

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2949
ANSWERED ON:02.08.2002
MONITORING OF LOAN ADVANCED BY BANKS/FIS
C. SREENVAASAN;PUTTASWAMY GOWDA

Will the Minister of FINANCE be pleased to state:

- (a) whether Public Sector Banks and Financial Institutions do not have any monitoring system to ensure that the loans advanced to the borrowers are used for the very purpose for which it is granted;
- (b) if so, the reasons therefor; and
- (c) the steps the Government propose to take to ensure proper monitoring of public money advanced as loans by banks and financial institutions ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANT G. GEETE)

(a) to (c) : No, Sir. Banks and Financial Institutions (FIs) do have system of post-disbursement monitoring and supervision by which they try to ensure end use of funds by way of periodical visits to business sites, verification of purchase documents of machinery and other fixed assets, periodical verification of current assets by inspection and requirement to submit periodical stock statements by the borrowers. In addition, internal inspection by banks and FIs and Annual Financial Inspection by Reserve Bank of India also monitors this aspect.