

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4023

ANSWERED ON:14.12.2001

LAW TO DEAL WITH DEFAULTERS

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Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government are working on a legislation to correct shortcomings in enforcement of contracts and improve recovery from wilful defaulters;

(b) if so, the details thereof;

(c) whether the nationalised banks and financial institutions are not maintaining transparency and accountability in their operations; and

(d) if so, the extent to which the legislation is going to maintain transparency and accountability of banks?

Answer

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

(a) and (b) Government is working on a legislation for Creation and enforcement of security interest by Banks and Financial Institutions. The proposed legislation aims to codify and consolidate law and practice relating to creation of security interest, and enforcement thereof by Banks and Financial Institutions without intervention of Court and for matters connected therewith or incidental thereto.

(c) and (d) Banks and Financial Institutions (FIs) are required to follow the guidelines issued by Reserve Bank of India (RBI) from time to time regarding the disclosure required to be made in the statement of accounts and also as part of 'Note on Accounts' to the balance sheet. The Notes on Accounts will inter-alia include information in respect of capital adequacy ratio, percentage of net NPAs to net advances, amount of provisions made towards NPA, depreciation in the value of investment, gross value of investments in India and outside India, non-interest income, operating profit, return on assets, business per employee, profit per employee, maturity pattern (of loans, advances, investment, securities, deposits and borrowings), foreign currency assets and liabilities, movements in NPAs and lending to sensitive sectors etc. The above details are also expected to improve the degree of transparency in the affairs of banks and FIs. RBI has also appointed a Working Group on Wilful Defaulters under the Chairmanship of Shri S.S. Kohli. The Group has recently submitted the Report, which is being processed by RBI.