

UNIT 4

FINANCIAL INTERMEDIARIS

MEANING:

Financial intermediation is a productive activity in which an institutional unit incurs liabilities on its own account for the purpose of acquiring **financial** assets by engaging in **financial** transactions on the market; the role of **financial** intermediaries is to channel funds from lenders to borrowers by intermediating.

The major intermediaries of the primary securities market includes:

1. Underwriters
2. Bankers to an issue
3. Registrars to an issue
4. Share transfer agents
5. Debenture trustees
6. Brokers to an issue
7. Portfolio managers

ROLE:

A merchant banker is the most critical link between a company raising funds and the investors. He plays the role of a promoter, advisor, rehabilitator and an agent for corporate enterprises.

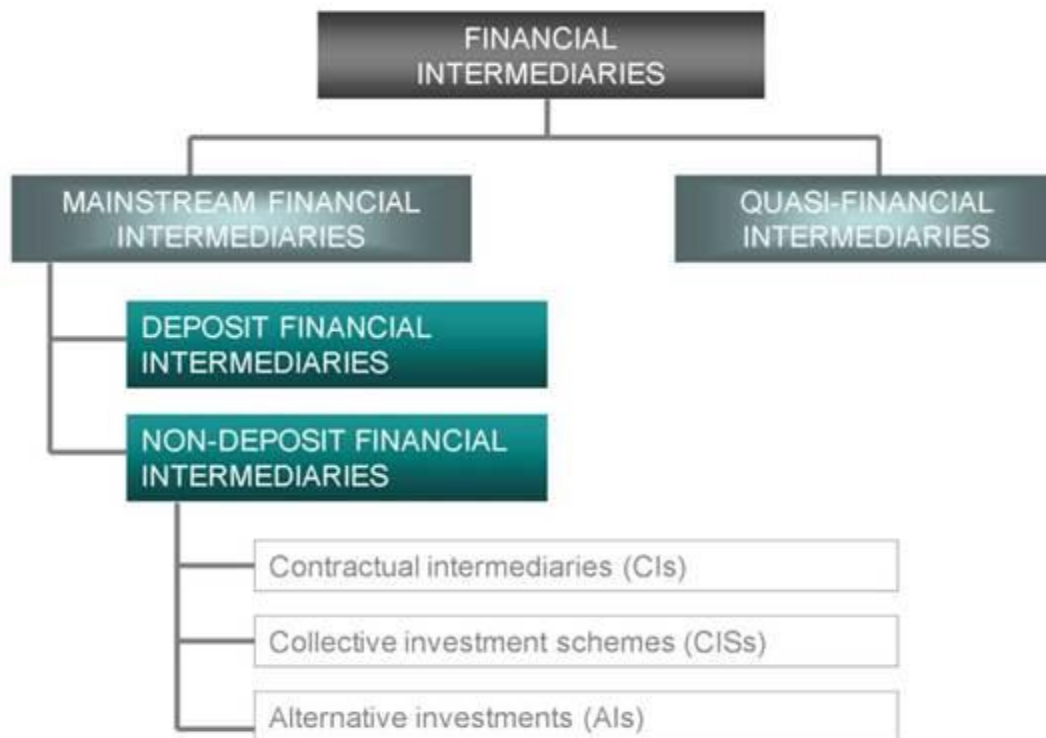
- Acts as a corporate advisor
- . Acts as a rehabilitator
- . Masters in all trading activities
- . He has to possess number of qualities

FUNCTIONS:

1. Project promotion services
2. Project finance
3. Management and marketing of new issues
4. Underwriting of new issue
5. Syndication of credit
6. Leasing services
7. Corporate advisory services

8. Providing venture capital
9. Operating mutual funds and off shore funds
10. Investment management or portfolio management services
11. Bought out deals
12. Providing assistance for technical and financial collaborations and joint ventures
13. Management of and dealing in commercial papers
14. Investment services for non resident Indians
15. Servicing of issues

CLASSIFICATION OF FINANCIAL INTERMEDIARIES :



INDUSTRIAL FINANCE CORPORATION OF INDIA (IFCI) :

Since July 1 1993 the corporation has been converted into a company and it has been given the status of a ltd. Company with the name IFCI Ltd. IFCI has got itself registered with companies act 1956. Before 1 july 1993 general public was not permitted to hold shares of IFCI only government of India , RBI ,SCHEDULED BANKS , INSURANCE COMPANIES , CO-OPRATIVE SOCIETIES were holding the shares of IFCI.

FUNCTIONS:

1. FINANCIAL ASSISTANCE:

- Granting loans and advances to debentures of industrial concerns repayable within 25 years .
- Underwriting the issue of industrial securities.
- Subscribing directly to the shares and debentures of public limited companies.
- Guaranteeing of loans raised by industrial concerns from scheduled banks.
- Acting as an agent of the central government or the world bank .

2. PROMOTIONAL ACTIVITIES :

1. Development of backward areas
2. Promotional schemes
3. Subsidy for adopting indigenous technology
4. Meeting cost of market studies
5. Promoting small scale and ancillary industries
6. Revival of sick units
7. Self- development and Self -employment scheme
8. Meeting cost of feasibility studies

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA(SIDBI):

SIDBI was made responsible for administering Small Industries Development Fund and National Equity Fund that were administered by IDBI before. SIDBI is the Primary Financial Institution for promoting, developing and financing **MSME** (Micro, Small and Medium Enterprise) sector.

Besides focussing on the development of the Micro, Small and Medium Enterprise sector, SIDBI also promotes cleaner production and energy efficiency. SIDBI helps MSMEs in acquiring the funds they require to grow, market, develop and commercialize their technologies and innovative products. The bank provides several schemes and also offers financial services and products for meeting the individual's requirement of various businesses.

Functions:

1. Direct Finance

SIDBI offers Working Capital Assistance, Term Loan Assistance, Foreign Currency Loan, Support against Receivables, equity support, Energy Saving scheme for the MSME sector, etc.

2. Indirect Finance

SIDBI offers indirect assistance by providing Refinance to PLIs (Primary Lending Institutions), comprising of banks, State Level Financial Institutions, etc. with an extensive branch network across the country. The key objective of the refinancing scheme is to raise the resource position of Primary Lending Institutions that would ultimately enable the flow of credit to the MSME sector.

3. Micro Finance

Small Industries Development Bank of India offers microfinance to small businessmen and entrepreneurs for establishing their business.

INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY (IDFC):

IDFC was incorporated on 30 January 1997 with its registered office in [Chennai](#) and started operations on 9 June 1997.^[2]

In 1998 the company registered with the [Reserve Bank of India](#) (RBI) as a [non-banking financial company](#) and in 1999 it formally became a Public Financial Institution. IDFC registered with the [Securities and Exchange Board of India](#) (SEBI) as a merchant banker and as an underwriter in 2000 and in 2001 as a debenture trustee. The company also set up Infrastructure Development Corporation (Karnataka) Ltd (IDECK) pursuant to a

shareholders agreement between IDECK and the State of Karnataka, [HDFC](#) and IDFC.

In 2002, the company incorporated IDFC Asset Management Company Ltd as a subsidiary company and Uttaranchal Infrastructure Development Company Ltd, a joint venture with the [Government of Uttarakhand](#). In 2003 it became an investor in and sponsor of the India Development Fund.

FUNCTIONS:

1. Telecommunication
2. Power generation
3. Roads constructions
4. Ports
5. Railways
6. Urban infrastructure
7. Environment friendly infrastructure
8. Food and agriculture related infrastructure