

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3596
ANSWERED ON:20.08.2004
IDBI IN BANKING SERVICE
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has converted Industrial Development Bank of India (IDBI) into a banking company ;
- (b) if so, the reasons therefor; and
- (c) the names of the cities identified for opening new branches of IDBi, State-wise ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S.PALANIMANICKAM)

(a) The Industrial Development Bank (Transfer of Undertaking & Repeal) Act, 2003 provides for the transfer and vesting of the undertaking of the Industrial Development Bank of India to a company registered under the Companies Act, 1956. This company shall be deemed to be a banking company and as such: shall, in addition to the business which may be carried on and transacted by the Development Bank, carry on banking business. The company, however is yet to be registered.

(b) When IDBI becomes a Banking Company under the Banking Regulation Act, 1949 it it would be in a position to lower its cost of funds, raise adequate resources , have a diversrfied lending portfolio and earn more fee based income. With this, IDBI would be in a position to continue to provide project finance to the industry, which would otherwise become difficult due to problems in raising resources.

(c) The issue of opening more branches will be considered by IDBI only after the conversion of IDBI into a banking company is effected consequent upon the formation of the company and its registration under the Companies Act, 1956.