

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2951  
ANSWERED ON:29.08.2012  
CREDIT APPRAISAL PROCESS QUESTION  
Ganeshamurthi Shri A.

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

- (a) whether the RBI has advised the banks to get a certificate from the company's auditors that borrowers have no outstanding statutory dues such as employees provident fund before submission of their credit appraisal process;
- (b) if so, the details thereof;
- (c) whether the advice will affect the slow-down hit companies that are lagging in payment of salaries and statutory dues; and
- (d) if so, the details thereof?

**Answer**

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) to (d): To safeguard the interests of the lending banks, Reserve Bank of India has advised banks to obtain certificate from the borrower's auditors on an annual basis that all statutory dues, including Employees Provident Fund (EPF) dues, have been paid by the borrower. There are legislations like The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (EPFO Act) which declare priority to the dues under those enactments over others, sometimes including those of secured creditors. This might, in turn, adversely affect the financial position of the borrower firm or result in reduction or loss of security given to the bank, in case the authorities choose to move against such securities. It would therefore be in the interest of the lending banks to ensure that the borrowing firms are making payments of their statutory dues in time, strictly in compliance of the provisions of the relevant statutes.