a) wholly – owned government of India undertaking
 - b) wholly – owned subsidiary of RBI
 - c) corporation owned by public sector banks
 - d) public limited company
- 6) The UTI was established in
 - a) 1962
 - b) 1963
 - c) 1964
 - d) 1965
- 7) The biggest commercial bank in India is ____
 - a) RBI
 - b) SBI
 - c) IDBI
 - d) EXIM Bank of India
- 8) Which is the open institution to provide credit facility to agriculture and rural development?
 - a) NABARD
 - b) SBI
 - c) RBI
 - d) National co-operative Bank of India
- 9) Which of the following all the quantitative techniques of RBI?
 - a) CRR
 - b) SLR
 - c) Open Market Operations
 - d) All of the above

- 10) ICICI is a
- a) financial institution
 - b) rural development bank
 - c) cooperative bank
 - d) space research Institute
- 11) The advance value of LIC policy is linked with
- a) face value
 - b) surrender value
 - c) paid up value
 - d) depending on the age of policy holder
- 12) The portion of total deposits of a commercial bank which it has to keep with RBI in the form of cash reserves is termed as.
- a) CRR
 - b) bank rate
 - c) SLR
 - d) repo rate
- 13) Total number of RRBS now functioning is
- a) 84
 - b) 98
 - c) 112
 - d) 154
- 14) SEBI is a
- a) regulatory authority
 - b) both (a) and (b)
 - c) statutory authority
 - d) none of those
- 15) Who is the custodian of monetary reserves in India?
- a) SBI
 - b) SIDBI
 - c) NABARD
 - d) RBI
- 16) In order to control credit in the country RBI may
- a) buy securities in the open market
 - b) sell securities in the open market
 - c) reduce CRR
 - d) reduce bank rate
- 17) Bank can avail refinance against loans made to industrial units from
- a) DICGC
 - b) NABARD
 - c) ECGC
 - d) IDBI
- 18) SFCs provide finance to

- a) small and medium scale industries
- b) large scale industries
- c) cottage industries
- d) none of the above

19) SIDBI caters to the requirement of

- a) small scale sector
- b) large scale sector
- c) medium scale sector
- d) agricultural sector

20) The Khadi and Village Industries Commission (KVIC)

- 1. was established by an act of parliament
- 2. comes under ministry of rural development
- 3. was established with basic objective to provide employment in rural areas.

Choose the correct answer

- a) only 1&3
- b) only 2&3
- c) only 3
- d) 1,2&3

21) _____ is the first development bank of the country

- a) ICICI
- b) IDBI
- c) SFC
- d) IFCI

22) SIDBI was set up as a subsidiary of _____

- a) IDBI
- b) IFCI
- c) ICICI
- d) SFC

23) Which of the following sources is not used for medium term financing?

- a) Issue of equity shares
- b) Issue of debentures
- c) Term Loans from banks
- d) Sale of current assets

24) _____ is set up for the purpose of financing, facilitating, and promoting foreign brand of India.

- a) Repco bank
- b) SBI
- c) EXIM bank
- d) HDFC

25) Investment in which of the following is most risky?

- a) Equity
- b) Preference shares
- c) debentures
- d) land

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