

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:5027

ANSWERED ON:25.04.2003

FI INVESTMENT IN THE PROJECTS OF BACKWARD AREAS

ALE NARENDRA

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether the financial institutions hesitate to lend enough money at concessional rates for setting up of projects in backward areas;
- (b) if so, the reasons therefor; and (
- (c) the steps taken by the Government to rectify the situation?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE & COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)

(a) & (b) Access to low cost funds from RBI and Government of India enabled Financial Institutions to extend loans at concessional rates of interest. With the introduction of financial sector reforms, access to long term concessional funds has stopped and Financial Institutions have to raise funds from the market on commercial terms. Hence, they extend financial assistance at market related rates (based on credit worthiness) to all eligible and viable projects of industrial concerns including projects located in backward areas.

(c) Does not arise.