

All India Financial Institutions (AIFIs)

32. AIFIs comprising Development Financial Institutions (DFIs) and Investment Institutions play a pivotal role in the financial market. To facilitate higher resource flow to the infrastructure sector, the Companies (Amendment) Ordinance promulgated on October 31, 1998 has designated the Infrastructure Development Finance Company (IDFC) as a Public Financial Institution (PFI). The Discussion Paper prepared by the Reserve Bank on "Harmonising the Role and Operations of Development Financial Institutions and Banks" (January 1999) has envisaged the architecture of Financial System of the Future on the following lines:

- The provision of diversified services both by banks and DFIs should continue, albeit in a gradual and orderly fashion, subject to appropriate regulation by the Reserve Bank.
- In terms of institutions, ultimately there should be only banks and re-structured NBFCs.
- The special role of DFIs is recognised and a transitional path is envisaged for them to become either a full-fledged NBFC or a bank.
- Since banks are special, any conglomerate, in which a bank is present, should be subject to a consolidated approach to supervision and regulation.
- A corporate form of organisation under the Companies Act is preferred to provide the financial intermediaries, necessary flexibility for mergers, acquisitions and diversification to meet the needs of the evolving situation.
- The supervisory functions are to be delinked from refinancing institutions and brought under a consistent supervisory framework.
- The ownership role should be transferred from the RBI to the Government of India in respect of financial intermediaries so that there is a focussed attention by the RBI on its supervisory/regulatory functions.
- The harmonisation in the working of various institutions should be at the initiative of the organisations themselves, with the RBI being available for guidance and consultation.

- Various efficiency issues pertaining to each organisation have to be addressed individually by the banks/DFIs, who are encouraged to deliberate among themselves and take necessary decisions urgently.

33. During 1997-98, the financial assistance sanctioned and disbursed by AIFIs increased by 52.8 per cent and 28.7 per cent respectively. In the current financial year, sanctions increased by 36.9 per cent whereas disbursements increased by 12.5 per cent during April-December, 1998 (Table 3.9). The year 1997-98 witnessed significant increase in the flow of assistance to the infrastructure sector. The leading AIFIs, viz., IDBI, ICICI and IFCI together registered increase in sanctions and disbursements for infrastructure projects by 217 percent and 110 per cent respectively in 1997-98. This trend has continued, and as in 1997-98, contributed to the uptrend, especially in sanctions, during April-December, 1998.

TABLE 3.9
Assistance by AIFIs (Rs. crore)

Institution	1997-98	April-December	
		1997-98	1998-99
A. Sanctions			
AIFIs	79939 (52.8)	49373 (46.9)	67667 (36.9)
DFIs	70617 (58.4)	44563 (57.2)	61917 (38.9)
Investment Institutions	9322 (20.4)	4989 (-7.3)	5913 (18.5)
B. Disbursements			
AIFIs	51855 (28.7)	32073 (18.5)	36097 (12.5)
DFIs	43241 (30.4)	26776 (25.0)	30188 (12.7)
Investment Institutions	8614 (20.9)	5297 (13.7)	5909 (11.6)
Note : Figures are provisional; figures in brackets indicate percentage increase over the previous period.			