

## **Al-Saudia Virtual Academy**

### **Pakistan Online Tuition**

#### **II- Medium Term Finance**

Medium term finance is defined as money raised for a period from one to five years. The medium term funds are required by a business mostly for the repair and modernizing of the machinery.

#### **Medium term sources of securing finance.**

- (i) **Commercial Banks,** Commercial banks are now the most important source of providing medium term loans. Loans are generally given against some security of assets. Generally, the loan is credited to the account of the borrower. He can withdraw the whole amount once or in installments. Traditionally, the banks were mainly concentrating on providing short term loans. Now-a-days the term loans exceeding one year are being provided by the banks.
- (ii) **Debentures.** A company raises a part of medium term capital by issuing debentures. A debenture is an instrument issued by a company acknowledging debt under its common seal. The terms and conditions of loan are written on the back of the document. Under Islamic modes of financing, debentures have been replaced by Term Finance Certificates (TFC).
- (iii) **Loans from Specialized Credit Institutions.** Medium term loans are also provided to the business concerns by specialized credit institutions like PICIC, IDBP, ICP, NDFC, EPE, BEL, etc.