

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:490  
ANSWERED ON:28.04.2000  
RESOURCES RAISED BY FINANCIAL INSTITUTIONS  
UMMAREDDY VENKATESWARLU

**Will the Minister of FINANCE be pleased to state:**

- (a) whether public financial institutions have been raising resources in excess of their requirements;
- (b) if so, whether RBI has pointed out such lapses of excess in raising of resources by IDBI, IFCI and ICICI;
- (c) whether there are no guidelines on the issue of raising resources by the financial institutions;
- (d) if so, the reasons therefor; and
- (e) the details of action proposed by the Government to curb the tendency of financial institutions to raise excess resources and create imbalances?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI V. DHANANJAYA KUMAR):

- (a) Financial institutions (FIs) raise resources by way of augmenting capital and/or borrowings. While determining the amount of resources to be raised, various factors such as Capital Adequacy Ratio, projections of business growth, additional resources required, recoveries against loans extended earlier and market conditions are taken into consideration, i- jjections regarding business growth, recoveries, and demand on funds may undergo change on account of a number of factors including change in industrial climate. Consequently, the resources raised may be in excess of or less than the requirement.
- (b) The Inspection Reports of RBI normally comment on the funds management by FIs covering the cost of funds raised vis-a-vis earnings which has direct bearing on the profitability.
- (c) RBI has issued guidelines on certain aspects relating to raising resources namely tenure and rate of interest for raising resources by way of bonds/debentures and money market instruments. In respect of funds raised by way of money market instruments (term money borrowings, certificate of deposits, term deposits and inter corporate deposits), an umbrella limit equivalent to one time of owned funds has been fixed by the RBI. In respect of funds to be raised by way of Bonds and Debentures, RBI has issued guidelines in respect of tenure of such debentures and interest payable on them.
- (d) Does not arise.
- (e) RBI has reported that in view of Asset Liability Management guidelines issued by them, no further action is considered necessary at this stage.