

(c) what are the kinds of risks covered under MIGA; whether it also covers commercial risks; and

(d) in the light of Enron power project controversy, whether Government of an investor country can initiate action against India for going back on any investment contracts?

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): (a) The main feature of MIGA is the promotion of private investment for economic development in member countries through the provision of:—

(i) Guarantees to the foreign investors against losses caused by non-commercial risks;

(ii) Advisory and promotional services to member countries to assist them in creating a responsive investment climate and an information base to guide and encourage the flow of capital to developing countries.

(b) the main benefit of joining MIGA will be that it would help in facilitating foreign direct investment in the country.

(c) MIGA covers only the following four broad categories of non-commercial risks:—

(i) Currency transfer;

(ii) Expropriation and similar measures

(iii) Breach of contract;

(iv) War and civil disturbance.

(d) Where the investment is guaranteed under MIGA, the investor can initiate action to claim compensation from MIGA.

Profit Shown by Banks

941. SHRI TRILOKI NATH CHATURVEDI:

DR. MURLI MANOHAR JOSHI:

Will the Minister of FINANCE be pleased to state:

(a) the names of banks which have

shown profit in 1994-95 and the amount of profits;

(b) which of the above banks were showing losses in the immediately preceding four years and the amount of losses;

(c) what were the measures taken by banks to cross the red/loss line; and

(d) whether it is a fact that most of the profits shown are not real profits but are the result of doctoring the balance sheets and whether the RBI propose to scrutinise the balance sheets as reported in the Business Age of 7th July, 1995?

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): (a) and (b) Information regarding profit/loss of public sector banks for the years ending on 31st March, 1991, 1992, 1993, 1994 and 1995, as reported by Reserve Bank of India (RBI), is given at [Appendix 174, Annexure No. 29]

(c) Government and RBI have impressed upon the banks the need to strengthen their credit appraisal machinery and exercise close supervision and control over advances. While allocating re-capitalisation funds, nationalised banks were advised by RBI to prepare action plans on key areas of their working. The introduction of prudential norms has also made the management of banks risk sensitive.

(d) The balance sheet and profit and loss account of banks are prepared in terms of section 29 of the Banking Regulation Act, 1949 and audited by 1 qualified statutory auditors of the bank. If the balance sheet and profit and loss account have any deficiencies, these are brought out by the auditors in the report attached to the balance sheet. RBI also scrutinises the balance sheets of nationalised banks.