

levies as well as to reduce commission agent charges and investment will be encouraged in supply chains.

In the current financial year the process of fiscal consolidation started with reduction in estimated fiscal deficit to 5.5 per cent of GDP in 2010-11 from a level of 6.6 per cent in 2009-10. Since October 2009, when the Reserve Bank embarked on the path of exit from accommodative monetary policy, it has cumulatively raised the cash reserve ratio (CRR) for scheduled banks by 100 basis points of their net demand and time liabilities (NDTL) and the policy repo and reverse repo rates under the liquidity adjustment facility (LAF) by 175 basis points and 225 basis points, respectively. In response to these monetary policy measures, scheduled commercial banks (SCBs) raised their deposit rates in the range of 25-265 bps during March 2010- February 14, 2011. Several banks reviewed and increased their Base Rates by 50-125 bps between July 2010 and February 14, 2011. The Reserve Bank in its Third Quarter Review of January 25, 2011 has noted that it would persist with the anti-inflationary monetary stance.

Promoting subsidiary routes for foreign banks

49. DR. K.V.P. RAMACHANDRA RAO : Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that subsidiary route is being preferred for foreign banks;
- (b) if so, the details thereof;
- (c) the proposals received in this regard; and
- (d) by when the final decision is to be taken in the matter?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA) : (a) to (c) Reserve Bank of India on January 21, 2011 had released a "discussion paper on the form of presence of foreign banks" seeking views/comments of banks, non-banking financial institutions, all stakeholders and the public at large. Some of the points in the discussion paper are:

- Post crisis lessons support domestic incorporation of foreign banks *i.e.* subsidarisation.
- Policy on presence of foreign banks in India would be guided by two cardinal principles of (i) Reciprocity and (ii) Single Mode of Presence.

- Main advantages of local incorporation are;
 - Ring fenced capital within the host country
 - Easier Identification and application of laws
 - Better corporate governance, local board of directors
 - Effective control in a banking crisis
 - Down side risk from subsidiaries may arise in the event of domination by Wholly Owned subsidiaries (WOS) in domestic financial system.
 - Conversion of existing foreign bank branches into WOS would be subject to India's commitments to World Trade Organisation (WTO).
 - In line with best International practices on corporate governance, WOS of foreign banks in India -
 - (i) not less than 50 percent of the directors should be Indian nationals resident in India, (ii) not less than 50 percent of the directors should be non-executive directors, (iii) a minimum of one-third of the directors should be totally independent of the management of the subsidiary in India, its parent or associates and (iv) the directors shall conform to the 'Fit and Proper' criteria as laid down in our extant guidelines.
- (d) RBI has indicated that the guidelines for presence of foreign banks will be finalized after receipt of inputs/suggestions from the stakeholders and public.

Delay in Income Tax Refunds

50. SHRI PRAKASH JAVADEKAR : Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that delays in income tax refunds have cost heavy interest burden to Government exchequer;
- (b) if so, the details of such interest paid for delays in income tax refunds during last three years; and
- (c) the reasons for the delay and the action Government is contemplating in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM) : (a) and (b) Interest on refund is paid to assesseees as per the statutory provisions of section 244A of