

[Translation]

It is at the stage of transferring these mines to the Mining Development Corporation.

[Translation]

SHRI LALU PRASAD : It was decided to hand them over to the D.M. or D.C. please tell as to by when it would be done.

PROF. RITA VERMA : This proposal is only for facilitating pilferages ... (Interruptions)

17-23
Loans & Advances
Complaints regarding wrong use
of Loan Amount
Banking

*146. DR. ASHOK PATEL : Will the Minister of FINANCE be pleased to state:

(a) whether there is a tendency to show less amount of loss on account of loans by the nationalised banks;

(b) if so, whether the Government have directed the Reserve Bank of India to instruct the banks for proper implementation of the guidelines prescribed in this regard;

(c) whether the Government have received any complaints regarding use of loan money for some other purposes by the borrower than the purpose for which these loans were meant for; and

(d) if so, the action taken by the Government to deal strictly with such complaints?

[English]

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND MINISTER OF STATE IN THE MINISTRY OF FINANCE (BANKING, REVENUE AND INSURANCE) (SHRI KADAMBUR M.R. JANARTHANAN) : (a) to (d) A Statement is laid on the Table of the House.

Statement

(a) and (b) Reserve Bank of India introduced prudential norms in 1992 relating to identification of non performing assets on the basis of record of recovery; classification of assets into substandard, doubtful and loss categories. providing against loan losses to the stipulated extent in respect of NPAs as well as income recognition norms advising banks not to take to income account, interest not actually realised on non-performing loan accounts. Cases if any, of non-compliance with the norms

of assets classification, income recognition and provisioning requirements are looked into during the course of Annual Finance Inspections of Reserve Bank of India as also during audit by the statutory auditors.

(c) and (d) While sanctioning loans, the conditions regarding utilisation of loans for the purpose for which it has been sanctioned are stipulated by the banks. Sanctioning Authorities are expected to monitor compliance of such conditions. In specific cases of utilisation of funds for uses other than intended use by way of corrective action, banks can either recall the loan, imposed penal rate of interest or reduce the sanctioned limits. Wherever instances of misapplication of funds come to the notice of the RBI during inspection, the concerned public sector banks are appropriately advised in regard to cases of such misapplication of funds.

[Translation]

DR. ASHOK PATEL : Mr. Speaker, Sir, I would like to ask the Hon'ble Minister of Finance how many complaints the Government have received regarding division of funds to purposes other than the ones for which the loans were sanctioned and what action has been taken on those complaints. Whether these complaints have been investigated? If so, what action has been taken against erring officials found guilty during investigation?

[English]

SHRI KADAMBUR M.R. JANARTHANAN : Mr. Speaker, Sir, the regulatory body, that is the RBI, during the course of the investigation of the commercial banks acquired some information regarding diversion of funds to purposes other than the ones for which the loans were sanctioned. In such cases the branches concerned are suitably cautioned. If a borrower is found to have diverted working capital funds, the banks recall the amounts so diverted and also charge 2 per cent penal interest. The banks have been instructed to effectively scrutinise the drawings of loans amounting to Rs. 50 lakh and above so as to ensure that the purpose for which the loans are sanctioned is served properly.

[Translation]

DR. ASHOK PATEL : Mr. Speaker, Sir, whether the Government have prepared a comprehensive plan to stop the misuse of Government loans? If so, the number of cases regarding the misuse of loans reduced after the action taken by the Government?

[English]

SHRI KADAMBUR M.R. JANARTHANAN : Sir, the following steps are being taken to reduce the functional losses:

1. Strengthening the credit appraisal machinery of banking,
2. Close supervision and control over advances,
3. Effective steps for improving recovery of non-performing assets,
4. Reduce the overhead expenses of banks,
5. Discourage incurring capital expenditure, branch expansion, staff recruitment, etc. without RBI's approval.

DR. T. SUBBARAMI REDDY (Visakhapatnam) : There is a lack of communication regarding the non-performing assets which the Minister has just now mentioned. Our impression is, whenever any industrial unit fails to pay either the regular instalment of money or the interest, it is declared as the non-performing asset. The nationalised banks are showing heavy losses on account of this. So, why can the Government not differentiate non-performing assets from the complete failure of such companies which are not able to pay the principal amount or the interest even after a long time? There are some industries which due to genuine reasons are not able to pay the payment immediately but can make payment within one or two months. Such assets are also included in the non-performing assets of the banks. So, why cannot NPA be divided into two parts; one is the assets belonging to the totally sick industrial units and the other is the assets belonging to genuinely strong industry but which is presently not in a position to pay?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA) : In fact, such a distinction is being made.

[Translation]

SHRI H.P. SINGH : Please speak in Hindi.

SHRI YASHWANT SINHA : It has been a tradition that reply to the question is given in the same language in which it is asked for. If a question is asked in English, I will give reply in English. If a question is asked in Hindi, I will give reply in Hindi. I have absolutely no difficulty in both the languages.

SHRI RAGHUVANSH PRASAD SINGH : Whosoever has command on any language, he may give reply in the same language.

SHRI YASHWANT SINHA : Why should we unnecessarily raise the language issue.

[English]

Mr. Speaker, Sir, this kind of a distinction is indeed made by the banks. The hon. member must be aware of the fact that there are four categories in which the accounts are divided by banks. There is a standard category, which is a normal running account and there are no problems. Then there is the sub-standard account. Then there is a doubtful account. The fourth category of accounts is the loss-making account. Each bank, according to the guidelines laid down by the Central Bank. ... (Interruptions)

MR. SPEAKER : Shri Reddy, you should not disturb the Minister.

SHRI YASHWANT SINHA : This is what I am saying. I am saying that the standard account is obviously not counted as NPA but a sub-standard, a doubtful and a loss account is counted towards NPA of the bank. What are our standards? Our standards now, as a result of progress over a period of time, are that if any account runs into a default for two quarters running then it is treated as NPA and it becomes a sub-standard account. If there are further problems, it become a doubtful account. If there is even further problem, then only it is considered to be a loss account. These categorisations are there. It is the intention of the banks to ensure that companies, the borrowers who can revive their units are enable to revive their units. It is not that we are trying to sweep everything with the same broom. We have a differential approach and the banks do take into account the capacity of the firm or the unit to make its account regular.

[Translation]

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SHRI CHETAN CHAUHAN : Mr. Speaker, Sir, the Hon'ble Minister has rightly said that if any industry does not repay the interest for two quarters than it is treated as NPAs. I would like to ask the Hon'ble Minister that a great recession has taken place in the Industry Sector during the last two years.

[English]

The recession is not only in India but it is a global phenomenon. There are lots and lots of industries which have not been able to pay interest for two quarters. They are going to be identified as NPAs. The amount in the NPAs is already around Rs. 45,000 crore and this will increase further. In view of the recession of the last two years, will the Government consider to take a lenient view and give some concessions by making it from two quarters to three quarters? Will the Minister also consider to give some extension of time to the industry?

[Translation]

SHRI YASHWANT SINHA : Mr. Speaker, Sir, I used to receive the recommendations on such issues as mentioned by the Hon'ble Member from time to time, from the Group of Industries and their delegates. I would like to mention here that so far as the question of Gross NPAs or Net NPAs is concerned, the Government have taken steps in this regard from time to time and due to these steps both have come down. As I have already stated that in 1994 Gross NPAs was 24.78% which declined to 16.02% by 31st March, 1998. On 31st March, 1994, Net NPAs was 14.46% which declined to 8.13% by 31st March, 1998. We have already fixed liberal norms in this regard. There are many countries in the world who face many difficulties. On one hand Banks must ensure that their aim is not to make the unit sick. As I have already mentioned in reply to one question that if they will be in a position to give relief to any unit under the contract, they will definitely give but so far as the question of relaxation in norms is concerned, I can strongly say that there is no such proposal under the consideration of the Government or R.B.I.

[English]

SHRI C. GOPAL : Hon. Speaker, Sir, a loss of more than thousands of crores of rupees is incurred by the nationalised banks. We came to understand that the Indian Bank has incurred a loss of more than Rs. 2,000 crore during the year 1996-98. There are several persons, particularly in Tamil Nadu, who have taken loans from the Indian Bank and have used them for the purposes other than they were meant for. I want to know from the hon. Minister who are the persons who have received these loans and misused them. Has any inquiry been conducted against them? What action has been taken by the Government against them? I also want to know from the hon. Minister what are the Reserve Bank guidelines in this regard.

SHRI KADAMBUR M.R. JANARTHANAN : Sir, the Indian Bank is under CBI investigation and the case is in the Supreme Court. As the hon. Member from Tamil Nadu must be aware, there is a Public Interest Litigation pending in the Supreme Court in this regard. Since the matter is *sub judice*, I am sorry I am unable to reveal the facts here.

SHRI BASU DEB ACHARIA : There has been a persistent demand in this very House that the list of those have taken loan of more than Rs. 5 lakh and have not refunded it should be publicised or disclosed. May I know from the Minister whether the Government will disclose the list of such persons?

SHRI YASHWANT SINHA : Under the existing arrangement, a defaulter to the tune of Rs. 1 crore is included in a list of the RBI which is brought to public knowledge. Recently, under the instructions of the Chief Vigilance Commissioner, banks have been asked to also furnish to the RBI the list of defaulters who have loans outstanding upto Rs. 25 lakh but the hon. Member is aware that we also have the confidentiality provisions in the Banking Regulations Act and that militates against making public all the information which is available with the banks.

SHRI BASU DEB ACHARIA : Can you not amend that Act because public should know about it?

SHRI PRITHVIRAJ D. CHAVAN : Sir, before I come to my supplementary, I would like to have a clarification from the Minister. The Minister has said that RBI now makes public the list of defaulters whose outstanding loan is over Rs. 1 crore. Is that the correct position?

SHRI YASHWANT SINHA : Yes. 22-23

SHRI PRITHVIRAJ D. CHAVAN : It goes against the provision of secrecy in the Banking Regulations Act. There is only a black list maintained by the RBI which is circulated only to the banks and not to the public. It is not given to the public. There is a very significant difference. If it is now given to the public, we would like to know about it.

MR. SPEAKER : Is it your supplementary or clarification?

SHRI PRITHVIRAJ D. CHAVAN : Sir, it is an important point. He has made a statement that it is made public. I would like to be enlightened on that point. It is an important distinction. As far as my understanding goes, that list is not made public. It is given only to the banks.

If it is now given to the public also, I would like to know about it.

SHRI YASHWANT SINHA : Let me clarify the point. There should not be any confusion.

The list of outstanding loan defaulters of Rs. 1 crore only where legal action has been taken is made public.

SHRI PRITHVIRAJ D. CHAVAN : If that is the distinction, then it is all right. I am sorry.

My supplementary is on the definition of the Non-Performing Assets. In reply to the supplementary put by Mr. Chetan Chauhan, the Minister said that there is no plan to further dilute the definition of NPAs. That is fine. ...*(Interruptions)* But is he not aware, and he referred to that, that international norms for NPAs are only one quarter and not two quarter defaults and also of the statement of the international credit rating agencies like the Moodies and Standard and Poor which have estimated the NPAs of the Indian banking system to be more than 50 per cent, if recognised as per the international norms? Has he estimated the percentage of NPAs of the Indian banking system, particularly the nationalised banking system, as recognised by international norms? You might have estimated by yourself. Is the figure of 50 per cent, as said by Moodies and Standard and Poor, correct?

SHRI YASHWANT SINHA : I do not know where and when Moodies have said that it is 50 per cent according to international norms. We have our norms. While our norms in one respect, namely, in respect of the number of quarters for which the interest or the principal might have remained outstanding, the fact remains that in many other criteria, our norms are even stricter than the international norms. Therefore, I would say that the norms which are applicable to the Indian banks are in no way less rigorous than the norms which are applicable internationally. We are very satisfied with those norms and propose to carry on with them. There is no immediate plan, as I said, to dilute those norms.

[Translation]

SHRI VIRENDRA SINGH : Mr. Speaker, Sir, the Hon'ble Minister of Finance has stated that while sanctioning the loans to domestic companies they laid down this condition that the loan sanctioned for the specified purpose should be used for the same purpose and those companies who do not adhere to these conditions are liable to be punished. But according to my information when the multinational companies enter into business trade, a condition is stipulated that they will

invest money from their own resources but when they do not bring money from their own country, they violate the first condition. They also violate the second condition by not using the money taken as loan for the same purpose which they have drawn from the banks of their own country.

MR. SPEAKER : Please ask your question. Don't take much time.

SHRI VIRENDRA SINGH : If there is not sufficient time, then let this issue be discussed in the House first.

I have got the names of those companies, who have not taken loan from their own countries and drawn loans from the banks. If our country and thus violated the stipulations, whether the Government have taken any action against them or any action is proposed to be taken in this regard. If the Hon'ble Minister of Finance desires, I can call the names of those companies.

SHRI YASHWANT SINHA : Mr. Speaker, Sir, the Hon'ble member has stated that he has got list of such companies. We shall sit together and process the action against those erring companies.

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Dependency of Indian Currency

*147. SHRI SHANTI LAL CHAPLOT :
SHRI V.K. KHANDELWAL :

Will the Minister of FINANCE be pleased to state:

- (a) the name of the international currency on which the Indian currency mainly depends in the world market;
- (b) whether the Indian currency depends on dollar even after the circulation of Euro; and
- (c) if so, the action being taken by the Government for better coordination with the European countries?

[English]

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA) : (a) to (c) A statement is laid on the table of the House.

Statement

- (a) and (b) A major part of India's international transactions on the current and capital accounts is conducted in the US dollar. The exchange rate of the