

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2183
ANSWERED ON:05.12.2014
DEBT SYNDICATION COMPANIES
Raghavan Shri M. K.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is aware that debt syndication companies are existing and engaged in helping mid-sized companies on loan and if so, the details thereof;
- (b) whether the Government has plans to regulate such organizations which help mid-sized outfits and also generate tax from their known sources and if so, the details thereof; and
- (c) whether Government has plan to open financial services institutions to cater to small and mid-sized companies exclusively to meet their financial necessities, if so, the details thereof and if not, the reasons therefor?

Answer

THE FINANCE MINISTER (SHRI ARUN JAITLEY)

(a) and (b): The debt syndication companies are generally not appointed by banks but are appointed as consultants by borrowers. Reserve Bank of India (RBI) advised the Indian Banks' Association (IBA) to issue a suitable circular to member banks advising them to exercise caution in dealing with arrangers and ensure that there are no malpractices while entertaining such requests. Consequently, IBA issued a circular to its member banks on 16.03.2012 asking member banks to put in place adequate checks and balances and safeguards to ensure that no irregularities occur while entertaining request for sanction of loans through arrangers.

(c): RBI has issued guidelines on 27th November, 2014 for licensing of Small Finance Banks in the Private Sector. The objectives of setting up of Small Finance Banks will be to further financial inclusion by (a) provision of savings vehicles, and (ii) supply of credit to small business units; small and marginal farmers; micro and small industries; and other unorganised sector entities, through high technology-low cost operations. The guidelines, inter-alia, stipulate that the Small Finance Banks will be required to extend 75 per cent of its Adjusted Net Bank Credit (ANBC) to the sectors eligible for classification as priority sector lending (PSL) by the Reserve Bank and at least 50 per cent of its loan portfolio should constitute loans and advances of upto Rs. 25 lakh.

Further, RBI has issued guidelines on 27th November, 2014 for licensing of Payments Banks. The objectives of setting up of payments banks will be to further financial inclusion by providing (i) small savings accounts and (ii) payments/remittance services to migrant labour workforce, low income households, small businesses, other unorganised sector entities and other users.