

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2034

ANSWERED ON:12.12.2008

SURPLUS FUND OF PSUS

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Will the Minister of FINANCE be pleased to state:

(a) whether the Government has advised the Public Sector Undertakings (PSUs) to park their surplus funds with nationalized banks without competitive bidding;

(b) whether this directive would effect their interest earning; and

(c) if so, the details of losses suffered and the steps taken in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (c): In order to avoid undesirable competition amongst banks leading to arbitrary hikes in deposit rates, which have consequences for the economy, and considering the need to moderate the cost of credit in the current economic circumstances, the Government has advised the Central Public Sector Enterprises (CPSEs) to place their surplus funds with the banks without resorting to competitive bidding. Though, this may lead to decrease in interest earning of some CPSEs, the move is likely to benefit the economy at large, including the borrowing CPSEs, due to over-all reduction in cost of funds.