

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:601

ANSWERED ON:03.12.2004

AMENDMENT TO SECURITISATION AND RECONSTRUCTION ACT

Mishra Dr. Rajesh Kumar; Yerrannaidu Shri Kinjarapu

Will the Minister of FINANCE be pleased to state:

(a) whether the Government propose to amend the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 which has already got diluted after a court verdict, to further strengthen laws for early recovery of non-performing assets worth over Rs.60,000 crores;

(b) if so, the salient features of the proposed amendment; and

(c) the details of the other measures to stop parking of excess funds of Banks in Government and RIDF bonds etc. and to step up investment of these funds in infrastructure and priority sectors particularly small and medium enterprises?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) Yes, Sir. The Enforcement of Security Interest and Recovery of Debt Laws (Amendment) Ordinance 2004 has been issued on 11.11.2004 to amend the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

(b) The amendments carried out in the Act are as under :-

(i) The secured creditor will be able to take possession of the secured asset only after reasons for not accepting objections of the borrower have been communicated to him in writing.

(ii) After possession of the secured assets has been taken, the borrower can file an application before the DRT without any deposit.

(iii) After the disposal of the case by the DRT, the borrower, if aggrieved, can apply to the DRAT with a deposit of 50% of the decreed amount which can be reduced by the DRAT to 25%.

(iv) Provide for taking over of management of the business of the borrower under section 13(4).

(v) Confer power upon the Appellate Tribunal to transfer all pending applications before different DRTs to one DRT.

(vi) Empower RBI to call for periodic returns and information from Securitisation Companies and Asset Reconstruction Companies.

(c) IDBI, IDFC, ICICI Bank, SBI, LIC, Bank of Baroda and Punjab National Bank have formed an Inter-Institutional Group (IIG). They will pool their resources on a callable basis, and a sum of Rs.40,000 crore will be made available as and when necessary. The IIG will ensure speedy conclusion of loan agreements and implementation of infrastructure projects. SIDBI has been advised to structure Small and Medium Enterprises Fund with a corpus of Rs. 10,000 crore. Loans are being extended to SMEs through SIDBI's own offices and by way of providing refinance to the primary lending institutions. Refinance to SFCs is available in the interest rate band of 7.5% to 8%. The SME Fund provides for routing of assistance, besides SFCs, through commercial banks as well. For the smooth operations of the Fund, the Government of India have approved the limit of investment in plant and machinery above Rs. 1 crore and upto Rs. 10 crore for a unit to qualify as the medium enterprise.