GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA

UNSTARRED QUESTION NO.838.

TO BE ANSWERED ON FRIDAY, DECEMBER 14, 2018 {AGRAHAYANA 23, 1940 (SAKA)}

RBI SURPLUS FUND

QUESTION

838. PROF. SAUGATA ROY: SHRI JAYADEV GALLA: PROF. PREM SINGH CHANDUMAJRA: SHRI TEJ PRATAP SINGH YADAV

Will the Minister of FINANCE be pleased to state:

(a) whether Reserve Bank of India (RBI) transfer surplus as dividend out profit to the Government, if so, the details thereof including RBI's profit, reserves, surplus transferred during the last five years;

(b) whether the Government has asked RBI to hand over a portion of Capital Reserve that is 3.6 lakh crores out of its reserves, if so, the details thereof and the reasons therefor;

(c) the extent by which the release of above amount by RBI impact macroeconomic stability and the manner in which Government proposes to defuse its tension with the RBI;

(d) whether there has been cases of liquidity crisis in Non Banking Financial Companies (NBFCs) and Infrastructure, Leasing and Financial Services (IL&FS), if so, the details thereof and the action taken thereon; and

(e) the steps taken by the Government to tackle challenges faced by banking and financial sector in the country?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI P. RADHAKRISHNAN)

(a): Yes, RBI transfers its surplus funds to the Government, in terms of Section 47 of the Reserve Bank of India Act, 1934 which provides: *"After making provision for bad and doubtful debts, depreciation in assets, contribution to staff and superannuation fund and for all matters* *for which provision is to be made by or under the Act or which are usually provided by bankers, the balance of the profits shall be paid to the Central Government."*

The details of RBI's profit, reserves, and surplus transferred during the last five years are as follows:

Financial Year of RBI	Available Surplus	Transfer to 4 Statutory Funds @ 0.01 billion each	Transfer to Contingency Fund (CF)	Transfer to Asset Development Fund (ADF)	Amount transferred to Government (in Rs. Billion)
2013-14	526.83	0.04	-	-	526.79
2014-15	659.00	0.04	-	10.00	658.96
2015-16	658.80	0.04	-	10.00	658.76
2016-17	306.63	0.04	131.40	0.50	306.59
2017-18	500.04	0.04	141.90	-	500.00

(b) No, sir.

(c) Question does not arise.

(d): Market participants-NBFCs and Housing Finance Companies (HFCs) did face tight liquidity conditions pursuant to the default on its debt obligations by Infrastructure Leasing & Financial Services Limited (IL&FS). The overall liquidity conditions in the banking system have also been tight since the second half of August 2018 due to factors like increase in credit offtake, festive demand fund requirements, etc. Following measures have been taken to improve the liquidity in the market:

- Open market operations were conducted in addition to regular LAF auctions to inject liquidity in the financial markets.
- RBI permitted banks to reckon Government securities held by them up to an amount equal to their incremental outstanding credit to NBFCs and Housing Finance Companies (HFCs), over and above the amount of credit to NBFCs and HFCs outstanding on their books as on October 19, 2018, as Level 1 HQLA under FALLCR within the mandatory SLR requirement. This is in addition to the existing FALLCR of 13 per cent of NDTL, and limited to 0.5 per cent of the bank's NDTL. The above additional FALLCR will be available up to December 31, 2018.

- The single borrower exposure limit for NBFCs which do not finance infrastructure stands increased from 10 percent to 15 percent of capital funds, up to December 31, 2018.
- Banks were permitted on November 2, 2018 to provide partial credit enhancement (PCE) within aggregate PCE exposure limit of 20% for bonds of minimum tenor of 3 years issued by NBFC-ND-SIs registered with the Reserve Bank of India and Housing Finance Companies (HFCs) registered with National Housing Bank, within one percent of capital funds and with regard to extant single/group borrower exposure limits for refinancing the existing debt.
- The National Housing Bank (NHB), on 8 October 2018, increased the refinance limit to Housing Financing Companies (HFCs) to Rs.30,000 crore from the existing limit of Rs. 24000, thereby making available more funds to eligible HFCs.
- Bank reduced the minimum average maturity requirement for ECBs in the infrastructure space raised by eligible borrowers from 5 years to 3 years with effect from November 6, 2018.
- To encourage NBFCs to securitise/assign their eligible assets the Minimum Holding Period (MHP) requirement for originating NBFCs has been relaxed till may 2019, in respect of loans of original maturity above 5 years, to receipt of repayment of six monthly instalments or two quarterly instalments subject to Minimum Retention Requirement (MRR) for such securitisation/assignment transactions shall be 20% of the book value of the loans being securitised/20% of the cash flows from the assets assigned.

(e) The new Indian Bankruptcy Code, 2016 (IBC) has provided a resolution framework that will help Banks recover their dues from the bankrupt and insolvent corporates. Also, the Government in October 2017 announced a large recapitalisation package of about 2.1 lakh crores to strengthen the balance sheets of the public sector banks (PSBs). Further, SEBI on November 13, 2018 tightened disclosure norms for credit rating agencies to incorporate information on liquidity conditions, after they failed to warn investors in time about the deteriorating credit profile of IL&FS.

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