

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3436
ANSWERED ON:13.08.2010
AUCTION OF 3G SPECTRUM
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has made any assessment of the liquidity situation in the economy post 3-G Spectrum auction/allocation;
- (b) if so, the details thereof; and
- (c) the steps proposed to be taken by the Government to tackle financial position post 3-G Spectrum allocation?

Answer

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

(a) and (b) : The financing of 3-G spectrum and broadband wireless access (BWA) auctions combined with advance tax outflows led to large cash outflows from the banking system and build-up of cash balances with the Government. This resulted in tightness in liquidity conditions in end-May 2010, which continued in June 2010 and most of July 2010.

(c) : The Reserve Bank of India took several measures to ease the liquidity conditions which included additional liquidity support under the Reserve Bank's liquidity adjustment facility (LAF) to Scheduled Commercial Banks (SCBs) to the extent of up to 0.5 per cent of their net demand and time liabilities (NDTL). A second LAF (SLAF) was made available on a daily basis. Besides, in consultation with the Government, the notified amounts for the issuance of Treasury Bills were reduced by Rs. 22,000 crore during June 2010. The Government also bought back securities worth Rs. 9,614 crore during June 16-22, 2010 ahead of its schedule. These measures helped ease the liquidity pressures and the liquidity position has improved since end-July 2010.