(c) The outstanding balances during the first quarter of 1998-99 for which information is available also shows an increasing trend as detailed below and the trend is estimated to continue.

Rs. in crores

Deposit Account	31.3.1998	30.6.1998
FCNR (Banks)	33907	35610
NRE	21766	22548
NRNR	23350	24175

Power Plant at Gopalpur, Orissa

*133. MISS FRIDA TOPNO: Will the Minister of POWER be pleased to state:

(a) whether Gopalpur Coal Mines under Sundargarn Parliamentary Constituency in Orissa is the biggest in Asia and whether Government have any proposal to encourage the private concern to set up Power Plant at Gopalpur;

(b) if so, the details thereof and the time schedule for setting up the Power Plant; and

(c) if not, the reasons therefor?

THE MINISTER OF POWER (SHRI P.R. KUMARAMANGALAM): (a) to (c) the Hirma thermal Power Project being promoted by M/s Consolidated Electric Power Asia (India) Ltd. (6 x 660 MW) is proposed to be developed in the village of Hirma, District Jharsujuda, orissa for which a coal linkage of 19 million tonnes per annum has been accorded from the Kulda and Garjan Bahal Blocks in Gopalpur tract of lb Valley Coal fields under the Mahanadid Coal Fields Ltd. So far, this is the largest power project proposed to be set up in the country in the private sector. After financial closure, the first Unit is planned to be commissioned in 39 months and the second Unit in 42 months and the remaining units at an interval of 3 months each thereafter.

Soiled/Mutilated Notes Issued by the Banks

*134. SHRI O. RAJAGOPAL:
PROF. VIJAY KUMAR MALHOTRA:

Will the Minister of FINANCE be pleased to- state:

(a) whether Government are aware that packets/bundles of re-issued currency notes issued by the public sector banks generally contain soiled and mutilated denotes; and

(b) if so, what corrective measures Government have taken or propose to take in the matter?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (BANKING, REVENUE AND INSURANCE) (SHRI KADAMBUR M.R. JANARTHA-NAN): (a) and (b) the Rescve Bank of India (RBI) has reported that the soiled notes arc withdrawn in a phased manner by the Issuing Offices through more than 4000 currency chests maintained by public sector banks all over the country. Such notes arc also received at the counters of Issue Offices from the Government departments and public. RBI has also issued instructions to all the banks that the notes received by them should be first properly sorted out into reissuables and non-issuablcs. As a part of currency management banks are required to deposit non-issuable notes with currency chests so that such notes can be removed by the RBI Issue offices from time to time for eventual destruction and not put back into circulation. Reports of instances of soiled or mutilated notes being found in packets or rc-issued currency notes are forwarded to the Banks for taking corrective measures.

Operation of Private/Foreign Banks

*136. SHRI LAJPAT RAI: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the private sector as well as foreign banks provide better rates of interest and other transaction facilities in comparison to public sector banks;

(b) what arc the terms and conditions for allowing private/foreign banks to operate;

(c) whether Government are aware that the transaction/business of public sector banks has come down after private and forcing banks having lured the customers with better facilities; and

(d) what steps Government propsoe to take to ensure competititve spirit in public sector banks by offering them level playing fields?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (BANKING, REVENUE AND INSURANCE) (SHRI KADAMBUR MR. JANARTHANAN): (a) The rates of interest offered by different commercial banks depend on the cost of funds including the cost of deposits, operational cost, likely earning of funds deployed and 'the quantum of non-fund based business being handled by the banks. With interest rates having been deregulated to a very large extent by the RBI, the banks are free to determine their own interest rates for term deposits of 15 days and above.

(b) Guidelines on entry of new private sector banks issued by Reserve Bank of India on 22nd January, 1993 are given in the Statement-I and guidelines relating to licensing of foreign banks in India are give in Statement-II. *(See* below).

(c) The business of public sector banks, in absolute terms has not reduced after the entry of private and foreign banks.

(d) Public sector banks already enjoy a level playing field with no discrimination among them.

Statement-I

January 22, 1993

Guidelines on entry of new private sector banks

For well over two decades, after the nationalisation of 14 larger banks in 1969, no banks have been allowed to be set up in the private sector. Progressively, over this period, the public sector banks have expanded their branch network considerably and catered to the socio-economic needs of large masses of the population, especially the weaker section and those in the rural areas. The public sector banks now have 91 per cent of the total bank branches and handle 86 per cent of the total banking business in the country. While recognising the importance and the role of public sector banks, there is increasing recognition of the need to introduce greater competition which can lead to higher productivity and efficiency of the banking system. A stage has now been reached when new private sector banks may be allowed to be set up.

It is necessary that while permitting the entry of new private sector banks the following considerations have to be kept in view:

(a) they sub-serve the underlying goals of financial sector reforms which are to provide competitive, efficient and low cost financial intermediation services for the society at large;

(b) they are financially viable;

(c) they should result in upgradation of technology in the banking sector;

(d) they avoid the shortcomings such as unfair preemption and concentration of credit, monopolisation of economic power, cross holdings with industrial groups, etc. which beset the private sector banks prior to nationalisation;

(e) freedom of entry in the banking sector may have to be managed carefully and judiciously.

Based on these considerations, the Reserve Bank has formulated the following guidelines for establishment of new banks in the private sector;

(a) Such a bank shall be registered as a public limited company under the Companies Act, 1956;

(b) The RBI may, on merits, grant a licence under the Banking Regulation Act, 1949 for such a bank. The bank may also be included in the Second Schedule of the Reserve Bank of India Act, 1934 at the appropriate time. The decision of the RBI in these matters shall be final.

(c) The bank will be governed by> the provisions of the Banking Regulation Act, 1949 in regard to its authorised, subscribed and paid-up capital. The minimum paid-up capital for such a bank shall be Rs. 100 crore. The promoters' contribution for such a bank shall be determined by the RBI and will also be subject to other applicable regulations.

(d) The shares of the bank should be listed on stock exchanges.

(e) To avoid concentration of the headquarters of new banks in metropolitan cities and other overbanked areas, while granting a licence preference may be given to those the headquarters of which are proposed to be located in centre which does not have the headquarters of any other bank.

(f) Voting rights of an individual shareholder shall be governed by the ceiling of 1 per cent of the total voting rights as stipulated by Section 12(2) of the Banking Regulation Act. However, exemption from this ceiling may be granted under Section 53 of the said Act, to public financial institutions.

(g) The new bank shall not be allowed to have as a director any person who is a director of any other banking company, or of "companies which among themselves are entitled to exercise voting rights in excess of twenty per cent of the total voting rights of all the shareholders of the banking company, as laid down in the Banking Regulation Act, 1949.

(h) The bank will be governed' by the provisions of the Reserve Bank of India Act, 1934, the Banking Regulation Act, 1949 and other relevant statutes, in regard to its management set-up, liquidity requirements and the scope of its activities. The directives, instructions, guidelines and advices given by the RBI, shall be applicable to such a bank as in the case of the other banks. It would be ensured that a new bank would concentrate on crore banking activities initially.

(i) Such a bank shall be subject to prudential norms in respect of banking operations accounting policies and other policies as are laid down by RBI. The bank will have to achieve capital adequacy of 8 per cent of the risk weighted assets from the very beginning. Similarly, norms for income recognition, asset classification, and provisioning will also be applicable to it from the beginning. So will be the single borrower and group borrowers exposure limits that will be in force from time to time.

0) The bank shall have to observe priority sector lending targets as applicable to other domestic banks. However, in recognition of the fact that new entrants may require some time to lend to all categories of the priority sector, some modification in the composition of the priority sector lending, may be considered by the RBI for an initial period of three years.

(k) Such a bank will also have to comply with such directions of the RBI as are applicable to existing banks in the matter of export credit. As a facilitation of this it may be issued an authorised dealer's licence to deal in foreign exchange, when applied for.

(1) A new bank shall not be allowed to set up a subsidiary or mutual fund for at least three years after its establishment. The holding of such a bank in the equity of other companies shall be governed by the existing provisions applicable to other banks viz.—

(i) 30 per cent of the bank's or the investee company's capital funds, whichever is less, as set out under .the Banking Regulation Act, 1949; and

(ii) 1.5 per cent of the bank's incremental deposits during a year as per RBI guidelines.

The aggregate of such investments in the subsidiaries and Mutual Fund (if and when set up) and portfolio investments in other companies shall not exceed 20 per cent of the bank's own paid-up capital and reserves.

(m) In regard to branch opening it shall be governed by the existing policy that banks are free to open branches at various centres including urbaivmetropolitan centres without the prior approval of the RBI once they satisfy the capital adequacy and prodential accounting norms. However, to avoid over-concentration of their branches in metropolitan areas and cities, a new bank will be required to open rural and semi-urban branches also, as may be laid down by RBI.

(n) Such a bank shall have to lay down its loan policy within the overall policy guidelines of RBI. While doing so, it shall specifically provide prudential norms covering related party transactions.

(o) Such a bank shall make full use of modern infrastructural facilities in office equipments, computer, telecommunications, etc. in order to provide good customer service. The bank should have a high powered customer grievances cell to handle customer complaints.

(p) Such other conditions as RBI may prescribe from time to time.

(V.L. Patil)

P. Press Relations Officer

Release: 1992-93-233

P.S. NRI participation in the primary equity of a new bank shall be to extend of 40%. In the case of a foreign banking company or finance company as a technical collaborator or a co-promoter, equity participation shall be restricted to 20%.

Statement-II

Licensing of foreign banks in India

As per the existing licensing policy foreign banks are allowed entry into the country either in the form of branches or representative offices or through agency arrangements with India firmyeompanies, etc. While considering requests from foreign banks for setting up a presence in India, we take into consideration, inter alia, the principles of reciprocity, financial position and soundness of the bank, its branch net work across the globe, capital and assets size, international standing of the bank as well as its standing in the country of its incorporation, national advantage and economic and financiaMrade relations between two countries besides the system obtaining in the country on supervision of banks.

Foreign banks desirous of opening a branch in India will have to bring in US $ 10 mio. as an assigned capital while opening their first branch in India which, will be stepped upto US $ 25 mio. when the second branch is opened and further to US $ 25 mio. when the third branch is opened. Foreign banks operating in India are also required to maintain capital funds in India an amount equivalent to 8% of the risk weighted assets of India operations.

As regards representative office it may be mentioned that it cannot undertake any banking business or any commercial activity. Representative offices can undertake activities such as correspondent banking, loan syndication or risk management for companies engaged in raising money overseas and international trade finance such as buyers/suppliers' credit to the Indian importers. Approval for opening a representative office in India if granted will be subject to the condition that the presence in India as representative office would not in any way confer any right or privilege on it for setting up a branch later and that all expenses of the representative office will have to be met by inward remittances from bank's head office.

The request for opening of branch/ representative office has to be made to the Reserve Bank of India in the prescribed proforma form.

Shortage of Notary Stamp

*137. PROF. VIJAY KUMAR MALHOTRA: SHRI VIJAY J. DARDA:

Will the Minister of FINANCE be pleased to state:

(a) whether there is shortage of notary stamps in Delhi;

(b) if so, the reasons therefor; and

(c) what steps have been taken to meet the shortage?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) and (b) The India Security Press, Nashik has increased the supply of notary stamps to Delhi and as per information received from the Delhi Govt., there is no shortage of these stamps now in Delhi.

(c) Action is being taken to replace the old machines of ISP by new machines in phased manner, so as to increase the production capacity.

Flash strike by Ship Crew at Chennai

*138. DR. Y. LAKSHMI PRASAD: Will the Minister of SURFACE TRANSPORT be pleased to state:

(a) whether in September, 1998, ships were stranded at Chennai Port due to strike by their crew;

(b) if so, the cause of the strike;

(c) the extent of damage of perishable cargo like vegetables on account of strike; and

(d) the action taken to end such flash strikes in the country?

THE MINISTER OF LAW, JUSTICE AND COMPANY AFFAIRS AND THE MINISTER OF SURFACE TRANSPORT (SHRI M. THAMBI DURAI): (a) and (b) Yes, Sir. The mooring crew of the Marine Department of Chennai Port Trust, resorted to sudden strike from the third shift (2200 Hrs.) of 30.8.98 demanding introduction of two long shifts posting of 12 hours each instead of 3 shifts of 8 hours and also to increase the manning strength prescribed for each vessel. The management could not agree to the unreasonable demand as it will have repercussion in other areas for the port and also in other Ports in the country.

(c) On account of strike, there was no damage of perishable cargo like vegetables at Chennai Port.

(d) The management tries to ensure smooth and cordial relations with the Workers through process of negotiations. Two Labour Trustees are appointed by Government as Trustees on the Board of Trustees of the Port Trusts. Provisions of Industrial Disputes Act, 1947 apply Labour. However, flash strikes by labour unions can not be ruled out.