

- (c) Constitute a Special Committee of the Board exclusively for monitoring frauds of Rs. 1 crore and above.
- (d) Examine staff accountability and institute disciplinary action expeditiously against the staff involved in frauds.
- (iv) On the basis of recommendations made by the Mitra Committee on legal aspects of bank frauds, banks were advised to take various preventive steps *viz.* Development of Best Practice Code (BPC), System of internalization of BPC, strengthening internal checks and internal controls and introducing Legal Compliance Audit.
- (v) As the frauds in the area of housing loans were on the increase, RBI had issued several circulars including steps to be taken by banks to prevent such frauds, such as conduct of due diligence of borrowers/builders, scrutiny of documents by legal experts, verification of identity of the borrowers, multi layered decision making process, pre-sanction visit to a project site and strict post disbursement supervision etc.
- (vi) All the banks which had financed a borrower under multiple banking arrangement have been advised to take co-ordinated action, based on commonly agreed strategy, for legal/criminal actions, follow up for recovery, exchange of details of modus operandi, achieving consistency in data/information on frauds reported to Reserve Bank of India. The bank which detects a fraud is required to immediately share the details with all other banks in the multiple banking arrangements.
- (vii) In order to make the third parties such as builders, warehouse/cold storage owners, motor vehicle/tractor dealers, travel agents etc. and professionals such as architects, valuers chartered accountants, advocates, etc. accountable who have played a vital role in credit sanction/disbursement or facilitated the perpetration of frauds, banks have been advised to report to Indian Banks Association (IBA) the details of such third parties, including professionals involved in frauds. IBA in turn will prepare caution lists of such parties for circulation among the banks.

Due to increased surveillance and monitoring by RBI it has shown a downward trend in recent times.

#### **Lending to micro, small and medium enterprises**

1837. SHRI VIJAY JAWAHARLAL DARDA:

SHRIMATI SHOBHANA BHARTIA:

Will the Minister of FINANCE be pleased to state:

- (a) whether Government has warned private and foreign banks of tough action if they do not improve on lending to micro, small and medium enterprises which are reeling under the impact of global meltdown;

- (b) if so, the details of guidelines/instructions issued to private/foreign banks;
- (c) whether the role of private/foreign banks in providing loans to micro, small and medium enterprises are under watch of Government; and
- (d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA):  
 (a) to (d) All Scheduled Commercial Banks, are expected to achieve the target of priority sector lending, including small and medium enterprises, under guidelines issued by the Reserve Bank of India (RBI), which is 40% of ANBC (or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher) and/or agriculture target 18% of ANBC (or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher).

No direct penalty is imposed by RBI for non-achievement of such priority sector targets, which also include MSME Sector lending. However, disincentive for non-achievement of priority sector targets/sub-targets is by way of contribution of an allocated amount of shortfall to the RIDF administered by NABARD. This is obligatory for the domestic scheduled commercial banks, including private banks.

For foreign banks, the shortfalls are deposited with SIDBI or funds with other financial institutions as specified by Reserve Bank of India for such purposes as may be stipulated by RBI from time to time. The credit flow to the MSME sector is regularly monitored by the Government and forms the agenda for the quarterly meeting of the Finance Minister with CEOs of Public Sector Banks.

#### **Price index for Government employees**

1838. SHRI KALRAJ MISHRA: Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that the Sixth Pay Commission had recommended setting up a separate Price Index for Government employees;
- (b) if so, whether such an Index has been formulated;
- (c) the details of the commodities and services included in such Index along with the weightage ascribed to each service/ commodity; and
- (d) if not, by when Government will formulate the Price Index?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA):  
 (a) Yes, Sir.

- (b) No, Sir.
- (c) Does not arise.
- (d) No time frame can be specified.

#### **Increase in foreign debt of the country**

†1839. SHRI RAJ MOHINDER SINGH MAJITHA:  
 SHRI SHIVANAND TIWARI:

Will the Minister of FINANCE be pleased to state:

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†Original notice of the question was received in Hindi.