

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2810
ANSWERED ON:19.12.2003
FI's LOAN TO DABHOL POWER PROJECT
BASUDEB ACHARIA;UMMAREDDY VENKATESWARLU

Will the Minister of FINANCE be pleased to state:

- (a) whether financial institutions have been criticised by the Reserve Bank of India for not classifying large loans given to Dabhol Power Project as NPAs;
- (b) which are the banks and financial institutions which have come in for this criticism;
- (c) the steps RBI has taken to ensure that financial institutions maintain transparency and declare their financial position accurately; and
- (d) the penalties which will be imposed by RBI on these erring financial institutions?

Answer

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

(a) & (b): The veracity of the classifications of large loans is verified at the time of Annual Financial Inspection (AFI) of the Financial Institutions. Only two FIs have extended loans to Dabhol Power Project. In both cases, AFI has not been finalised.

(c) & (d): Recognising considerable divergence among the financial institutions in the nature and manner of disclosures made by them in their published annual reports, the disclosure norms were introduced by the Reserve Bank of India for the financial institutions in March, 2001 with a view to bringing about uniformity in the disclosure practices adopted by them and improving the degree of transparency in their affairs. Such disclosures, which came into effect from the financial year 2000-01 and were subsequently enhanced, are required to be made as part of the 'Notes on Accounts' to enable the auditors to authenticate the information. These disclosures constitute only minima and if any financial institution desires to make any additional disclosures, it would be well advised by RBI to do so. The disclosures are regarding capital, asset quality and credit concentration, liquidity, operating results, movements in the provisions, restructured accounts, forward rate agreements, interest rate swaps and interest rate derivatives.