

All India Financial Institutions (AIFIs)

3.44 AIFIs play an important role in transferring funds from savers to investors. AIFIs are allowed to borrow through CDs, term deposits and inter-corporate deposits (wherever applicable), and from the term money market within the one-time umbrella limit equal to their net owned funds. AIFIs are now free to offer interest rates on term deposits mobilised by them without a ceiling fixed by the Reserve Bank or linked to the rates offered by SBI on similar maturities. With a view to providing further flexibility to FIs for raising resources through term deposits, the following modifications have been introduced:

- No premature withdrawal up to one year as against two years hitherto
- With the approval of Boards, FIs can charge a penal rate of interest on premature withdrawal of term deposits
- Compulsory rating of deposits for FIs. Besides the existing four instruments, FIs have been permitted with effect from July this year to raise resources by way of issue of CPs, subject to certain terms and conditions within the umbrella limit. The restrictions on resource mobilisation by way of bonds/debentures through public issue/private placement have also been relaxed, subject to the following conditions:—
- Minimum maturity of three years
- Lock-in period of one year in respect of options for bonds with put and call options
- Ceiling of 200 basis points above YTM on GOI securities of equal residual maturities for YTM at the time of issue of bonds including effective YTM on bonds with call/put options
- No exit option for bonds before one year from the date of issue

Institution	1999-00	April-December	
		1999-00	2000-2001
A. Sanctions			
(a) DFIs	878838 (22.2)	613459 (-0.1)	718077 (17.0)
(b) Investment Institutions	158651 (56.3)	98566 (66.7)	118338 (20.1)
AIFIs (a+b)	1037489 (26.4)	712025 (5.0)	836415 (17.5)
B. Disbursements			
(a) DFIs	544015 (16.6)	344091 (14.0)	393117 (14.2)
(b) Investment Institutions	127661 (31.3)	85526 (44.7)	89848 (5.1)
AIFIs (a+b)	671676 (19.2)	429617 (19.0)	482965 (12.4)
Note: Figures are provisional; those in brackets indicate percentage increase over the corresponding previous period.			

3.45 The figures of sanctions and disbursements by AIFIs are given in Table 3.10. Sanctions registered a higher growth of 17.5 per cent in April-December, 2000 than that of 5.0 per cent in the corresponding previous period. Disbursements increased by 12.4 per cent during April-December, 2000 compared with 19.0 per cent during the corresponding previous period.