

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:5055  
ANSWERED ON:25.08.2000  
FOREIGN BANKS  
SRINIVASULU KALAVA

**Will the Minister of FINANCE be pleased to state:**

- (a) whether a number of foreign banks intend to close their operation in India;
- (b) if so, the reasons therefor alongwith their names;
- (c) the reasons for which the foreign banks were allowed to operate in India; and
- (d) the implications of such banks` closure in the country?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATH) :

(a) and (b) While two Korean banks have closed down their Indian operations, two otherbanks have merged their Indian operations and some existing foreign banks have closed or merged their branches as a part of their restructuring plans. There is no information with Reserve Bank of India on the intention, if any, of any more foreign banks to close their operations in India.

(C and (d) The Banking Regulation Act, 1949 empowers Reserve Bank of India to permitentry of foreign banks. These banks are allowed to operate in India because of the benefit derived in financing the export/import trade and to improve the economic and trade relations between the concerned countries. The decision to close Indian operations rests with ihe foreign banks. It is, however, ensured by the Reserve Bank of India that allliabilities in India are fully me! before the foreign banks close down their operations in India.