All India Financial Institutions

50. The All India Financial Institutions (AIFIs) comprising development financial institutions and Investment Institutions cater to the medium and long-term financing needs of the various sectors, such as, industry, export, import, agriculture, housing, tourism etc. They occupy an important position in the financial system. Traditionally, the major sources of funds of term-lending institutions (viz. IDBI, ICICI, IFCI, IIBI, Exim Bank and TFCI) and refinancing institutions (viz. SIDBI, NABARD and NHB) had been the Government guaranteed bonds and/or Long Term Operations (LTO) funds of Reserve Bank. However, these sources of funds have largely been withdrawn. In order to meet the new challenges and to exploit new business opportunities, FIs have been reorienting their business strategies.

51. During the year 1996-97 while the financial assistance sanctioned by AIFIs declined by 14.7 per cent, the disbursements grew by 8.4 per cent. However, the trend has reversed during the year 1997-98. During 1997-98, the financial assistance sanctioned grew sharply by 48.8 per cent while disbursements increased by a lower rate of 28.5 per cent (Table 3.7), which was of course far above the sanctions in 1996-97

52. The ICICI introduced three tier lending rates viz., Long Term Prime Lending Rate (LTPLR) for the loan of maturity of more than 3 years, Medium Term Prime Lending Rate (MTPLR) for loan of maturity of more than 1 year and less than 3 years and Short Term Prime Lending Rate (STPR) of variable maturity with interest rate to be re-set annually. Similarly, IDBI and IFCI introduced two tier lending rate system i.e., long term prime lending rate for loan maturity of more than 3 years and short term prime lending rate for loan maturity of less than 3 years.

53. With the RBI's announcement of series of measures incluidng reduction in Bank Rate by 1.0 per cent and reduction CRR by effective April 11, 1998 ICICI has reduced its STPR from 14.0 per cent to 13.5 per cent, MTPR from 14.5 per cent to 14.0 per cent and LTPR from 14.5 per cent to 14.0 per cent. Effective April 8, 1998 IDBi reduced its MTLR from 14.5 per cent to 14.0 per cent and MSTLR from 13.5 per cent to 13.0 per cent. Similarly, effective April 16, 1998 IFCT reduced its LPR from 14.0 per cent to 14.0 per cent and the STPLR from 13.5 per cent to 13.0 per cent.

54. On March 27, 1997 Industrial Reconstruction Bank of India was transformed into Industrial Investment Bank of India Ltd. by registering as a limited company under the Companies Act, 1956. The SCICI was merged with the ICICI in April, 1998 to effectively face the emerging challenges. The earlier system of instrument-wise limits fixed by the Reserve Bank in respect of CDs, fixed deposits, term money Market and inter corporate deposits (in case of ICICI and IFCI) was replaced with an umbrella limit for the above instrument linked to 100 per cent of NOF as at the end of March 1997 in respect of major FIs viz. IDBI, ICICI and IFCI. Similar umbrella limits were also later fixed in respect of Exim Bank (equal to 75 per cent of NOF) and SIDBI (equal to 50 per cent of NOF). However, other institutions continue to have the instrument-wise limits.

55. In the matter of raising resources by issuing bonds, with maturity of 5 years and above, all FIs (both Limited companies & statutory bodies) need only 'simple registration' with the Reserve Bank,

TABLE 3.7

Assistance by All India Financial Institutions

(Rs.crore)

		1996-97	1997-98
		A. Sanctions	
	All India Financial Institutions	52716.1 (-14.7)	78422.6 (48.8)
a)	Development Financial Institutions	46227.2 (-16.0)	70630.4 (52.8)
b)	Investment Institutions	6488.9 (-5.4)	7792.2 (20.1)
		B. Disbursements	
	All India Financial Institutions	39436.4 (8.4)	50659.5 (28.5)
a)	Development Financial Institutions	33139.5 (9.0)	43239.1 (30.5)
b)	Investment Institutions	6296.9 (2.8)	7420.4 (17.8)

a) Development Financial Institutions-IDBI, IFCI, ICICI, SIDBI, IIBI(erstwhile IRBI), SCICI(merged with ICICI), RCTC, TDICI and TFCI.

b) Investment institutions - LIC, GIC and UTI.

Note: i) Data for 1997-98 are provisional.

iii) Figures in parenthesis indicate percentage changes.

iv) Figures for All India Financial Institutions are net of inter-institutional flows.

(iv) GIC data for 1996-97 & 1997-98 are not available.

Source: Industrial Development Bank of India.

provided

1) bonds are 'vanila' instruments without any special features such as options etc.
2) interest rate on such bonds is not more than 200 basis points above the yield on GOI secrities of equal residual maturity at the time of issuing bonds.

All other bond issues by the FIs need to be referred to RBI approval