

(b) whether Reserve Bank of India has made it mandatory for banks to honour award handed down by the Ombudsmen in the various parts of the country; and

(c) if so, how many cases were settled or are still pending during 1997-98 and details of the awards challenged in the courts of law?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI R. JANARTHANAM):

(a) Yes, Sir.

(b) The Banking ombudsman Scheme was formulated to get fair, speedy and inexpensive resolution to the customers' complaint and it is expected that the Award of Banking Ombudsman is accepted and implemented by the banks. In very exceptional cases where the implementation of the Award is likely to create bad precedents for the bank and the banking system, banks should refer the matter to RBI, before contesting in any matter, the Award given by the Banking Ombudsman.

(c) During the year 1997-98, Banking Ombudsmen have settled 2812 complaints. At present about 1097 cases pertaining to the above period are pending at different stages with the Ombudsmen. Four awards are understood to have been challenged by the banks in the courts of law as per detail given below:

	Name of the complainant Bank	Name of the Centre
1.	The Kalapur Syndicate commercial Bank Coop. Bank.	Bhopal
2.	MP State Allahabad Coop. Hsg. Bank Federation	Bhopal
3.	Mrs. Ch. Sailaja State Bank of Hyderabad	Hyderabad
4.	P.R.N. Upadhyaya Canara Bank	New Delhi.

Probe in Losses of Indian Bank

1396. SHRI KULDIP NAYYAR: Will the Minister of FINANCE be pleased to state:

(a) whether Government have given a dole of Rs. 1750 crores to Indian Bank which incurred losses of Rs. 1300 crores recently;

(b) whether the dole has been given in the form of 12 years special securities at 10 per cent interest towards capitalisation;

(c) if so, the reasons therefor; and

(d) whether Government propose to order probe into the reasons for which Indian Bank is incurring heavy losses?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI R. JANARTHANAM):

(a) and (b) Government have contributed in February, 1998 a sum of Rs. 1750 crores to the capital of Indian Bank. This amount has been reinvested by the bank in the form of 12 years Recapitalisation Bonds bearing 10% rate of interest. The Indian Bank had incurred a net loss of Rs. 1336.40 crores and Rs. 389.09 crores for the years ended 31st March, 1996 and 31st March, 1997 respectively.

(c) In terms of the guidelines of RBI, Indian Bank had achieved CRAR of 9.42% (minimum required was 8%) as on 31st March, 1995. However, the Bank failed to maintain the norm of 8% as on 31.3.96 and 31.3.97 due to net losses incurred during these years. In view of the obligation to reach CRAR of 8% and the bank's inability to raise the capital from the market, Government, as owners had contributed additional capital as stated above.

(d) During the year 1996-97, Indian Bank with the approval of their Board and RBI's concurrence had appointed consultants for undertaking a diagnostic study and suggesting turnaround strategy.

The final report was submitted in April, 1997 by the firm. At the instance of the Government and based on the recommendations of the consultants the bank has prepared a Three-year strategic Revival Plan (1997-98 to 1999-2000). A committee of Directors of the Board of Indian Bank has been formed to monitor the progress of implementation of the turn-around strategy by the consultant. The huge losses reflected by Indian Bank in 1995-96 were mainly on account of the necessity for making provisions including, *inter-alia*, additional provisions because of short provisioning in earlier years, increase in the yield to maturity rate and arrears of wages on account of retrospective revision of the wage structure.

Assessment Regarding Effect of Sanctions/ Cuts Following Nuclear Tests

1397. SHRI SHIV CHARAN SINGH:
SHRI JOYANTA ROY:
SHRI GOVINDRAM MIRI:

Will the Minister of FINANCE be pleased to state:

(a) whether Government have made a detailed assessment of the effects of various sanctions and cuts announced by the different foreign Governments in the wake of Indian's Nuclear Tests made on May 11 and 13, 1998;

(b) if so, the details thereof;

(c) whether Government have drawn up any plan envisaging various counter economic measures and if so, the details thereof; and

(d) if answer to (a) above is in the negative, the reasons therefor?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) and (b) It is perhaps a bit early to assess the full implications of the sanctions. However, sanctions with regard to foreign aid are expected, in most cases, to apply to new commitments, there would be only a marginal effect on the aid flows in the current year.

(c) and (d) In conformity with the current policy of the Government, various measures have been initiated to encourage foreign direct investment and investment from NRIs/OCBs and FIIs. As per the announcement made in the Union Budget, 1998-99, Unit Trust of India is planning to launch a new India Millennium Scheme to invite subscription in dollars from the NRIs. State Bank of India is planning to launch a new Resurgent India Bond denominated in foreign currencies for subscription by NRIs. Investment by the FII debt funds in unlisted domestic debt securities has been proposed. The budget also proposed measures to accelerate processing and implementation of FDI.

Bad Debts of Nationalised Banks

1398. SHRI VEDPRAKASH P. GOYAL:
SHRIMATI MALTI SHARMA:

Will the Minister of FINANCE be pleased to state:

(a) the details of the bad debts of nationalised banks during the last three years ending with 31st December, 1997;

(b) the reasons for incurring losses due to bad debts;

(c) the steps taken by Government for (i) recovery of these losses and (ii) avoiding recurrence of such losses; and

(d) the action taken against the persons responsible for these losses?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI R. JANARTHANAM): (a) Based on the record on recovery, the assets of a bank are classified as performing assets or non-performing assets (NPA). NPAs of the nationalised banks for the last three years