Development Finance Institutions: IFCI, ICICI, SIDBI, IDBI, UTI, LIC, GIC

**The Need of DFIs**

Development Finance Institutions (DFIs) are organizations that provide financing for private sector projects in developing countries with the aim of promoting economic development and reducing poverty. To effectively achieve their mandate, DFIs require several things:

1. Capital: DFIs need capital to finance projects in developing countries. This capital can come from a variety of sources, including governments, multilateral organizations, and private investors.
2. Skilled staff: DFIs need staff with the skills and experience to assess projects, identify risks, and provide support to the private sector. These staff should also have knowledge of the local context, including cultural, political, and economic factors.
3. Strong governance: DFIs need strong governance structures that ensure transparency, accountability, and effective management of resources. This includes policies and procedures that promote responsible lending practices and risk management.
4. Partnerships: DFIs need partnerships with other organizations, including governments, private sector companies, and other development organizations, to leverage resources, share knowledge, and collaborate on projects.
5. Flexibility: DFIs need to be flexible and adaptable to changing circumstances, including political, economic, and social factors. This may include adjusting lending policies and practices to respond to changing market conditions, and developing new financial instruments to address emerging challenges.
6. Impact measurement: DFIs need to measure the impact of their investments to assess the effectiveness of their strategies and identify areas for improvement. This requires robust monitoring and evaluation systems that track the social, economic, and environmental outcomes of projects.

**Classification of DFIs**

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| **All India DFIs** | **Special DFIs** | **Investment Institutions** | **Refinance Institutions** | **State Level DFIs** |
| IFCI  IDBI  SIDBI  ICICI  ICICI ceased to be a DFI and converted into a Bank on 30 March 2002.  IDBI was converted into a Bank on 11 October 2004. | EXIM Bank  IFCI Venture Capitalist Fund  Tourism Finance Corporation of India.  IDFC. | LIC  Union Trust of India.  General Insurance Corporation. | National Housing Board.  NABARD. | State Financial Corporation.  State Industrial Development Corporations. |

**All India Development Finance Institutions**

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| **IFCI** | **ICICI** | **IDBI** | **SIDBI** |
| IFCI was the first DFI to be setup in 1948. | It was setup in January 1995. | The IDBI was initially set up as a Subsidiary of the RBI. In February 1976, IDBI was made fully autonomous. | SIDBI was setup as a subsidiary of IDBI in 1989. |
| With Effect from 1 July 1993, IFCI has been converted into Public Limited Company. | With effect from April 2002, ICICI has been converted into a Bank. | The IDBI was designated as apex organisation in the field of Development Financing. However, it was converted in a bank wef Oct 2004. | The SIDBI was designated as apex organisation in the field of Small Scale Finance.  The Union Budget of 1998-99 proposed the delinking of SIDBI from IDBI. |
| The key function of IFCI was; granting long-term loans(25 years and above); Guaranteeing rupee loans floated in open markets by industries; Underwriting of shares and debentures; Providing guarantees for industries. | The key functions of ICICI were; to provide long term or medium term loans or equity participation; Guaranteeing loans from other private sources; providing consultancy services to industry. | The key functions of IDBI were; it provides refinance against loans granted to industries; it subscribed to the share capital and bond issues of other DFIs; it also acted as the coordinator of DFIs at all India level. | The key function of SIDBI was; to provide assistance to small scale units; initiating steps for technological up gradation and modernization of SSIs; expanding the marketing channel for the Small Scale Industries product; promotion of employment creating SSIs. |
| IFCI was a public sector DFI. | The ICICI differed from IFCI and IDBI with respect to ownership, management and lending operation. ICICI was a Private sector DFI. | It was a Public sector DFI. |  |

**Investment Institutions**

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| **UTI** | **LIC** | **GIC** |
| The UTI was setup on Nov 1963 after Parliament passed the UTI Act. | LIC was setup in 1956 after the insurance business was nationalised. | The GIC was formed by the central government in 1971. |
| The objective of UTI was to channel the savings of people into equities and corporate debts. The flagship scheme of the UTI was called Unit Scheme 64. | The objective of LIC is to provide assistance in the form of term loans; subscription of shares and debentures;resource support to financial institutions and Life insurance coverages. | The GIC had four subsidiaries; National Insurance Co; New India Assurance; Oriental Insurance; and United India Insurance. |
| In 2002, the Union Cabinet had decided to split UTI into UTI 1 and UTI 2 as a result of the prolonged crisis in UTI. |  | The General Insurance Nationalisation Amendment Act, 2002, has delinked the GIC from its four subsidiaries. |