

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:920

ANSWERED ON:25.07.2003

DEBT SWAP SCHEME FOR BANKS

ADHIR RANJAN CHOWDHURY;AMBATI BRAHMANAIAH;BHASKAR RAO PATIL;SHYAMA SINGH

Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government have recently announced a Debt Swap Scheme for banks and public sector financial institutions to help them to improve their balance sheets and make provisions for Non -Performing Assets;

(b) if so, the salient features of the scheme;

(c) whether the interest burden on the Union Government would be reduced by implementing the scheme; and

(d) if so, to what extent?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a) & (b): The Union Government have accepted 131 offers for buyback of 19 high coupon relatively illiquid securities amounting to Rs.14434 crore from banks and financial institutions on the basis of multi-security, screen-based auction conducted on July 19, 2003. The participating banks have been allowed additional deduction for income tax purposes on premium received to the extent that such premium is used for provisioning for their non-performing assets.

(c) & (d): The interest burden of the Union Government is estimated to decline by about Rs.750 crore per annum during the next two financial years due to implementation of the buyback scheme. The estimated decline in the subsequent years would be lower due to maturity dates of the securities bought back.