



16

SOURCES OF LONG-TERM FINANCE

In the previous lesson you learnt about the various methods of raising long-term finance. Normally the methods of raising finance are also termed as the sources of finance. But, as a matter of fact the methods refer only to the forms in which the funds are raised, and hence may or may not include the sources from, or through which the funds are raised. Hence, we must also have an idea about the sources of finance. You will recall that the various sources of long-term finance had been duly identified in the previous lesson. We shall now learn in detail about those sources.



OBJECTIVES

After studying this lesson, you will be able to:

- identify the various sources of long-term finance;
- explain the meaning and importance of capital market;
- identify the special financial institutions in India;
- describe the nature and role of special financial institutions;
- explain the concept of mutual funds;
- describe the role of leasing companies;
- identify the foreign sources of long-term finance;
- explain the importance of retained earnings as a source of long-term finance

16.1 SOURCES OF LONG-TERM FINANCE

The sources of long-term finance refer to the institutions or agencies from, or through which finance for a long period can be procured. As stated earlier, in case of sole proprietary concerns and partnership firms, long-term funds are generally provided by the owners themselves and by the retained profits. But, in case of companies whose financial requirement is rather large, the following are the sources from, or through which long-term funds are raised.



- (a) Capital Market
- (b) Special Financial Institutions
- (c) Mutual Funds
- (d) Leasing Companies
- (e) Foreign Sources
- (f) Retained Earnings

16.2 CAPITAL MARKET

Capital market refers to the organisation and the mechanism through which the companies, other institutions and the government raise long-term funds. So it constitutes all long-term borrowings from banks and financial institutions, borrowings from foreign markets and raising of capital by issuing various securities such as shares debentures, bonds, etc. For trading of securities there are two different segments in capital market. One is primary market and the other is, secondary market. The primary market deals with new/fresh issue of securities and is, therefore, known as **new issue market**. The secondary market on the other hand, provides a place for purchase and sale of existing securities and is known as **stock market** or **stock exchange**.

The new issue market primarily consists of the arrangements, which facilitates the procurement of long-term finance by the companies in the form of shares, debentures and bonds. The companies usually issue those securities at the initial stages of their formation and so also later on for expansion and/or modernization of their activities. However, the selling of securities is not an easy task, as the companies have to fulfill various legal requirements and decide upon the appropriate timing and the method of issue. Hence, they seek assistance of various intermediaries such as merchant bankers, underwriters, stock brokers etc. to look after all these aspects. All these intermediaries form an integral part of the primary market.

The secondary market (stock exchange) is an association or organisation or a body of individuals established for the purpose of assisting, regulating and controlling the business of buying, selling and dealing in securities. It may noted that it is called a secondary market because only the securities already issued can be traded on the floor of the stock exchange. This market is open only to its members, most of whom are brokers acting as agents of the buyers and sellers of securities. The main functions of this market lie in providing liquidity (ready encashment) to securities and safety in dealings. It is because of the availability of such facilities that people are ready to invest in securities. We shall learn more about the capital market in lesson no. 18.

16.3 SPECIAL FINANCIAL INSTITUTIONS (SFI)

A number of special financial institutions have been set up by the central and state governments to provide long-term finance to the business organisations. They also offer support services in launching of the new enterprises and so also for expansion and modernisation of existing enterprises. Some of the important ones are Industrial



Finance Corporation of India (IFCI), Industrial Investment Bank of India (IIBI), Industrial Credit and Investment Corporation of India (ICICI), Industrial Development Bank of India (IDBI), Infrastructure Development Finance Company Ltd. (IDFC), Small Industries Development Bank of India (SIDBI), State Industrial Development Corporations (SIDCs), and State Financial Corporations (SFCs), etc. Since these institutions provide developmental finance, they are also known as **Development Banks** or **Development Financial Institutions (DFI)**. Besides these development banks there are a few other financial institutions such as life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC) and Unit Trust of India (UTI) which provide long-term finance to companies and subscribe to their share and debentures. The main functions of these institutions are:

- (i) to grant loans for a longer period to industrial establishment;
- (ii) to help the establishment of business units that require large amount of funds and have long gestation period;
- (iii) to provide support for the speedy development of the economy in general and backward regions in particular;
- (iv) to offer specialized services operating in the areas of promotion, project assistance, technical assistance services and training and development of entrepreneurs;
- (v) to provide technical and professional management services and help in identification, evaluation and execution of new projects.



INTEXT QUESTIONS 16A

1. Distinguish between new issue market and stock exchange. (Give one point)

2. Give the full form of the following abbreviation.

- (a) DFI _____
- (b) IIBI _____
- (c) SIDBI _____
- (d) SFI _____
- (e) IFCI _____

Let us have a brief idea about some of the Special Financial Institutions.

1. **Industrial Finance Corporation of India (IFCI):** It is the oldest SFI set up in 1948 with the primary objective of providing long-term and medium-term finance to large industrial enterprises. It provides financial assistance for setting up of new industrial enterprises and for expansion or diversification of activities. It also provides support to modernisation and renovation of plant and equipment



in existing industrial units. It can grant loan or subscribe to debentures issued by companies repayable in not more than 25 years. It can also guarantee loans raised from other sources or debentures issued to the public, and take up underwriting of the public issue of shares and debentures by companies. For ensuring greater flexibility to meet the needs of the changing financial system IFCI now stands transformed to IFCI Ltd. with effect from 1 June 1993.

2. **Industrial Credit and Investment Corporation of India (ICICI):** It was set up in 1955 for providing long-term loans to companies for a period upto 15 years and subscribe to their shares and debentures. However, the proprietary and partnership firms were also entitled to secure loans from ICICI. Like IFCI, the ICICI also guarantees loans raised by companies from other sources besides underwriting their issue of shares and debentures. Foreign currency loans can also be secured by companies from ICICI. In the context of the emerging competitive scenario in the finance sector, ICICI has merged with ICICI Bank Ltd., with effect from 3 May 2002. Consequent upon the merger, the ICICI group's financing and banking operations have been integrated into a single full service banking company.
3. **Industrial Development Bank of India (IDBI):** It was set up in 1964 as a subsidiary of Reserve Bank of India for providing financial assistance to all types of industrial enterprises without any restriction on the type of finance and the amount of funds. It could also refinance loans granted by other financial institutions and offer guarantees for the loans raised from the capital market or scheduled banks. It also discounts and rediscounts the commercial bills of exchange and undertakes underwriting of the public issues. IDBI, like ICICI, has also transformed into a commercial bank and has been retitled as IDBI Ltd. with effect from 1 October 2004 with IDBI Bank merged into it.
4. **Industrial Investment Bank of India (IIBI):** The erstwhile Industrial Reconstruction Bank of India (IRBI), an institution which was set up for rehabilitation of small units has been reconstituted in 1997 as Industrial Investment Bank of India. It is a full fledged all purpose development bank with adequate operational flexibility and autonomy. After the reconstruction its focus has changed from rehabilitation finance to development banking.
5. **Small Industries Development Bank of India (SIDBI):** It was set up in 1990 as a principal financial institution for the promotion, financing and development of small-scale industrial enterprises. It is an apex institution of all the banks providing credit facility to small-scale industries in our country. It offers refinancing of bills, rediscounting of bills, and several other support services to Small Scale Industries (SSI). It undertakes a wide range of promotional and development activities for improving the inherent strength of SSI units and creating avenues for the economic development of the rural poor.
6. **State Financial Corporations (SFCs):** In order to provide financial assistance to all types of industrial enterprises (proprietary and partnership firms as well as companies) most of the states of our country have set up SFCs. The primary



objective of these corporations is to accelerate the pace of Industrial development in their respective states. SFCs provide finance in the form of long-term loans or through subscription of debentures, offer guarantee to loans raised from other sources and take up underwriting of public issues of shares and debentures made by companies. However, they cannot directly subscribe to the shares issued by the companies. The SFC (Amendment) Act, 2000 has provided greater flexibility to SFCs to cope with the changing economic and financial environment of the country.

7. **State Industrial Development Corporations (SIDCs):** These corporations were set up in 1960s and early 1970s by most state governments for promotions and development of medium and large-scale industries in their respective states. In addition to providing financial assistance to industrial units, they also undertake a variety of promotional activities. They also implement the various incentive schemes of the central and state governments.
8. **Other Financial Institutions:** Apart from the above special financial institutions, there are a few other organizations, which act as important source of long-term finance. These are:

(a) Life Insurance Corporation of India (LIC): It was set up in 1956 on nationalisation of life insurance business in India. Primarily it carries on the business of life insurance and deploys the funds in accordance with national priorities and objectives. It invests mainly in government securities and shares, debentures and bonds of companies. It also extends financial assistance to banks and other institutions for social development and infrastructure facilities. It also underwrites new issues of shares and grant loans to the corporate sectors. Its performance with regard to assistance to corporate sector has been significant both in terms of sanctions and disbursements.

(b) General Insurance Corporation of India (GIC): It was established in 1973 on nationalization of general insurance business in India. Like LIC, its investment priority is socially oriented sectors of the economy, and invests its funds in government securities and share and debentures of companies. It also provides term loans and underwriting facility to new and existing industrial undertakings.

(c) Unit Trust of India (UTI): It was set up in 1964 as an investment trust with capital of Rs. 5 crore subscribed by Reserve Bank of India, LIC, State Bank of India and other financial institutions. It has been playing an important role in mobilizing the savings of the community through sale of units under various schemes (most well known being US-64 and master shares) and channalising them into corporate investments. It has also been extending financial assistance to the companies by way of term loans, bills rediscounting, equipment leasing and hire purchase financing.

(d) Export and Import Bank of India (EXIM Bank): The Export and Import Bank of India was set up on January, 1982 to take over the operations of



international finance wing of the IDBI and act as an apex institutions in the field of financing foreign trade. The main functions of the Bank are: (i) financing of export and import of goods and services; (ii) granting deferred payment credit for medium and long term duration; (iii) providing loans to Indian parties to enable them to contribute to share capital of joint ventures in foreign countries and; (iv) extending refinance facilities to commercial banks in respect of export credit. Recently it has introduced production equipment finance programme under which it provides rupee term finance to export oriented units for acquisition of equipment. Apart from these, the Exim Bank also undertakes merchant banking and development banking functions as considered necessary to finance promotional activities and providing counseling services to persons engaged in export-import business.

(e) Venture Capital Institutions: Venture Capital is a form of equity finance designed specially for funding high risk and high reward projects of young entrepreneurs. It helps them to turn their research and development projects into commercial ventures by providing them the initial capital and managerial assistance. The initial capital is provided in the form of equity participation through direct purchase of the share and debentures of the enterprise set up for the purpose. The institutions providing venture capital also actively participate in the management of the entrepreneurs' business. By actively involving and supporting the enterprises, they able to protect and enhance the value of their investment.

The development of venture capital institutions is of recent origin in India. The concept was formally introduced in 1986-87 when the Government announced the creation of a venture fund to be operated by IDBI. It was followed by ICICI, IFCI and two public sector banks (State Bank of India and Canara Bank) who set up separate companies for the purpose. Some state government controlled development financial institutions viz., Gujarat Industrial Investment Corporation and Andhra Pradesh State Corporation also promoted their venture capital companies. In 1992-93, SIDBI also set up a venture capital fund for providing financial assistance for innovative ventures in small-scale sector.



INTEXT QUESTIONS 16B

1. State the meaning of Venture Capital.

2. Mention the year in which following financial institutions were established.

- (a) IIBI _____
(b) LIC _____
(c) EXIM Bank _____
(d) GIC _____
(e) SIDBI _____



16.4 BANKS

In the previous lesson you learnt that commercial banks usually provide short-term finance to business firms in the form of loans and advances, cash credit, overdraft etc. But now-a-days, most of the commercial banks have also started term lending (long and medium term) and providing need based finance of different time periods to firms of all sizes. Consistent with the policy of liberalization, the banks have been allowed to evolve their own methods of assessing financial needs of the borrowers and extend them the term loans for larger size and longer periods. Some of the banks have also started their industrial branches to finance exclusively to industrial enterprises. Thus, the commercial banks also now act as an important source of medium term and long term finance for the business.

You know that a large number of cooperative banks are now being operating in our country. These banks have the license from the RBI to operate like commercial banks. They also some times provide long-term finances to small and medium scale cooperative industrial units like Sugar factories, food-processing units etc.

16.5 NON-BANKING FINANCIAL COMPANIES (NBFCs)

You must have heard about various housing finance companies, investment companies, vehicle finance companies etc. operating in private sectors different parts of our country. These companies are categories under Non-Banking Financial Companies, because they perform the twin functions of accepting deposits from the public and providing loans. However they are not regarded as banking companies as they do not carry on the normal banking activities. They raise funds from the public by offering attractive rate of interest and give loans mainly to the wholesale and retail traders, small-scale industries and self-employed persons. The loans granted by these finance companies are generally unsecured and the interest charged by them ranges between 24 to 36 percent per annum. Besides giving loans and advances, the NBFCs also have purchase and discount hundis, undertaken merchant banking, housing finance, lease financing, hire purchase business etc. In our country, NBFCs have emerged as an important financial intermediary due to simplified loan sanction procedure, attractive rate of return on deposits, flexibility and timeliness in meeting the credit needs of the customers.

16.6 MUTUAL FUNDS

Mutual fund refers to a fund established in the form of a trust by a sponsor to raise money through one or more schemes for investing in securities. It is a special type of investment institution, which acts as an investment intermediary that collects or pools the savings of a large number of investors and invests them in a fairly large and well diversified portfolio of sound investments. This minimizes their risk and ensures good returns to the investors. Thus, they act as an investment agency for small investors and a good source for long-term finance for the business.



16.6.1 FEATURES OF MUTUAL FUNDS

The essential features of mutual funds are as follows:

1. It is a trust into which a number of investors invest their money in the form of units to form a large pool of funds.
2. The amount is invested in securities by the managers of the fund.
3. The amount is invested in different securities of reputed companies to ensure definite and regular income. Thus, it helps in minimizing the risk.
4. The mutual fund schemes often have the advantages of high return, easy liquidity, safety and tax benefits to the investors.
5. The net income received on the investments of the fund is distributed over the units held.
6. The managers of the fund are obliged to redeem the units on demand or on the expiry of a specified period.

16.6.2 TYPES OF MUTUAL FUNDS

Keeping in view the investment objectives of the investors the mutual funds usually have a large variety of schemes such as equity fund, debt fund, balanced fund, growth fund, income fund, liquid fund, tax saver fund, index fund and so on. These schemes are broadly classified into two categories as follows:

- (a) Open Ended Funds: These funds have no fixed corpus and period. Such fund continuously offer units for sale and is ready to buy back the units surrendered. In other words, investors are free to buy from, or sell to, the trust any number of units at any point of time at prices which are linked to the net asset value (NAV) of the units.
- (b) Close Ended Funds: In case of these funds, subscriptions from the investors are collected during a specified time period and have a fixed corpus. Not only that, the investors cannot redeem their units till the specified maturity date. However, to provide liquidity, these are listed on the stock exchange and the investors can purchase and sell through the brokers at the market price without any difficulty.

It may be noted that Unit Trust of India was the first mutual fund started in India as early as 1964. Later, LIC, GIC and some nationalised banks also launched their mutual funds with high degree of success. However, during post liberalisation era, many private sector mutual funds have entered the fray. To mention a few, these are: Birla Sun Life, HDFC, HSBC, ICICI Prudential, DSP Merrill Lynch, DBS Chola Mutual Fund.



INTEXT QUESTIONS 16C

1. Mention the source of finance of NBFCs.

Corpus- The total amount invested in any mutual fund scheme is called as the 'Corpus'. Suppose a mutual fund has initial investment of 1,000 units and each unit is worth Rs 10. Hence the total amount with the fund is Rs 10,000. This is referred to as Corpus.

NAV- The Net Asset Value (NAV) is the price at which a unit of the mutual fund is bought and sold. It is calculated by dividing its net assets with the number of outstanding units.



2. What is Net Asset Value?

3. List the advantages of Mutual funds.

(a) _____

(b) _____

(c) _____

(d) _____

16.7 LEASING COMPANIES

You learnt about leasing arrangement as a method of long-term finance in the previous unit. This method has become quite common among the manufacturing companies. Leasing facility is usually provided through the mediation of leasing companies who buy the required plant and machinery from its manufacturer and lease it to the company that needs it for a specified period on payment of an annual rent.

For this purpose a proper lease agreement is made between the lessor (leasing company) and lessee (the company hiring the asset). Such agreement usually provides for the purchase of the machinery by the lessee at the end of the lease period at a mutually agreed and specified price. It may be noted that the ownership remains with the leasing company during the lease period.

Sometimes, a company, to meet its financial requirements, may sell its own existing fixed asset (machinery or building) to a leasing company at the current market price on the condition that the leasing company shall lease the asset back to selling company for a specified period. Such an arrangement is known as 'Sell and Lease Back'. The company in such arrangement gets the funds without having to part with the possession of the asset involved which it continues to use on payment of annual rent for the lease.

It may be noted that in any type of leasing agreement, the lease rent includes an element of interest besides the expenses and profits of the leasing company. In fact, the leasing company must earn a reasonable return on its investment in lease asset.

The leasing business in India started, in seventies when the first leasing company of India was promoted by Chitamparam Group in 1973 in Chennai. The Twentieth Century Finance Company and four other finance companies joined the fray during eighties. Now their number is very large and leasing has emerged as an important source. It is very helpful for the small and medium sized undertakings, which have limited financial resources.

16.8 FOREIGN SOURCES

Foreign Sources also play an important part in meeting the long-term financial needs of the business in India. These usually take the form of (1) external borrowings; (2) foreign investments and; (3) deposits from NRIs. Let us have a brief idea about these sources.



1. **External Borrowings:** These include loans obtained at concessional rates of interest with long maturity period and commercial borrowings. The major sources of concessional loans have been the International Monetary Fund (IMF), Aid India Consortium (AIC), Asian Development Bank (ADB), World Bank (International Bank for Reconstruction and Development) and International Financial Corporation. The World Bank grants loans for specific industrial projects of high priority and given either directly to an industrial concern or through a government agency. The International Finance Corporation, an affiliate of the World Bank, grants loans to industrial units for a period of 8 to 10 years. Such loans do not require government guarantee.

As for the external commercial borrowings, their major sources has been the export credit agencies like US Exim Bank, the Japanese Exim Bank, Export Credit and Guarantee Corporation of U.K. and other government and multilateral agencies. The external commercial borrowings are permitted by the government as an important source of finance for Indian firms for the expansion investments.

2. **Foreign Investments:** The foreign investments in our country are generally done in the form of foreign direct investment (FDI) or through foreign collaborations. The foreign direct investment usually refers to the subscription by the foreigners to shares and debentures of the Indian Companies. This is also known as portfolio investment and covers their subscription to ADRs, GDRs and FCCBs (Foreign Currency Convertible Bonds).

Alternatively, some companies are formed with the specified purpose of operating in India or the multinationals can set up their subsidiary or branch in India. As for the foreign collaborations, these can be of financial collaborations involving foreign companies participation in equity capital of an existing or new undertaking. The technical collaborations are by way of supply of technical knowledge, patents and machineries. To start with, the technical collaborations had been the more popular form in the past. But during the post liberalisation phase, shift from technical collaborations to financial collaborations is noticed in our country.

It may be noted that the government has been very successful in attracting more foreign investment in the post liberalisation era. It is because the Government of India now permits automatic approval of foreign investment upto 51% equity in 34 industries and a special board (Foreign Investment Promotion Board) has been set up to process cases not covered by automatic approvals. The main advantage of foreign investment is that generally the foreign investor also brings with him the technical expertise and the modern machinery. The disadvantage, however, is that a large part of profits are transferred to the foreign investors.

3. **Non-resident Indians (NRIs):** You are aware that the persons of Indian origin (PIO) living abroad commonly known as Non-Resident Indians (NRIs) constitute an important source of long-term finance for industries in India. The most common form of their contribution is in the form of deposits under Foreign



Currency Non-Resident Account (FCNRA) and Non-Resident (External) Rupee Account (NRERA). It is worth noting that the share of NRI deposits in the total foreign capital flows (net) was 26.7% during the year 2001-02. However, like external borrowing, NRI deposits are high cost source of external finance and are fair weather friends. Hence, too much dependence on NRI deposits is not a right policy. It may be noted that they are also permitted to subscribe to the shares and debentures of the companies in India, and have the option of selling them and take back the amount. This constitutes an integral part of foreign direct investment.

16.9 RETAINED EARNINGS

You know that retained earnings refer to the undistributed profits of companies which is usually kept in the form of general reserve. Primarily, it is a hedge against low profits in future and is used for the issue of bonus shares by the company. But, in effect, it acts as an import source of long-term finance for the companies with Zero cost of capital. The retained profits can be used for expansion and modernization programmes by the companies. The amount of retained earnings is determined by the quantum of profits, the dividend payout policy followed by the management, the legal provisions for dividend payment, and the rate of corporate taxes etc.

It is an internal source, which does not involve any cost of floatation and the uncertainties of external financing. In fact, it is regarded as the most dependable source of long-term finance. It also strengthens the firm's equity base, which enables to borrow at better terms and conditions. The main drawbacks of this source are (a) it is fully dependent on the accuracy of profits; and (b) possibility of reckless use of funds by the management.

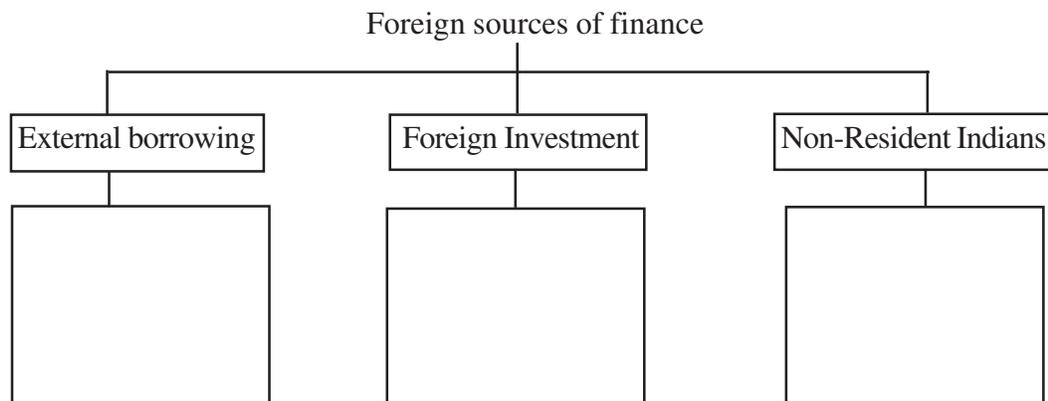


INTEXT QUESTIONS 16D

1. Name the two parties of lease agreement.
 - (a) _____
 - (b) _____
2. Categorise the following under three headings of foreign sources of finance.
 - (a) ADB
 - (b) ADR
 - (c) FCNRA
 - (d) AIC
 - (e) PIO
 - (f) NRERA
 - (g) FCCB



Notes



16.10 WHAT YOU HAVE LEARNT

- The institutions or agencies from or through which finance for a Long period is obtained are termed as sources of long-term finance. Capital market, special financial institution, banks, non-banking financial companies, retained earnings and foreign investment and external borrowings are the main sources of long-term finances for companies.
- The companies raise long-term funds by issuing shares and debentures through securities market. This market is divided into two parts – (a) new issue market, in which new securities are traded; and (b) stock exchange, in which existing securities are traded.
- To provide long-term finance and other support services to industrial enterprise, special financial institution (SFI) have been set up by central and state governments some of the important SFIs are IFCI, ICICI, IIBI, IDBI, SIDBI, SFCs, SIDCs etc. Besides these SFIs, there are few other financial institutions such as LIC, GIC, UTI, etc EXIM Bank, Venture Capital Institutions also provide long-term finance and other support to business enterprises.
- Commercial banks and Co-operative banks also provide long and medium finance to enterprises.
- There are number of Finance Companies operating in private sectors who accept deposits form the public and give Long-term loans to business enterprises. These companies are know a Non-Banking Financial Companies. Because of their simplified loan sanction procedure, flexibility and quick services, NBFCs have emerged as an important source of finance.
- Mutual Funds act as an investment intermediary that collects the savings of a large number of investors and invests them in big companies. This minimises the risk of the investors and ensures them good return. To attract the investors. Mutual fund companies offer different schemes which are categoried under open ended schemes and close ended schemes.



- The leasing companies also extend long term support in the form of providing plants and machineries, building, land etc. on rent basis. The business firms can avail this facility without blocking huge capital in buying the assets.
- Foreign sources take the form of (a) External borrowings; (b) Foreign investments; and (c) Non-resident Indians.
- The undistributed profits of the company which is kept for future use constitute a major source of long-term finance. It does not involve any cost of floatation and it strengthens the firm's equity base.



16.11 KEY TERMS

Capital Market	Leasing
New Issue Market	Retained Earnings
Stock exchange	Development Finance Corporation
Special Financial Institutions	NRI
Venture Capital	Corpus
NBFCs	Net Asset Value
Mutual Funds	



16.12 TERMINAL QUESTIONS

Very Short Answer Type Questions

1. What is meant by Stock Market?
2. Name any two special financial institutions.
3. Mention any two features of Mutual Funds.
4. Distinguish between Open ended and close ended categories of Mutual Funds.
5. State the meaning of 'Foreign Direct Investment'.

Short Answer Type Questions

6. State any two functions of EXIM bank.
7. What are the main functions of special financial institutions?
8. Explain, how LIC of India provides support to business sectors in solving long-term requirement of funds.
9. Explain the role of NBFCs in providing long-term finance.



10. Mention the merits and demerits of 'Retained Earnings' as a source of long-term finance.

Long Answer Type Questions

11. Explain 'Capital Market' as a source of Long-term finance.
12. Name any three special financial institutions and state their objectives.
13. Describe the role of venture capital institutions in providing long term finance to business.
14. What is meant by 'Mutual Funds'? Explain its features in brief.
15. Describe 'External borrowings' as a form of getting funds from foreign sources.

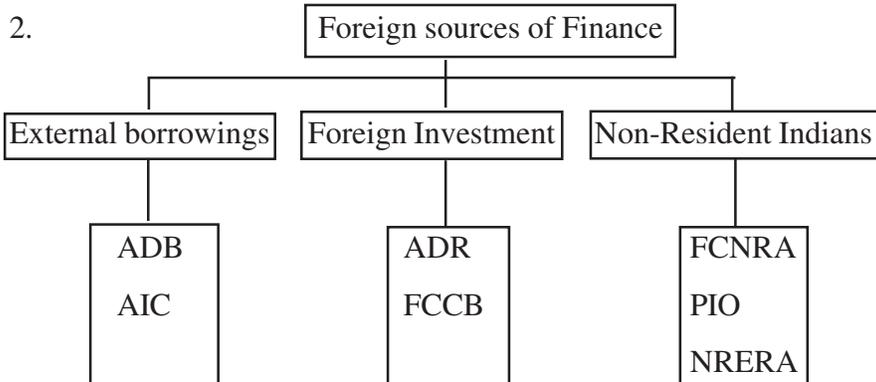


16.13 ANSWERS TO INTEXT QUESTIONS

- 16A** 1. In new issue Market new securities are traded, where as in stock exchange existing securities are traded.
2. (a) Development Financial Institutions
(b) Industrial Investment Bank of India
(c) Small Industries Development Bank of India
(d) Special Financial Institutions
(e) Industrial Finance Corporation of India
- 16B** 1. Venture capital is a form of equity finance designed specially for funding high risk and high reward projects of young entrepreneurs.
2. (a) 1997
(b) 1956
(c) 1982
(d) 1973
(e) 1990
- 16C** 1. Public Deposits
2. The price at which a unit of mutual fund is bought and sold
3. (a) High return
(b) Easy liquidity
(c) Safety
(d) Tax benefits



- 16D** 1. (a) Lessor
(b) Lessee



DO AND LEARN

You are required to collect the following information from the newspaper and record the same.

- Name of the Mutual Fund Companies (at least 5 to 10 companies)
- The schemes issued
- Whether open end or closed end.
- Value of the unit (Market Price)
- Any other information you can



ROLE PLAY

The Chamber of Commerce of your town has organised a discussion on the 'Long-term need of finance'. Your friend Madan, who runs a big readymade garments shop, is a member of that Chamber of Commerce. Knowing that you are a student of Business Studies he has suggested your name to be an expert to deliver a lecture on "Role of Special Financial Institutions in providing long-term finance". You are required to prepare your lecture and present it first before your friends.

RELEVANT WEBSITES

IFCI - <http://www.ifcilttd.com/>

ICICI - <http://www.icicibank.com/>

IDBI - <http://www.idbibank.com/>

IIBI - <http://www.iibilttd.biz/>



SIDBI - <http://www.sidbi.in/>

LIC - <http://www.licindia.com/>

GIC - <http://gicofindia.in/en/>

Mutual funds - www.amfiindia.com

Exim Bank - <http://www.eximbankindia.com/>

Venture capital - <http://www.sidbiventure.co.in/>

Chapter at a Glance

- 16.1 Sources of Long-Term Finance
- 16.2 Capital Market
- 16.3 Special Financial Institutions (SFI)
- 16.4 Banks
- 16.5 Non-Banking Financial Companies (NBFCs)
- 16.6 Mutual Funds
 - 16.6.1 Features of Mutual Funds
 - 16.6.2 Types of Mutual Funds
- 16.7 Leasing Companies
- 16.8 Foreign Sources
- 16.9 Retained Earnings