

**COMMITTEE ON THE WELFARE
OF SCHEDULED CASTES AND
SCHEDULED TRIBES
(1982-83)**

(SEVENTH LOK SABHA)

TWENTY-SIXTH REPORT

MINISTRY OF FINANCE

DEPARTMENT OF ECONOMIC AFFAIRS

(BANKING DIVISION)

Action taken by Government on the recommendations contained in the Fourteenth Report of the Committee on the Welfare of Scheduled Castes and Scheduled Tribes (Seventh Lok Sabha) on the Ministry of Finance Department of Economic Affairs (Banking Division)—credit facilities for Scheduled Castes and Scheduled Tribes.

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COMMITTEE ON THE WELFARE OF SCHEDULED CASTES
AND SCHEDULED TRIBES

(1982-83)

Shri A. C. Das—*Chairman*

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SECRETARIAT

1. Shri D. C. Pande—*Chief Legislative Committee Officer.*
2. Shri P. C. Chaudhry—*Senior Legislative Committee Officer.*

INTRODUCTION

I, the Chairman, Committee on the Welfare of Scheduled Castes and Scheduled Tribes, having been authorised by the Committee to submit the Report on their behalf, present this Twenty-sixth Report (Seventh Lok Sabha) on Action Taken by Government on the recommendations contained in the Fourteenth Report (Seventh Lok Sabha) on the Ministry of Finance, Department of Economic Affairs (Banking Division)—Credit facilities for Scheduled Castes and Scheduled Tribes.

2. The Draft Report was considered and adopted by the Committee on the Welfare of Scheduled Castes and Scheduled Tribes at their sittings held on 29th June, 1982 and on 2nd July, 1982.

3. The Report has been divided into the following Chapters:—

I. Report.

II. Recommendations/Observations which have been accepted by Government.

III. Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies.

IV. Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee and which require reiteration.

4. An analysis of the action taken by Government on the recommendations contained in the Fourteenth Report (Seventh Lok Sabha) of the Committee is given in Appendix. It would be observed therefrom that out of 42 recommendations made in the Report, 24 recommendations, i.e., 57.1 per cent have been accepted by the Government; the Committee do not desire to pursue two recommendations, i.e., 4.8 per cent of their recommendations in view of Government's replies; 16 recommendations, i.e., 38.1 per cent, in respect of which replies of Government have not been accepted by the Committee, require reiteration.

NEW DELHI;

19th July, 1982

28th Asadha, 1904 (S).

A. C. DAS,

Chairman

Committee on the Welfare of Scheduled
Castes and Scheduled Tribes.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by Government on the recommendations contained in the Fourteenth Report (Seventh Lok Sabha) of the Committee on the Welfare of Scheduled Castes and Scheduled Tribes on the Ministry of Finance, Department of Economic Affairs (Banking Division)—Credit facilities for Scheduled Castes and Scheduled Tribes.

1.2. In para 1.21 of their Fourteenth Report, the Committee had noted that according to an estimate of the year 1977-78, of the 290 million people living below the poverty line, 160 million were below 75 per cent of the poverty line and the bulk of them constituted the Scheduled Castes and Scheduled Tribes.

1.3. In para 1.22 of the Report, the Committee had referred to observation made in the report of the Working Group on Scheduled Castes and other Backward classes during medium plan (1978-83) published in August, 1978, that during the successive Five Year Plan Rs. 322.25 crores were spent for promoting social and economic well being of these people. Of these only 10 per cent were spent on economic development.

1.4. In para 1.23 of the Report, the Committee had stated that they fully agreed with the views expressed by the Commissioner for Scheduled Castes and Scheduled Tribes that "thirty two years are no small period to stabilise transformation in a society and yet may not be long enough to fully atone the sins of the centuries. Efforts have been made, perhaps not commensurate with the magnitude of the problems faced by weaker sections, more particularly by the Scheduled Castes and Scheduled Tribes. The nation can claim an all-round growth. But the same cannot be said of the weaker sections like Scheduled Castes and Scheduled Tribes."

1.5 In para 1.24 of the Report the Committee had stated that they were strongly of the opinion that only through economic development of Scheduled Castes and Scheduled Tribes we could succeed in getting for them freedom from poverty, inequalities and injustices, for which, vigorous and combined efforts would have to be made both by Government and private agencies engaged in the upliftment of these communities and more financial resources would have to be provided during the next Five Year Plans.

1.6. In their reply dated 31-3-1982 to the aforesaid observations of the Committee, the Ministry of Finance, Department of Economic Affairs (Banking Division) have stated that the Government are conscious of the fact that, while the Scheduled Castes have received some benefits through planned development over the years, especially in the field of education, a large proportion of them continue to live at poverty levels, that expenditure on the programmes for them have not been adequate and that greater efforts particularly for their economic development are necessary.

As a matter of fact the approach to the development of Scheduled Castes in the Sixth Plan is based on these considerations. Three main instruments have been devised in the strategy for development of Scheduled Castes:—

- (a) Special Component Plans as part of State Plans and relevant Central Sector Plans.
- (b) Special Central Assistance to the Special Component Plans as additionality to the outlays in the Special Component Plan of States.
- (c) Scheduled Castes Development Corporations, with matching assistance (40 per cent) from the Centre to the States for investment in their Corporations.

The Special Component Plans have been decided in order to channelise due share of Plan Development benefits to the Scheduled Castes. One of the main objectives of the Special Component Plan is to substantially assist Scheduled Caste families through comprehensive and integrated family oriented programmes of economic development.

The Prime Minister wrote to the State Chief Ministers on March 12, 1980 conveying the deep concern of the Government of India about the problems of Scheduled Castes and the high priority attached to the task of their rapid socio-economic development. The Prime Minister emphasised that for this purpose, it is particularly important to take note of the developmental needs of the Scheduled Castes in each occupational category, identify the available opportunities suitable for them, formulate appropriate developmental programmes in the light of the above and build these programmes and corresponding outlays into the Special Component Plan. She also emphasised that the Scheduled Castes Development Corporations should be activated and made effective in the field.

An outlay of Rs. 600 crores has been provided in the Sixth Plan (1980—85) for giving Special Central Assistance to the Special Component Plans of States as additionality to the provisions in their Special Component Plans from their respective State Plans. In addition, the Sixth Plan provides an outlay of Rs. 65 crores under grant-in-aid to State Government for investment in their respective Scheduled Caste Development Corporations, in the ratio of 49 : 51.

It is also to be noted that point No. 7 of the New 20 Point Programme is to "accelerate Programmes for the development of Scheduled Castes and Tribes."

Thus, Government's actions are broadly along the lines indicated in the above recommendations.

1.7 The Committee are not satisfied with the reply of the Government. They desire that more specific and comprehensive information should be given.

1.8. In Para 2.6 of the Report, the Committee had expressed concern that there was no separate set up or Cell in the Ministry of Finance, Department of Economic Affairs (Banking Division) and the Reserve Bank of India to look after the credit requirements of the Scheduled Castes and Scheduled Tribes exclusively. The Committee were of the view that to understand the varied and complex economic problems of the people or belonging to these communities, there should be separate organisations both in the Ministry of Finance, Department of Economic Affairs (Banking Division) and the Reserve Bank of India. The Committee recommended that special cells should be constituted to deal with all matters relating to the credit requirements of Scheduled Castes and Scheduled Tribes.

1.9. In their reply dated 31st March, 1982, the Ministry of Finance Department of Economic Affairs (Banking Division) have stated that so far as the Banking Division is concerned the recommendation has been accepted in principle and steps are being taken for creating a Cell for looking after the credit requirements of Scheduled Castes and Scheduled Tribes exclusively.

In Reserve Bank of India there is a separate Division (Banking Policy Division) in the D.B.O.D. which deals with banks' priority sector advances. This Division monitors the credit flow to the weaker sections of the society including the Scheduled Castes and Scheduled Tribes. The Banking Policy Division reviews at periodical intervals, on the basis of returns received from banks, their performance in providing credit to weaker sections of the society including the borrowers belonging to Scheduled Castes and Scheduled

Tribes. Besides, during the course of periodical inspection of the banks an appraisal is made of their performance in lending to the priority sectors as well as to the weaker sections of the society. Thus, the Banking Policy Division of D.B.O.D. is monitoring the credit flow to the weaker sections as a part of the over all functions of the Division. Reserve Bank of India, therefore, is of the view that there may be no special advantage to have another cell for monitoring the flow of credit to Scheduled Castes and Scheduled Tribes exclusively.

1.10 The Committee do not accept the latter part of the reply of the Government. They reiterate their earlier recommendation that a separate cell should be created in the Reserve Bank of India to monitor specifically the performance of the banks in providing credit to Scheduled Castes and Scheduled Tribes.

1.11. In para 2.7 of their Report the Committee had recommended that Government should set up a body consisting of representatives of the Ministry of Finance, Ministry of Home Affairs, Reserve Bank of India, Planning Commission and State Government concerned to identify the schemes which could be taken up in a particular area depending upon the resources and skills of the people inhabiting that area; to lay down the financial targets for providing credit facilities and for proper coordination among the Centre, State, Banking and other financial institutions operating or helping in the operation of lending schemes for the Scheduled Castes and Scheduled Tribes.

1.12. In their reply dated 31st March, 1982, the Ministry of Finance, Department of Economic Affairs (Banking Division) have stated that under the Lead Bank Scheme, there are District Consultative Committees and their Standing Committees at the district-level. In addition there are State Level Committees at the State-level in which bankers and State Government officials discuss banking problems of the State. Regional Consultative Committees at the highest level for the six regions into which the States and Union Territories have been grouped also discuss banking problems in different States in each of the regions. These meetings are usually taken by the Union Finance Minister and attended by Chief Ministers/State Finance Ministers, Chief Executives of banks and also Governor, RBI. The implementation of lending schemes in the priority sectors for weaker sections of the Society, implementation of the 20-Point Programme and all related aspects are reviewed in these forums.

Banks are expected to lend to the weaker sections within the framework of the District Credit Plans (DCP). The DCP is specifically drawn up taking into account the credit requirements of the weaker sections. Under the RD Programme, which is directed towards the weaker sections, a certain proportion of the beneficiaries have to be Scheduled Castes/

Scheduled Tribes. For these identified borrowers, ventures which are viable and suitable for local requirements have to be drawn up.

Thus, there already exist several forums for ensuring co-ordination between the activities of the banks and the various agencies concerned. Under the IRD Programme the District Rural Development Agency (DRDA) is the focal point of co-ordination. The executive officer in charge of DRDA is now a member of the Standing Committee of the District Consultative Committee. Since the problems of co-ordination are felt at the district/block levels, it is felt that the required degree of co-ordination will have to be achieved by ensuring that the co-ordination forums already created at the district-level function effectively. The problems as also the requirements of specific schemes are likely to vary from State to State and even from district to district.

At the national-level a high-level committee has been constituted under the Chairmanship of Member-Secretary, Planning Commission to review the extent of credit support from the financial institutions to the IRD Programme and to identify operational difficulties and suggest measures for their removal. A copy of the relevant notification has been reproduced below. The recommendations of this committee will help in identifying the problems and finding solutions, with a view to bringing about better coordination, more effective implementation of schemes, greater flow of financial assistance and follow up action.

Given this situation, it is felt that creating another forum at the national level is not likely to have meaningful impact at the field level.

Copy of Government of India, Ministry of Rural Reconstruction Notification dated the 12th August, 1981.

NOTIFICATION

Institutional credit support is crucial for the success of the Integrated Rural Development Programme (IRDP). In order to review the extent of support to the programme from various credit institutions in the context of the VIth Five Year Plan and also to identify the operational difficulties being experienced in obtaining credit, it has been decided to set up a high level Committee in the Ministry of Rural Reconstruction, which shall meet every quarter to review and discuss these issues. The Committee shall also undertake tours to States in order to gain first hand knowledge of the field situation. The composition and the terms of reference of this Committee will be as under:—

Composition:

1. Dr. Manmohan Singh, Member Secretary, Planning Commission.
Chairman.

MEMBERS

2. Shri S. C. Verma, Secretary, Ministry of Rural Reconstruction.
3. Shri M. Ramakrishnaya, Deputy Governor, Reserve Bank of India.
4. Shri R. K. Kaul, Additional Secretary, Banking Division, Department of Economic Affairs, Ministry of Finance.
5. Shri P. R. Dubhashi, Additional Secretary, Department of Agriculture & Cooperation, Ministry of Agriculture.
6. Shri G. V. Ramakrishna, Advisor, Rural Development, Planning Commission.
7. Shri N. V. Krishnan, Joint Secretary, Plan Finance Division, Ministry of Finance.
8. Shri R. Srinivasan, Joint Secretary, Department of Industrial Development, Ministry of Industry.
9. Shri K. Ramanujam, Commissioner-cum-Secretary, Rural Reconstruction, Government of Bihar.
10. Shri H. B. N. Shetty, Secretary, Rural Development, Government of Tamil Nadu.
11. Shri Sant Dass, Managing Director, Agricultural Refinance & Development Corporation.
12. Shri P. G. Muralidharan, Joint Secretary, Ministry of Rural Reconstruction.—Member Secretary.

Terms of Reference:

- (i) Review the availability of credit for IRDP periodically.
- (ii) Examine the credit network of commercial banks, Regional Rural Banks and Cooperatives in the context of IRDP and recommend expansion, where necessary.
- (iii) Examine the operational problems coming in the way of obtaining credit for IRDP and recommend appropriate action to meet these problems.
- (iv) Examine whether the recent guidelines on simplification of procedures and relaxations with respect to credit for the weaker sections are being implemented by bank branches in the field and also see whether any further simplifications, relaxations etc. are necessary.

- (v) Examine the progress of preparation and implementation of credit plans for IRDP blocks. The Committee will also review the implementation of the IRDP block plans prepared by the ARDC and the IRDP component of District Credit Plan.
- (vi) Examine to what extent the credit targets set for the weaker sections in the Sixth Plan are being realised.
- (vii) Any other relevant matter, approved by the Chairman of the Committee.

Sd/-

(ATUL SINHA)

Deputy Secretary to the Government of India.

1.13 The Committee do not accept the reply of the Government. They reiterate their earlier recommendation that a separate body be set up consisting of representatives of the Ministry of Finance, Ministry of Home Affairs, Reserve Bank of India, Planning Commission and the State Government concerned to identify the schemes which could be taken up in a particular area depending upon the resources and skills of the people inhabiting the area and to lay down the financial targets for providing credit facilities and proper co-ordination among the Centre, State Banking and other financial institutions operating or helping in the operation of lending schemes for the Scheduled Castes and Scheduled Tribes.

1.14. In para 3.21 of the Report of the Committee noted that the purpose of startig DRI Scheme was to enable persons who were poorest among the poor to engage themselves in productive endeavours with the help of their own labour and the labour of their family members and to improve their economic condition. While appreciating the purpose of the Scheme, the Committee expressed their concern whether this gigantic task could be achieved with the present resources earmarked under the DRI Scheme for the Scheduled Castes and Scheduled Tribes, majority of whom fell below the poverty line. The Committee agreed with the assessment of the Commissioner for Scheduled Castes and Scheduled Tribes in his 26th Report that the present limit of minimum of 1 per cent of aggregate advances (as at the end of the previous year) and at least 40 per cent of the total advances under the DRI Scheme fixed for the Banks would not serve the needs of the Scheduled Castes and Schduled Tribes. The Committee, therefore, recommended that at least 2 per cent of the aggregate advances of banks, as at the end of the previous year, should be fixed for lending under the DRI Scheme and a minimum of 75 per cent of the total advances under the DRI should go to the Scheduled Castes and Scheduled Tribes.

1.15 In their reply dated 31st March, 1982, the Ministry of Finance, Department of Economic Affairs (Banking Division) have stated that the banks' resources comprise mainly deposits raised from the public. They have to pay interest on the deposits at the rates stipulated from time to time by RBI. The cost of raising deposits and servicing them has to be met from the earnings on banks advances. A certain portion viz. about 43 per cent of the deposits is not available for lendings due to liquidity requirements. Of the remaining 57 per cent of the funds, a major portion has to be earmarked for lendings to priority sector borrowers at concessional rates of interest. Hence, while considering any suggestion for increasing lendings at concessional rates of interest, banks, profitability and viability have to be taken into account. Taking these factors into consideration, the Working Group appointed by the Government of India in 1978 to study the DRI Scheme had come to the conclusion that the target of $\frac{1}{2}$ per cent of total advances may not be raised further. The Government of India, however, chose to raise it to 1 per cent. The Working Group had estimated that the banks incurred a loss of 9 per cent on their advances under the Scheme. On the basis of 9 per cent gap (which would have increased further by now) between income and expenditure on an outstanding balance of DRI advances at the end of June, 1980 at Rs. 157 crores, the loss of income on this score would be in the region of Rs. 14 crores. This has to be seen against the aggregate published profits of public sector banks at Rs. 44.64 crores in 1979. Considering these aspects, it would not be possible to raise the target to 2 per cent.

Advances under the DRI Scheme are to the weakest of the weaker sections of the society and SC/ST would be the main group of beneficiaries under the Scheme. Government of India, increased the share of SC/ST under this Scheme from 33-1/3 per cent to 40 per cent. The target of 40 per cent fixed appears to be reasonable, considering that the weakest of the weaker sections should include a sizeable portion of the total SC/ST population. This target of 40 per cent lending to SC/ST borrowers under the scheme is the minimum that should go to such borrowers. As at the end of June, 1980 advances to SC/ST borrowers accounted for 44.2 per cent of the total outstandings under the Scheme. Incidentally, Government have asked NIBM to make a review of the Scheme and their findings are awaited.

1.16 The Committee do not accept the reply of the Government. They reiterate their earlier recommendation that at least 2 per cent of the aggregate advances of the banks should be earmarked for the DRI Scheme and a minimum of 75 per cent of the total advances under the DRI Scheme should go to the Scheduled Castes and Scheduled Tribes. The Committee feel that the banks are agencies of Socio-economic change and, therefore, they should not ignore their social responsibility towards

weaker sections of the society by taking the plea that raising the DRI limit would result in loss to the banks. The Committee should also be apprised of the findings of the review conducted by National Institute of Bank Management of the DRI Scheme and Government's comments on those findings.

1.17 In para 3.22 of the Report the Committee endorsed the suggestion of the Commissioner for Scheduled Castes and Scheduled Tribes that at least 10 per cent of the total loans advanced by the banks should be given to persons belonging to Scheduled Castes and Scheduled Tribes to meet their medium and long-term credit requirements.

1.18 In their reply dated 31st March, 1982, the Ministry of Finance, Department of Economic Affairs (Banking Division) have stated that recently measures have been taken by the Government and the Reserve Bank to increase the flow of credit to the weaker sections. The banks have been asked to raise the proportion of their advances to priority sectors to 40 per cent by March 1985 and a significant proportion of this enlarged credit is to be directed towards the weaker sections and the beneficiaries of the 20 Point Programme. In the agricultural sector, 50 per cent of the banks' direct lending is to be to the small and marginal farmers and landless labourers. In the small industry sector also, artisans, craftsmen and village and cottage industries and very small units requiring not more than Rs. 25,000 as credit are to receive double their present proportion in the credit going to small industry sector.

To ensure that the Scheduled Castes and Scheduled Tribes borrowers derive adequate benefit from this increased flow of credit to the weaker sections, banks have been asked to weight their District Credit Plans in favour of Scheduled Caste and Scheduled Tribe borrowers, by incorporating special schemes for development of activities in which the members of these communities are engaged.

Banks have also been asked that while adopting villages for intensive lending, villages with sizeable population of SC/ST communities may be specially chosen.

Periodical review is being made of the credit extended to SC/ST borrowers on the basis of priority sector returns being received from the branches.

The main difficulty being faced by the banks in rapid enlargement of the size of their credit flow to the SC/ST borrowers is not related to the lack of resources or to any hesitation on the part of their staff to undertake such lending. The main problem has been absence of specific area schemes with proper tie-up arrangements for supply of inputs and

marketing of produce, the responsibility for which has to be borne by the State Government machinery at the district and the block levels. Wherever such composite schemes have been drawn up by the State Government authorities or State SC/ST Development Corporations, the banks have stepped in with the requisite amount of credit support.

It is felt that the objectives of augmenting the flow of credit to the SC/ST borrowers in a purposeful manner can be achieved through the schematic approach outlined above. Stipulation of a lending target, without matching efforts on the part of other Government agencies concerned at the district level to ensure that the SC/ST borrowers actually derive lasting benefit from the credit support from the banks, will dilute the quality of lending and may, in the ultimate analysis, prove detrimental to the long term interests of the borrowers themselves.

Currently the banks are participating in the implementation of the Integrated Rural Development Programme which is directed towards those below the poverty line. The Programme stipulates that among beneficiaries to be identified, a sizeable proportion of beneficiaries should belong to Scheduled Castes/Scheduled Tribes. It is accepted that since the Programme would be implemented in an integrated manner with adequate pre-lending and post lending measures to sustain the viability of the self-employment ventures to be taken up by the borrowers, it should be possible for the banks to further enlarge the flow of their credit to SC/ST borrowers in such a manner as to be beneficial to them on a sustained basis.

1.19 The Committee do not accept the reply of the Government. They reiterate their earlier recommendation that at least 10 per cent of the total loans advanced by banks should be given to the persons belonging to Scheduled Castes and Scheduled Tribes to meet their medium and long term credit requirements. State Governments should be urged to draw up specific area schemes with proper tie-up arrangements for supply of inputs and marketing of produce to enable make to give loans to Scheduled Castes and Scheduled Tribes.

1.20 In para 3.41 of the Report, the Committee observed that the present condition for a person to become eligible for credit under the D.R.I. Scheme *i.e.*, his family income from all sources should not exceed Rs. 3000/- per annum in urban and semi urban areas and Rs. 2000/- per annum in rural areas needed to be reviewed. They recommended that the limit of family income should be raised to Rs. 6000/- and Rs. 4000/- per annum for urban/semi-urban and rural areas respectively.

1.21 In their reply dated 31st March, 1982, the Ministry of Finance, Department of Economic Affairs (Banking Division) have stated that the D.R.I. Scheme has been evolved for assisting the weakest of the weaker sections of the society. One of the eligibility criteria is that the family income should not exceed Rs. 3000/- in urban/semi-urban areas and Rs. 2000/- in rural areas. Even under IRD Schemes, although the maximum family income of the beneficiary has been fixed at Rs. 3500/- it has been stipulated that families falling in the lowest income group *viz.*, those having family incomes upto Rs. 1500 and from Rs. 1501 to Rs. 2500/- should be covered first for assistance under the Programme. Given the availability of funds, liberalisation of the income criteria would lead to the benefits of the DRI Scheme going to comparatively better off persons.

1.22 The Committee do not accept the reply of the Government. They reiterate their earlier recommendation that the limit of family income from all sources to make a person eligible to get credit under D.R.I. Scheme should be increased to Rs. 6000/- and Rs. 4000/- per annum for urban semi-urban and rural areas respectively.

1.23 In para 3.42 of the Report, the Committee desired that the present amount of credit admissible under the D.R.I. Scheme *i.e.*, Rs. 1500/- for working capital loan and Rs. 5000/- for term loan should be suitably enhanced so that a borrower found it sufficient to meet his needs and he had not to raise a part loan from other sources.

1.24 In their reply dated 31st March, 1982, the Ministry of Finance, Department of Economic Affairs (Banking Division) have stated that the maximum amount of loan available under the Scheme is Rs. 6500/- (Rs. 5,000/- as term loan and Rs. 1500/- as working capital). Within the total funds available for lending under the Scheme, any increase in the credit limit would lead to reduction in the number of beneficiaries.

The Scheme is intended for the benefit of very poor people who are mainly engaged on a very modest scale in agriculture and allied activities, cottage and village industries and vocations such as making reasonably cheap eatables, home delivery service of articles and commodities of daily use, running way-side tea stalls, plying of self owned manual rickshaws and cycle rickshaws, repairing of shoes/sandles mainly by hand, basket making by hand etc. It is felt that a maximum amount of Rs. 5000/- for implements and Rs. 1500/- for working capital should be sufficient for these purposes.

1.25 The Committee do not accept the reply of the Government. They reiterate their earlier recommendation that the credit limit under DRI Scheme should be suitably enhanced.

1.26 In para 3.43 of the Report the Committee recommended that the period of 5 years fixed for repayment of loans under the DRI Scheme should be increased so as to help the borrowers to pay back the amount in easy instalments.

1.27 In their reply dated 31st March, 1982, the Ministry of Finance, Department of Economic Affairs (Banking Division) have stated that the loans under DRI Scheme are granted for undertaking modest productive endeavours. Since the loans are small and rate of interest is low, the period of 5 years fixed for repayment appears to be reasonable. It has also been the endeavour of Government that the benefits of the Scheme reach the maximum number of eligible borrowers. Since the funds available for lending under the Scheme are limited, this is possible only if there is quicker recycling of funds. For this reason also it may not be advisable to increase the repayment period.

1.28 The Committee do not accept the reply of the Government. They reiterate their earlier recommendation that the period of 5 years fixed for repayment of loan should be increased so as to help the borrowers to pay back the amount in easy instalments.

1.29 In para 3.111 of their Report, the Committee desired the Government to make adequate central funds available to the Cooperatives so that they could be organised better for providing assistance to the Scheduled Castes/Scheduled Tribes for their rapid economic development.

1.30 In their reply dated 31st March, 1982, the Ministry of Finance, Department of Economic Affairs (Banking Division) have offered no comments on the recommendation.

1.31 The Committee are not satisfied with the Government's explanation. They feel that reply of the Government is evasive. They reiterate their earlier recommendation that adequate Central funds should be made available to Cooperatives to enable them to provide assistance to Scheduled Castes and Scheduled Tribes to achieve their rapid economic development.

1.32 In para 4.19 of the Report, the Committee recommended that the Government should reserve 10 per cent of the total credit available under the priority sector for lending to Scheduled Castes and Scheduled Tribes so that more persons belonging to these communities could take advantage of the priority sector lending scheme.

1.33 In their reply dated 31st March, 1982, the Ministry of Finance, Department of Economic Affairs (Banking Division) have drawn the attention of the Committee to the reply given in para 1.18 in this Chapter.

1.34 The Committee do not accept the reply of the Government. They reiterate their earlier recommendation that 10 per cent of the total

Credit available under priority sector should be reserved for giving loans to Scheduled Castes/Scheduled Tribes.

1.35 In para 4.20 of the Report, the Committee wanted the Government to do away with the margin money in the case of Scheduled Caste/Scheduled Tribe borrowers particularly where assets created out of the procured loan were hypothecated to the banks.

1.36 In their reply dated 31st March, 1982, the Ministry of Finance, Department of Economic Affairs (Banking Division) have stated that under the existing instructions banks cannot ask for margin money for loans upto Rs. 5,000 granted to small and marginal farmers. For composite loans upto Rs. 25,000 granted to artisans, village and cottage industries also banks have instructions not to insist on any margin. Under the DRI Scheme, no margin money should be asked for. Further wherever subsidies are available under the Central Government/State Government Schemes as in Integrated Rural Development Programme, such subsidies are to be treated as margin money and no additional amount is to be taken from the eligible borrowers as margin money. However, as larger borrowers are considered to be in a position to meet a part of the cost from their own resources, they are required to contribute margin money. This also ensures their involvement in the successful implementation of the projects.

So far as co-operative credit is concerned, it is not advisable to do away altogether with the margin requirements. With a view to helping the small farmers, the ratio of share linking to borrowing has been relaxed by us from 10 per cent to 5 per cent from March, 1977. In the case of loans for investment purposes, borrowers are allowed to contribute to the share capital at 5 per cent of their borrowings in 4 instalments *i.e.* 2 per cent in the first year and 1 per cent in the subsequent 3 years. Further, the share capital so contributed is reckoned towards down payment requirements.

1.37 The Committee do not accept the reply of the Government. They reiterate their earlier recommendation that Government should do away with the margin money in the case of Scheduled Caste and Scheduled Tribe borrowers particularly where assets created out of the procured loan are hypothecated to the banks.

1.38 In para 4.23 of the Report, the Committee did not agree with the view point of the Ministry of Finance's representative that if the suggestion that interest at 4 per cent might be charged on the amount permissible under DRI Scheme and at higher rate of interest on amount in excess thereof would work to the detriment of poorer sections and therefore would not be in accordance with the spirit of the scheme. They felt

that the suggestion should be gone into deeply with a view to make more funds available to Scheduled Caste/Scheduled Tribe borrowers for taking up productive and economically viable ventures.

1.39 In their reply dated 31st March, 1982 the Ministry of Finance, Department of Economic Affairs (Banking Division) have stated that the DRI Scheme is basically meant to cater to the credit requirements of the weakest among the weak and assist them in efforts to better their economic condition by small productive endeavours. It is also not the intention of Government that comparatively larger borrowers should be given the benefit of DRI lending for taking up somewhat bigger ventures. Persons desirous of taking up somewhat bigger ventures would also be comparatively better off and as such they should not be allowed to pre-empt the credit available under the scheme which is meant for the weakest of the weak.

1.40 The Committee do not accept the reply of the Government. They reiterate their earlier recommendation that the matter should be examined in depth with a view to provide more funds to Scheduled Caste/Scheduled Tribe borrowers interest at 4 per cent may be charged on the amount permissible under DRI Scheme and at higher rate of interest on amount in excess thereof.

1.41 In para 4.42 of the Report, the Committee pointed out that bulk of the Scheduled Caste/Tribe communities lived in rural areas, which were without adequate civic amenities and living condition of a large part of the people was appalling. The Committee felt if the objective of improving the quality of life of those communities was to be achieved a substantial amount would have to be earmarked every year for advancing housing loans to the Scheduled Castes/Tribes. These loans should be made available to these communities through various financial institutions at normal rate of interest. The Committee desired that the maximum limit of a housing loan for Scheduled Castes/Tribes should also be raised to Rs. 7,500/- with a provision of 25 per cent subsidy. The Committee would also like that a systematic evaluation of the housing needs of the Scheduled Castes and Scheduled Tribes should be undertaken immediately and schemes in the light of that evaluation should be evolved for financing from all sources so that a maximum number of Scheduled Castes and Scheduled Tribe could have a neat and clean dwelling place of their own in the minimum possible period.

1.42 In their reply dated 31st March, 1982, the Ministry of Finance, Department of Economic Affairs (Banking Division) have stated that the

overall funds for housing earmarked the banking system which were Rs. 75 crores each during 1979 and 1980 have been augmented to Rs. 100 crores for 1981 are subject to review within the limitations imposed by various demands from priority and other sectors. Out of Rs. 100 crores so earmarked a sum of Rs. 15 crores has been set apart; for individuals and groups belonging to SC|ST and other economically weaker sections, to be disbursed in rural and semi-urban areas. The rate of interest on advances for housing purposes to SC|ST is already lower at 4 per cent as against the rate of interest ranging from 12.5 per cent to 15 per cent applicable to other borrowers. As regards the maximum limit for loan to SC|ST this has only recently been raised from Rs. 2500|- to Rs. 5000|-. The provision of subsidy as recommended by the Committee will need separate consideration by State Governments|Ministry of Works and Housing of Central Government.

1.43 The Committee do not accept reply of the Government. They reiterate their earlier recommendation that the maximum limit of a housing loan for Scheduled Castes and Scheduled Tribes should be raised to Rs. 7500|- with a provision of 25 per cent subsidy. The Committee would also like to be apprised as to how much money, out of Rs. 15 crores earmarked during 1981 for Scheduled Castes/Scheduled Tribes and other weaker sections had actually been disbursed to persons belonging to these categories.

CHAPTER II

RECOMMENDATIONS|OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Serial No. 9 (Para No. 3.23)

The Committee are surprised to know that no review of the DRI Scheme has so far been made, though it was introduced in 1972. Every scheme which involves commitment of huge funds should as a rule be reviewed periodically to ensure that it has achieved the purpose for which it was meant and also to know deficiencies in its operation so that timely action could be taken to rectify the same. The committee hope that the survey now being carried out by the institute of Bank Management would be completed soon and the suggestions which emerge out of this survey will be examined expeditiously for implementation.

Reply of Government

Initially when the Scheme was introduced in 1972, it was to be implemented by the banks in the public sector in a few backward districts of the country. The scheme was review in 1977 and certain modifications/alterations were made to the scheme e.g., (a) the scheme was extended to the entire country (b) stipulations were made that 2|3rd of the total advances should be made through rural|semi-urban branches and (c) at least 1|3rd of the advances were to go SC|STs and credit to them could also be channelled through State owned Corporations. Banks in the private sector were also asked to implement the Scheme.

The scheme was again reviewed by the Working Group appointed by the Govt. of India in October, 1978. The target fixed under the scheme was raised from $\frac{1}{2}$ per cent to 1 per cent. The share of SC|ST was stepped up from 33-1|3 per cent to 40 per cent. LAMPS|Co-operative Societies organised specifically in tribal areas were approved as channelling agencies for tribal population.

Banks are required to submit to Govt. a quarterly progress report. The performance of the banks is reviewed by Govt. on the basis of such reports and they are asked to step up their advances under the scheme and take other corrective steps.

Apart from the changes in the scheme brought about by the Government, banks on their part, have been making review of the implementation of the scheme. Some of them have carried out evaluation studies in order to assess the impact of the scheme on the borrowers.

RBI has made a sample study of the scheme in certain districts of Gujarat. The report is under preparation.

Recently Govt. have asked NIBM to make a comprehensive review of the scheme and their findings are awaited. The recommendations of the Committee are noted.

[Ministry of Finance, Department of Economic Affairs (Banking Division)
O.M. No. 5/10/81-SCT(B) dated 31-3-1982]

Recommendation Serial No. 10 (Para No. 3.24)

The Committee take note of the statement made by the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) before the committee that disbursement of loan under the DRI Scheme is not even throughout the country. To remove this imbalance the Committee suggest:

- (i) Performance of banks in such areas where the loan position is poor should be reviewed at regular intervals with a view to find the causes of imbalance and to take corrective measures.
- (ii) In such areas Banks should make special efforts to evolve suitable bankable schemes in conjunction with the district development authorities.
- (iii) State Government Agencies should be encouraged to come forward in a big way to extend cooperation to the banks in matters of providing infrastructural, technical and marketing facilities and identification of borrowers.
- (iv) State Government Field Agencies should be asked to make arrangements for imparting training to the beneficiaries for the development of skills in various activities in which they are engaged and for which bank finance is required.

Reply of Government

(i) NIBM would be looking into the causes for regional imbalance in the implementation of the Scheme.

(ii) RBI has, meanwhile, advised the State Governments that the developmental schemes involving lending to weaker sections can be successfully implemented only if the State Government agencies, especially at the

field level, extend the necessary cooperation to the banks in matter of providing infrastructural, technical and marketing facilities and recovery of advances. It has also been stressed on the State Governments that they should help the banks in the identification of beneficiaries.

(iii) State Governments are making arrangements for imparting training to the beneficiaries for the development of skills in various activities in which they are engaged and for which bank finance is required.

(iv) The recommendations of the Committee have been noted and suitable action will be taken in the light of these recommendations.

[Ministry of Finance, Department of Economic Affairs (Banking Division)
O.M. No. 5|10|81-SCT(B) dated 31.3.1982]

Recommendation Serial No. 14 (Para 3|50)

The Committee note that the lending procedure in the banks in regard to loans for agriculture and allied activities has been simplified and application forms in regional languages have also been introduced. The Committee recommend that similar action should be taken in the case of DRI Scheme.

Reply of Government

Under the guidelines for DRI advances, liberalised terms and conditions have been laid down. Thus, loans have to be granted even if borrowers have no tangible assets or cannot produce any security/guarantee. Margin money is also not to be insisted upon. Banks do not follow lengthy procedure for sanctioning loans to the weaker sections. They have adopted simplified loan application forms in regional languages for advances to agriculture. Banks are required to adopt simplified application forms for advances to small scale industries with limits upto Rs. 2 lakhs. State Bank of India has introduced a very simple one page form for lending under DRI Scheme, which is even simpler than the forms for agriculture and allied activities referred to by the Committee.

[Ministry of Finance, Department of Economic Affairs (Banking Division)
O.M. No. 5|10|81-SCT(B) dated 31.3.1982]

Recommendation Serial No. 15 (Para No. 3|51)

The Committee regret to note that Government have not considered it necessary to study the grounds for rejection of loan applications from Scheduled Castes and Scheduled Tribes. In order that the applications from Scheduled Castes and Scheduled Tribes are not rejected on floor

grounds and there is no undue delay for finalising an application, it is imperative that Government should carry out periodical review and study the grounds for rejection of loan applications from Scheduled Castes and Scheduled Tribes and the time taken for their disposal, and take remedial measures to streamline the procedure.

Reply of Government

Banks have to accord priority to the loan applications from SCs and STs. According to Reserve Banks' instructions loan applications for small amounts should be disposed of expeditiously. Applications for loans upto Rs. 10,000 should be disposed of within a period of 3-4 weeks. Branch Managers should be vested with adequate discretionary powers for quick disposal of loan applications from the priority sector borrowers. The rejection of loan applications should normally be done by an official higher than the branch Manager. Further, branches are required to keep a register of 'applications rejected' recording therein the reasons for such 'rejection'. During the course of inspection by banks' internal inspectors and RBI officials, the reasons for rejection are looked into. Whenever complaints for delay or denial of credit are received, they are examined by RBI. Banks normally do not turn down proposals from the priority sector borrowers unless the proposals are not viable.

It will be seen that specific measures have been taken to ensure speedy disposal of applications for smaller credits.

It is however, appreciated that adherence to these instructions at the branch level has to be ensured. Banks have been advised to see that their senior officers scrutinise the disposal of loan applications while inspecting the branches. Under the IRDP, banks have been asked to ensure that reasons for rejection of loan applications are recorded on the applications themselves before they are returned to sponsoring authorities.

[Ministry of Finance, Department of Economic Affairs, (Banking Division)
O.M. No. 5|10|81-SCT(B) dated 31-3-1982]

Comments of the Committee

The Committee trust that the instructions issued to the banks for scrutiny of loan applications received from Scheduled Castes and Scheduled Tribes are followed by the banks in letter and spirit.

Recommendation Serial No. 17 (Para No. 3.57)

The Committee feel that a Bank Manager in rural areas has a very vital role to play. He can act as a friend and guide of the weaker sections among he is posted to work. The Committee desire that a Manager should have a complete rural orientation before he is posted to any rural branch of a Bank. He should be imparted adequate training and knowledge about the socio-economic concept underlying the various lending schemes introduced to uplift the weaker sections of the society, particularly the Scheduled Castes and Scheduled Tribes.

Reply of Government

We agree in principle with the recommendation.

Banks have recognised the need to appoint as branch managers in rural areas such persons as are having rural background. They are given training in banks' own training establishments as also in outside training centres like College of Agricultural Banking, RBI, RRBs which operate mainly in rural areas are manned by local staff. Thus, to the extent possible, steps in this direction are being taken by the Banks.

It may, however, be observed that 73 per cent of the banks' branches are in rural and semi-urban areas. Out of the new branches being opened more than 80 per cent are in rural/semi-urban areas. Banks do face some constraints on assigning staff/officers with rural background to all these centres.

[Ministry of Finance, Department of Economic Affairs (Banking Division)
O.M. No. 5|10|81-SCT(B) dated 31-3-1982]

Recommendation Serial No. 18 (Para 3.74)

The Committee appreciate the steps being taken by Government for spreading its banking Services network by opening more branches in rural areas with a view to cover all the villages. The Committee are also happy to note that Banks have arranged credit camps for on-the-spot disbursement of loans to the potential borrowers and have adopted 89242 villages for development. The Committee have no doubt that group lending, such as credit camps and adoption of village, helps the bank to a great extent to exercise supervision for pre-sanction and post disbursement operations effectively and promptly with the nucleus staff available in the rural branches. The Committee would, however, like the banks to lay more emphasis and give priority in selection of Scheduled Caste and Scheduled Tribe villages or cluster of Harijan wadas in the villages for integrated development approach. Before selecting a village or cluster of Harijan wadas the Banks, the Committee hope, will have a realistic

estimate of the credit needs of the people of the area and will prepare an integrated plan of action for each village and Harijan wadas so as to achieve the objective of integrated development of village economy. To make the approach more meaningful, the Committee suggest that participation of other financial institutions and co-operation of State Development Agencies in the areas should be ensured.

Reply of Government

The village adoption scheme is based on the concept of 'area approach' which is adopted for promoting integrated development of the village economy by meeting the credit needs of agriculturists and other small borrowers. The object is to avoid scattered lending and have recourse, as far as possible, to schematic lending. Banks have been advised that after adopting villages, due consideration should be given to the credit requirements of the SCs/STs residing in such villages. They have been further advised that while adopting villages for intensive lending, villages with sizable population of these communities may be specially chosen. They should also consider the alternative of adopting specific localities (bastis) in the concerned village which has a concentration of these communities.

As indicated in reply to recommendation serial No. 8 (paragraph No. 3.22), the banks are undertaking credit deployment in a planned manner through the mechanism of District Credit planning. The District Credit Plans and the Annual Action Plans contain specific schemes under which lending is undertaken by the participating banks. The banks have been asked to prepare specific schemes for the benefit of SC/ST communities and to include them in their DCPs and AAPs. Similarly the IRD Programme, which is now a component of the DCPs/AAPs, is directed towards those below the poverty line with specific proportion of borrowers being stipulated for SC/ST communities. Cluster approach is being adopted in the implementation of this Programme. This will facilitate the various agencies to take an integrated view of the development requirements of the poorest in a group of villages and evolve schemes for credit based activities that could be profitably undertaken by them.

The central co-operative banks have been advised to have active participation in the district level meetings where credit needs for the entire district are assessed and allocations made amongst the various banks in the district. Further, we have also been emphasising the need for provision of increased allocation of credit for weaker sections by the Central co-operative banks.

The co-operative banks have been advised to give priority in the matter of provision of financial assistance to the weaker sections of the society and to reorient their lending policies and procedures in favour.

of small farmers to ensure that a stipulated percentage of their short-term agricultural loans to primary agricultural credit societies were issued for financing small/weaker sections. At present, the central co-operative banks are required to issue a minimum of 20 per cent of the total loans issued during a year to such types of borrowers. As a result of such measures it is observed that the total membership of the scheduled castes covered by the primary agricultural credit societies increased from 36.41 lakhs in 1974-75 to 70.96 lakhs in 1978-79 and the borrowing membership increased from 9.01 lakhs to 24.81 lakhs during the same period. Similarly, the loans advanced by primary agricultural credit societies to these members had also increased considerably from Rs. 36.04 crores in 1974-75 to Rs. 100.21 crores in 1978-79. The co-operative banks have also been advised to charge, on the agricultural loans to small and marginal farmers, a lower rate of interest than those charged to other borrowers for the same purpose. Further, the banks have been permitted to provide fresh production finance to defaulter small/marginal farmers (those cultivating upto 1 hec. of irrigated and 2 hecs. of dry land) by condoning such defaults provided these are upto 10 per cent of their eligibility under short-term production loans and which occurred on account of circumstances beyond their control.

[Ministry of Finance, Department of Economic Affairs, (Banking Division)
O.M. No. 5|10|81-SCT(B) dated 31-3-1982]

Recommendation Serial No. 19 (Para No. 3.91)

The Committee are surprised to note that no recovery reporting system under DRI Scheme had been introduced till March, 1980, though the DRI Scheme was initiated in 1972..

Reply of Government

Though RBI had not prescribed any return for getting recovery position of DRI advances, the Government of India had introduced in 1977 a format for reporting by banks of the progress under the Scheme which called for data in respect of recoveries. The details of overdues under the Scheme are as under:

Year ending	Percentage of overdues to demand
June 1977	73.8
June 1978	65.6
June 1979	67.2
March 1980	68.9

Under the new reporting system of the Lead Bank Scheme introduced for banks by RBI, they have to report the recovery position of all advances including DRI advances.

[Ministry of Finance, Department of Economic Affairs, (Banking Division) O.M. No. 5/10/81-SCT(B), dated 31-3-1982].

Recommendation Serial No. 20 (Para No. 3.92)

The Committee are further surprised to note that the Ministry of Finance, Department of Economic Affairs (Banking Division) has listed certain imaginary reasons for slow rate of recovery of the advances under the DRI Scheme without conducting any study about it. The study groups of the Committee which had visited Head Offices of certain banks in the public sector were informed that the recovery position under DRI was fairly satisfactory and recovery from the scheduled caste and scheduled tribes borrowers was as good as from others. The Committee, therefore, suggest that the banks should have no hesitation in advancing loans to scheduled caste and scheduled tribe borrowers when the recovery of dues from them is fairly satisfactory.

Reply of Government

As could be seen from the comments to Recommendation No. 19, the recovery position of DRI advances cannot be considered to be altogether satisfactory.

The recovery position in respect of advances to SC/ST has also not been satisfactory. However, there has been no hesitation on the banks' part to finance SC/ST borrowers in as much as their lendings to them have already exceeded the target of 40 per cent fixed under the Scheme.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 5/10/81-SCT(B), dated 31-3-1982]

Recommendation Serial No. 21 (Paragraph No. 3.93)

The Committee feel that no financial institution can function efficiently unless its recovery of loans and advances is prompt and in time. Moreover, if the recovery is good, the recovered dues can be ploughed back to provide assistance to greater number of people. The Committee would, therefore, like the Government to evolve a suitable machinery in consultation with the State Governments, which should help the banks to recover the dues in time.

Reply of Government

We agree with these observations.

2. The importance of timely recovery of loans has been emphasised in RBI's instructions to banks issued from time to time. Various measures have been taken by banks to improve the recovery position. The more important of the measures taken are:

- (a) strengthening of staff at branches;
- (b) proper appraisal of loan applications;
- (c) financing of schemes suitable to the local needs and ensuring forward and backward linkages for the successful implementation of the schemes;
- (d) setting up of monitoring and evaluation cells at Head Offices, etc.;
- (e) regular review of recovery performance by banks' Board of Directors;
- (f) undertaking in-depth studies of the causes of overdues in areas having concentration of difficult advances, etc.

3. The State Governments have been asked to pass legislation on the lines of the Model Bill recommended by the Talwar Committee to help banks in their recovery efforts. On the basis of the recommendations of the Working Group on 20-Point Programme, State Governments have been asked that measures for speedy recovery of loans should be initiated, if necessary, through special legislation providing for recovery of bank loans as if they were arrears of land revenue.

4. The States where the enactments have been passed are 16, namely, Assam, Bihar, Gujarat, Haryana, Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Orissa, Punjab, Rajasthan, Tripura, Uttar Pradesh and West Bengal. The State Governments of Bihar, Gujarat and Tripura are yet to frame rules under this.

5. In the matter of timely recovery, RBI has been impressing upon the co-operative banks as well as the State Governments its need and importance. State Governments are requested time and again to help the banks in the recovery of loans. Further, the need to strengthen the supervision and recovery machinery of banks is highlighted during the periodical discussions which RBI has with the representatives of the State Governments and the banks.

[Ministry of Finance, Department of Economic Affairs (Banking Division)
O.M. No. 5|10|81-SCT(B), dated 31-3-1982].

Recommendation Serial No. 22 (Paragraph No. 3.109)

The Committee are happy to note that as recommended by the Commissioner for Scheduled Caste and Scheduled Tribes, the Government have extended the DRI Scheme for operation by the Cooperative Sector. The Committee, however, regret to note that no information could be made available by Govt. regarding the extent of advances made to SC/ST by the Cooperatives under the DRI Scheme.

Reply of Government

Advances under DRI Scheme are available only from commercial banks. However, commercial banks have been permitted to advance loans under the Scheme through State SC/ST Development Corporation, Regional Rural Banks and large scale Multipurpose Societies (LAMPs). The quantum of lending done under the Scheme through these intermediary organisations is, however, not available at present.

[Ministry of Finance, Department of Economic Affairs, (Banking Division) O.M. No. 5/10/81-SCT(B3, dated 31-3-1982].

Recommendation Serial No. 23 (Paragraph No. 3.110)

The Committee are of the view that if any debt has to be made in the economic conditions of Scheduled Castes and Scheduled Tribes, all the financial institutions, i.e. Banks, Cooperatives, etc. will have to be directed and geared to identify the potential beneficiaries among the SC/ST, giving them viable schemes, helping them to secure loans under the DRI Scheme and finally advising and guiding them for the successful implementations of those Schemes.

Reply of Government

Instructions have already been issued to banks to take necessary steps for increasing the flow of credit to SC/ST. Banks have been advised to evolve special schemes tailored to meet the requirements of members of these communities, to give wide publicity to such schemes, to ensure their participation in such scheme, and to enlarge the flow of credit to them for self-employment. In general the banks have been advised to consider loan proposals from members of SC/ST with utmost sympathy and understanding. The District/Block credit plans have been specially weighted in favour of SC/ST. These include special bankable schemes suitable for the members of these communities. The banks have been advised to ensure participation of these communities in such schemes and allow larger flow of credit to them for self-employment.

In fact the Integrated Rural Development Programme, which is the main programme of the Government for helping rural poor is based on

the methodology recommended by the Committee here. Under the programme, a minimum of 30 per cent assistance has been earmarked for beneficiaries belonging to SC/ST.

Co-operators have to provide credit to small farmers including SC/ST at least to the extent of 20 per cent of the total loans issued during the year. Loans are provided to this for production purposes, and allied activities like purchase of milch cattle, poultry farming etc.

[Ministry of Finance, Department of Economic Affairs, (Banking Division) O.M. No. 5/10/81-SCT(B), dated 31-3-1982].

Recommendation Serial No. 25 (Paragraph No. 3.112)

The Committee would also like the State Governments concerned to exercise effective executive and financial control over the cooperatives so that they are cleansed of alleged malpractices.

Reply of Government

RBI have been constantly advising the cooperative credit institutions to tone up their financial and operational efficiency. As and when malpractices are noticed either during the course of periodical inspections or through complaints received in the Bank, such instances are promptly brought to the notice of the Registrar of cooperatives societies for necessary action.

[Ministry of Finance, Department of Economic Affairs, (Banking Division) O.M. No. 5/10/81-SCT(B), dated 31-3-1982].

Recommendation Serial No. 26 (Paragraph No. 3.116)

The Committee are firmly of the view that if the Scheduled Caste and Scheduled Tribe communities are to be encouraged to take advantage of credit facilities greater awareness, among the potential beneficiaries of these schemes will have to be created. They therefore, recommend that Government and the Banks should jointly evolve a publicity scheme including audio visual aids for publicising these schemes among the Scheduled Castes and Scheduled Tribes.

Reply of Government

The recommendation is acceptable.

Banks are giving publicity for the schemes evolved for the weaker sections through newspapers in regional languages, radio/TV network, etc. Banks have also brought out brochures in regional languages on the schemes formulated by them. The brochures and other literature

are made available to borrowers, extension agencies, etc. Further some of the banks have come out with audio visual aids. It may be mentioned that as majority of the eligible borrowers would be illiterate persons, publicity through brochures etc. will be of a limited utility. The more desirable method would be for the field level staff of banks to contact such borrowers and explain to them the salient features of the scheme as also the advantages that will accrue.

[Ministry of Finance, Department of Economic Affairs, (Banking Division) O.M. No. 5/10/81-SCT(B3, dated 31-3-1982].

Recommendation Serial No. 27 (Paragraph 3.117)

The Committee recommend that for this purpose the Government should also bring out a brochure in English/Hindi and other regional languages giving particulars of various schemes for which loans on soft terms are available with the financial institutions|banks|cooperatives. Copies of this brochure should be freely and widely distributed to the extension agencies and the organisations working for the upliftment of the Scheduled Castes and Scheduled Tribes in the country.

Reply of Government

Comments under recommendation No. 26 may please be seen.

[Ministry of Finance, Department of Economic Affairs, (Banking Division) O.M. No. 5/10/81-SCT(B), dated 31-3-1982].

Recommendation Serial No. 28 (Paragraph No. 4.18)

The Committee note that upto June 1980, total priority sector advances of the public sector banks (SBI Group and 20 nationalised banks) amounted to Rs. 6,852 crores. Out of this, the money advances to Scheduled Castes and Scheduled Tribes amounted to Rs. 278 crores i.e. only 4.1 per cent of the total amount advanced under this sector. The Committee feel that this is the most disappointing position. As pointed out earlier, according to an estimate of the year 1977-78, of the 290 million people living below poverty line, 160 million were below 75 per cent of the poverty line and the bulk of them constituted the Scheduled Castes and Scheduled Tribes. The Committee would, therefore, like that an immediate review of the results of the present policies should be made, so that deficiencies in them would be identified and a wholesome strategy is evolved with a view to allocate/make available a sizeable portion of national wealth for the weakest of the weaker sections of the society to bring them at par with the rest of the people, in a targeted period.

Reply of Government

Majority of the SC/ST borrowers are very poor. In the rural areas, most of them are landless labourers and village artisans with very few assets. Given this position, their investment requirements which would require credit support from the banks are necessarily of small magnitude. This is borne out by the fact that while the average advance per borrower of commercial bank is Rs. 5630 in priority sectors, average advance in the case of SC/ST borrowers is Rs. 1570. This follows the same pattern as the relationship between the average advance in the priority sector and the average advance for all sectors including medium and large scale industries and trade, which is Rs. 13020.

If the number of SC/ST borrowers is taken into account, the relative percentage to priority sector borrowers work out to 14 although in terms of quantum of loan, the percentage is only 4.1.

There has been some marginal improvement in these ratios, the ratios for December 1980 being 4.33 per cent of quantum of loan and 15.81 per cent of number of borrowal accounts in the priority sectors.

It is recognised that the proportion of advances in the priority sectors going to SC/ST borrowers is on the low side. Attention of the banks has been specially drawn to this adverse feature of their priority sector lending operations. Specific measures have been indicated to them to secure corrective action. These have been outlined in reply to Recommendation Serial No. 8 (Paragraph No. 3.22).

[Ministry of Finance, Department of Economic Affairs (Banking Division), O.M. No. 5/10/81-SCT(B), dated the 31-3-1982.]

Recommendation Serial No. 32 (Paragraph No. 4.22)

The Committee are happy to note that Banking Division is presently considering the proposal for setting up *Grievances Cells* at District Levels which will look into all difficulties in smooth flow of institutional credit and make suitable recommendations to concerned financial institutions. The Committee would like the Government to give shape to this *proposal* and would also suggest that Director of Social/Harijan Welfare at State Level and District Welfare Officer at District level should be associated with the Grievances Cells.

Reply of Government

The recommendation of the Committee to associate Director of Social/Harijan Welfare at the State-level and District Welfare Officer at the dis-

district-level with the machinery to be evolved for redressal of grievances at the district-level has been noted.

(Ministry of Finance, Department of Economic Affairs, (Banking Division), O.M. No. 5/10/81-SCT(B), dated the 31.3.82)

Recommendation Serial No. 34 (Paragraph No. 4.33)

The Committee are surprised to know that the recommendation of the Working Group on Tribal Development made in its report of July 1978 that the Reserve Bank of India may refinance (*consumption credit* advance to the Tribals by the Central Financing Agencies was still under the consideration of Government. The Committee expect that schemes relating to the upliftment of economically weaker sections of society are given priority and decisions on them are not delayed so long. They hope that early decision will be taken in the matter.

Reply of Government

As regards the resources for disbursing consumption credit, the Expert Committee on Consumption Credit (Sivaraman Committee) had stressed the need for improving the co-operative credit structure on a priority basis by reorganising the primary credit societies and organising special drivers both for collection of overdues as also for mobilisation of deposits. The Committee had pointed out that internal resources of co-operative societies/banks, on a large scale had been locked up in overdues and if by improving the recoveries those resources were released, the co-operatives would be in a position to utilise credit limits already sanctioned by the Reserve Bank of India for seasonal agricultural operations on a larger scale and can divert their own resources for issue of consumption loans. As regards a separate line of credit from Reserve Bank of India specifically for consumption loans as recommended by the Sivaraman Committee this issue was examined by the Government of India and Reserve Bank of India. The Government of India concurred with the Reserve Bank of India that with the refinance already available for short-term agricultural purposes co-operative banks will be able to divert their own resources for providing consumption credit and that no separate line of refinance facility from Reserve Bank of India specifically for consumption credit was considered necessary. Reserve Bank of India, has, however, indicated in the Guidelines on consumption credit that it would treat the finance provided for consumption credit as legitimate charge on the control bank's resources and sanction to the bank higher credit limits for seasonal agricultural operations purposes, subject to its overall eligibility.

[Ministry of Finance, Department of Economic Affairs, (Banking Division) O.M. No. 5/10/81-SCT (B), dated the 31st March 1982].

Recommendation Serial No. 35 (Paragraph No. 4.34)

The Committee note that the consumption loan has now been given a place under the priority sector lending. The Committee desire that Government should immediately issue necessary instructions that the 'consumption loan' should be considered as an essential component of the credit so that there is no reluctance on the part of public sector banks and other financial institutions for financing consumption credit given to the Scheduled Castes and Scheduled Tribes borrowers.

Reply of Government

Based on the recommendations of the Expert Committee on Consumption Credit (Sivaraman Committee) commercial banks and co-operatives have been advised in 1976 to grant consumption loans for certain purposes. The purpose wise ceiling amounts range between Rs. 75 and Rs. 250 with an aggregate ceiling of Rs 500/- per family per year. The consumption loans are to be granted to landless labourers, small/marginal farmers holding 5 acres or less and rural artisans. Banks are accordingly granting such loans to weaker sections of the community including to SC/STs. Besides, short-term production loans to farmers and composite loans upto Rs. 25,000 to artisans, village and cottage industries, etc., should provide for consumption requirements of the borrowers to a certain extent.

[Ministry of Finance, Department of Economic Affairs (Banking Division), O.M. No. 5-10-81-SCT(B), dated the 31-3-82]

Recommendation Serial No. 36 (Paragraph No. 4.40)

The Committee note that at the end of December, 1979 the amount outstanding in respect of Direct Housing loans advances by banks (public and private sectors) to individual/groups of borrowers belonging to economically weaker sections/Scheduled Castes/Scheduled Tribes was Rs 19.07 crores. The Committee regret that separate figures of the loans advanced to Scheduled Castes and Scheduled Tribes are not available. They recommend that separate figures of loans advanced to Scheduled Castes and Scheduled Tribes should be maintained.

Reply of Government

Necessary action has already been taken. In terms of the instructions issued by RBI on 5th June, 1981 banks are now required to indicate separately the amount of direct finance made available by them to individuals/

group of borrowers belonging to Scheduled Caste/Scheduled Tribes effective from the half year ended June, 1981.

[Ministry of Finance, Department of Economic Affairs, (Banking Division), O.M. No. 5-10-81-SCT(B), dated the 31-3-82]

Recommendation Serial No. 37 (Paragraph No.4.41)

The Committee also note that in the light of the recommendations of Dr. Krishnaswamy working group it has been decided (i) to raise the maximum limit of Rs 2500/- for an advance for housing to Scheduled Castes/Tribes and other weaker sections of the society to Rs 5000/- and (ii) to treat indirect finance given to any governmental agency for the purpose of constructing houses exclusively for the benefit of Scheduled Castes/Tribes and low income group and where loan component does not exceed Rs 5000/- per unit, as priority sector advances.

Reply of Government

This has already been implemented.

[Ministry of Finance, Department of Economic Affairs, (Banking Division), O.M. No. 5-10-81-SCT(B), dated the 31-3-82].

Recommendation Serial No. 39 (Paragraph No. 4.54)

The Committee are distressed to note that there is a considerable time-lag in the submission and consolidation of data in regard to the various lending schemes implemented by the banks and the periodicity of review is also not uniform and timely. The Committee desire that timely submission of progress reports by the banks should be insisted as delay in supply of returns will defeat the purpose for which they are called for.

Reply of Government

It is true that considerable delay has been experienced in the submission of statistical data by the branches. The matter has been receiving attention at the highest level in the Reserve Bank. A High Power Committee of the Reserve Bank, presided over by its Deputy Governor, reviewed the situation and advised the banks to create special squads for collection and consolidation of data as a crash programme. This approach is aimed at ensuring immediate availability of data as at the end of December 1980 and the subsequent quarter schedules that have become due from March 1981 onwards. Measures are also being taken to ensure that data from the quarter ending December 1981 will flow regularly in time. The Reserve Bank is also presently, through a Working Group, reviewing system of book keeping at the branch level so as to facilitate extraction

of required data without excessive effort and loss of time. These measures are expected to improve the flow of data considerably.

[Ministry of Finance, Department of Economic Affairs, (Banking Division), O.M. No. 5/10/81-SCT(B), dated the 31-3-82].

Recommendation Serial No. 40 (Paragraph No. 4.55)

The Committee are dismayed to note that the lending schemes are being implemented by the public sector banks and reviewed by the Reserve Bank of India in casual way. As many as 12 nationalised banks have not yet attained the level of priority sector advances of 33.3 per cent of their aggregate credit till June 1980 and performance of three banks as much below the targetted level. The Committee would, therefore, like the Reserve Bank of India to have a special review of the various lending schemes, launched by the 12 nationalised banks under the priority sector lending with a view to ascertaining the problems encountered by these banks in the implementation of those schemes and suggest remedial measures where necessary.

Reply of Government

Banks' performance in priority sector lending *vis-a-vis* the target fixed for such lending is under the constant review of the Reserve Bank of India. Banks whose performance is not satisfactory are asked to take necessary corrective steps to bring about improvement in their performance. The position of their priority sector lending as at the end of June 1980 was reviewed and banks whose performance was not satisfactory were advised to work out the additional amounts to be disbursed in the priority sector every year so as to progressively reach the target within the stipulated time.

Banks have informed the Reserve Bank of the various steps taken by them to augment the flow of credit to priority sectors. Some of the important steps taken are indicated below:

1. They have ensure substantial increase in the shares of the credit outlays in respect of various schemes under the Annual Action Plans for 1981.
2. Coverage of small and marginal farmers etc. has been enlarged.
3. Besides formulating various schemes of their own participation in Government's schemes has been increased.
4. Arrangements for training of field level staff have been strengthened.

5. Strength of staff at field level as also of technical staff has been augmented considerably.
6. Application forms and lending procedures have been simplified.
7. Enlarged discretionary powers have been delegated at various levels.
8. Use of intermediaries such as State-sponsored Corporations, PACs, FSSs, LAMPs for routing of credit has been stepped up.
9. Instructions for diversion of at least 40 to 50 per cent of additional credit every year to priority sectors have been issued.

Banks have assured that they are fully conscious of the responsibilities cast on them for fulfilling the target of 40 per cent by 1985 and have accordingly taken suitable steps as above, to attain the goal.

[Ministry of Finance, Department of Economic Affairs, (Banking Division), O.M. No. 5-10-81-SCT(B), dated the 31-3-82].

Recommendation Serial No. 41 (Paragraph No. 4.56)

The Committee are of the opinion that monitoring and revaluation of the Schemes for Scheduled Castes and Scheduled Tribes being financed by the Public Sector Banks should be undertaken on a continuous and regular basis so that inadequacy in the implementation of these schemes are identified and rectified in time, and the impact of the schemes on the well-being of the beneficiaries could be assessed.

Reply of Government

In the Reserve Bank of India an Inter-Departmental Standing Forum has been set up to coordinate and monitor all work relating to the evaluation of the performance of banks in lending to priority sectors and under the 20 Point Programme. The functions of the Forum will broadly comprise (1) Working out the strategy for conduct of evaluation studies on an on-going and concurrent basis (2) finalising composition and evolving modalities for conducting studies for bank financing on an area - specific or activity - specific basis by multi-institutional terms. It would be ensured that the studies conducted would cover the schemes evolved for extending credit to SC/STs.

[Ministry of Finance, Department of Economic Affairs, (Banking Division), O.M. No. 5-10-81-SCT(B), dated the 31-3-82].

Recommendation Serial No. 42 (Paragraph No. 4.57)

The Committee also recommend that the result of the review should be published in the Annual Reports of the Banks/Reserve Bank of India/Ministry together with the amount of assistance that has gone to Scheduled Castes and Scheduled Tribes in each trade/activity so that the information may disseminate to all branches of the banks and Government and Parliament are informed about the flow of credit to various sections of the society, particularly to the Scheduled Castes and Scheduled Tribes.

Reply of Government

Banks' annual reports bring out the progress made by them in their lending to priority sectors. This covers the progress *vis-a-vis* the various targets laid down by the Government of India/Reserve Bank of India for different target groups of weaker sections under priority sectors. A consolidated report on public sector banks performance is placed before the Parliament every year. This report brings out in detail these banks' progress in extending credit to weaker sections/priority sectors. Reserve Bank of India's annual report also covers the progress of banks in lending to priority sectors/weaker sections.

[Ministry of Finance, Department of Economic Affairs, (Banking Division), O.M. No. 5-10-81-SCT(B), dated the 31-3-82].

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

Recommendation Serial No. 16 (Para No. 3.52)

The Committee recommend that Banks should appoint Credit Liaison Officers in each branch of the bank operating DRI Scheme who may help the poor borrowers in filling up the forms and complete other formalities so that they are able to get a loan within three weeks, if not earlier.

Reply of Government

Banks have been advised that applications for loans upto Rs 25,000 should be disposed of within four weeks of receipt. For this purpose they have been advised to delegate adequate loan sanctioning powers to their branch managers. Although generally bank staff does help the poor borrowers in filling up the forms and completing other formalities, RBI is being asked to consider issuing formal instructions to the banks on this point. As the loans under DRI are for small amounts, they are generally disposed of by the branch staff expeditiously. The Government feels that appointment of a separate Credit liaison officer in each branch would further increase the already high incidence of salaries in banks and the benefit would not be commensurate with cost. Further taking into consideration the business and staffing pattern of rural/semi urban branches (each having 2-3 staff members) it may neither be feasible nor necessary to appointment such officers.

[Ministry of Finance, Department of Economic Affairs, (Banking Division), O.M. No. 5-10-81-SCT(B), dated the 31-3-82].

Recommendation Serial No. 31 (Paragraph No. 4.21)

The Committee endorse the recommendation made by the Commissioner for Scheduled Castes and Scheduled Tribes in his 26th Report that all State Governments/Union Territory Administrations should consider the desirability of constituting special cells in the respective Directorate of Social/Harijan Welfare of giving guidance to Scheduled Caste and Scheduled Tribe entrepreneurs for setting up small scale industrial units.

Reply of Government

The Department of Industries, Small Industries Development Corporations and the organisational set up under them are in the best position to guide Scheduled Caste and Scheduled Tribe entrepreneurs for setting up

small scale industrial units, because they have the necessary specialised manpower and infrastructure for this purpose. The Special Component Plan provides a mechanism whereby the assistance of the Department of Industries, Small Industries Development Corporations, etc., becomes, available to and is channelised to Scheduled Castes and Scheduled Tribes entrepreneurs in due measure. The Special Component Plans in the small industries sector of each State is required to indicate the flow of benefits and outlays from their existing scheme to Scheduled Caste entrepreneurs, modify/re-orient existing schemes where necessary and take up new schemes where necessary to suit their special problems. The kind of guidance required by entrepreneurs for setting up small scale industrial units and that can be available in this manner from the governmental agencies in the industries sector cannot be provided by a Special Cell in the Directorate of Social/Harijan Welfare. With the adoption of the strategy of the Special Component Plan by the States, there appears no need for a Special Cell in the Directorate of Social/Harijan Welfare for this purpose.

[Ministry of Finance, Department of Economic Affairs, (Banking Division), O.M. No. 5-10-81-SCT(B), dated 31-3-82]

Comments of the Committee

The Committee desire that all possible assistance should be provided to Scheduled Caste and Scheduled Tribe entrepreneurs for setting up small industrial units by the Industries Department of the State Government if a special Cell in the Directorate of Social/Harijan Welfare is not considered necessary.

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH
REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED
BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation Serial No. 1 (Paragraph No. 1.21)

The Committee note that according to an estimate of the year 1977-78, of the 290 million people living below poverty line, 160 million were below 75 per cent of the poverty line and the bulk of them constitute the Scheduled Castes and Scheduled Tribes

Reply of Government

Government are conscious of the fact that, while the Scheduled Castes have received some benefits through planned development over the years, especially in the field of education, a large proportion of them continue to live at poverty levels, that expenditure on the programmes for them have not been adequate and that greater efforts particularly for their economic development are necessary.

As a matter of fact the approach to the development of Scheduled Castes in the Sixth Plan is based on these considerations. Three main instruments have been devised in the strategy, for development of Scheduled Castes:—

- (a) Special Component Plans as part of State Plans and relevant Central Sector Plans.
- (b) Special Central Assistance to the Special component Plans as additionality to the outlays in the Special Component Plan of States.
- (c) Scheduled Castes Development Corporations, with matching assistance (49 per cent) from the Centre to the States for investment in their Corporations.

The Special Component Plans have been devised in order to channelise due share of Plan Development benefits to the Scheduled Castes. One of the main objectives of the Special Component Plan is to substantially assist Scheduled Caste families through comprehensive and integrated family oriented programmes of economic development.

The Prime Minister wrote to the State Chief Ministers on March 12, 1980 conveying the deep concern of the Government of India about the problems of Scheduled Castes and the high priority attached to the task of their rapid socio-economic development. The Prime Minister emphasised that for this purpose, it is particularly important to take note of the developmental needs of the Scheduled Castes in each occupational category, identify the available opportunities suitable for them, formulate appropriate developmental programmes in the light of the above and build these programmes and corresponding outlays into the Special Component Plan. She also emphasised that the Scheduled Castes Development Corporations should be activated and made effective in the field.

An outlay of Rs. 600 crores has been provided in the Sixth Plan (1980—85) for giving Special Central Assistance to the Special Component Plans of States as additionality in the provisions in their Special Component Plans from their respective State Plans. In addition, the Sixth Plan provides an outlay of Rs. 65 crores under grant-in-aid to State Government for investment in their respective Scheduled Caste Development Corporations, in the ratio of 49:51.

It is also to be noted that point No. 7 of the New 20 Point Programme is to "accelerate Programmes for the development of Scheduled Castes and Tribes."

Thus Government's actions are broadly along the lines indicated in the above recommendations.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 5/10/81-SCT(B), dated 31-3-82].

Comments of the Committee

Please see Chapter I para 1.7.

Recommendation Serial No. 2 (Paragraph No. 1.22)

The Committee also note from the report of the working Group on Scheduled Castes and other Backward classes during medium plan (1978—83) published in August, 1978, that during the successive Five Year Plans Rs. 322.25 crores were spent for promoting social and economic well being of these people. Of these only 10 per cent were spent on economic development.

Reply of Government

Comments under recommendation No. 1 may please be seen.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 5/10/81-SCT(B) dated 31-3-1982].

Comments of the Committee

Please see chapter I para 1.7.

Recommendation Serial No. 3 (Paragraph No. 1.23).

The Committee fully agree with the views expressed by the Commissioner for Scheduled Castes and Scheduled Tribes that "thirty two years are no small period of stabilise transformation in a society and yet may not be long enough to fully atone the sins of the centuries. Efforts have been made, perhaps not commensurate with the magnitude of the problems faced by weaker sections more particularly by the Schednled Castes and Scheduled Tribes. The nation can claim on all round growth. But the same cannot be said of the weaker sections like Scheduled Castes and Scheduled Tribes."

Reply of Government

Comments under recommendation No. 1 may please be seen.

[Ministry of Finance, Department of Economic Affairs (Banking Division)
O.M. No. 5/10/81-SCT(B) dated 31-3-1982].

Comments of the Committee

Please see Chapter I Para 1.7.

Recommendation Serial No. 4 (Paragraph No. 1.24).

The Committee are strongly of the opinion that only through economic development of Scheduled Castes and Scheduled Tribes we can succeed in getting for them freedom from poverty, inequalities and injustices, for which, vigorously and combined efforts will have to be made both by Government and private agencies engaged in the upliftment of these communities and more financial resources will have to be provided during the next Five Year Plans.

Reply of Government

Comments under recommendation No. 1 may please be seen.

[Ministry of Finance Department of Economic Affairs (Banking Division) O.M. No. 5/10/81-SCT(B) dated 31-3-82].

Comments of the Committee

Please see Chapter I para 1.7.

Recommendation Serial No. 5 (Paragraph No. 2.6)

The Committee regret to note that there is no separate set up or Cell in the Minister of Finance, Department of Economic Affairs (Banking Division) and the Reserve Bank of India to look

after the credit requirements of the Scheduled Castes and Scheduled Tribes exclusively. The Committee are of the view that to understand the varied and complex economic problems of the people belonging to these communities, there should be separate organisations both in the Ministry of Finance, Department of Economic Affairs (Banking Division) and the Reserve Bank of India. The Committee recommend that special cells should be constituted to deal with all matters relating to the credit requirements of Scheduled Castes and Scheduled Tribes.

Reply of Government

So far as the Banking Division is concerned the recommendation has been accepted in principle and steps are being taken for creating a Cell for looking after the credit requirements of Scheduled Castes and Scheduled Tribes exclusively.

In Reserve Bank of India there is a separate Division (Banking Policy Division) in the D.B.O.D. which deals with banks' priority sector advances. This Division monitors the credit flow to the weaker sections of the society including the Scheduled Castes and Scheduled Tribes. The Banking Policy Division reviews at periodical intervals, on the basis of returns received from banks, their performance in providing credit to weaker sections of the society including the borrowers belonging to Scheduled Castes and Scheduled Tribes. Besides, during the course of periodical inspection of the banks an appraisal is made of their performance in lending to the priority sector as well as to the weaker sections of the society. Thus, the Banking Policy Division of D.B.O.D. is monitoring the credit flow to the weaker sections as a part of the overall functions of the Division. Reserve Bank of India, therefore, is of the view that there may be no special advantage to have another cell for monitoring the flow of credit to Scheduled Castes and Scheduled Tribes exclusively.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 5|10|81-SCT(B) dated 31-3-1982]

Comments of the Committee

Please see Chapter I Para 1.10.

Recommendation Serial No. 6 (Para No. 2.7)

The Committee take note of the statement made by the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) during the course of his evidence before them that 'it is common that this scheme really benefited the people concerned only where co-ordination was there between the different

agencies. Where the intrinsic facilities were available it worked very well, but where there were no intrinsic facilities and there was no coordination between the State agency and the banking officials, there this scheme may not have worked well.' The Committee would, therefore, urge the Government to set up a body consisting of representatives of the Ministry of Finance, Ministry of Home Affairs, Reserve Bank of India and Planning Commission, State Government concerned to identify the schemes which could be taken up in a particular area depending upon the resources and skills of the people inhabiting that area, to lay down the financial targets for providing credit facilities and for proper coordination among the Centre, State, Banking and other financial institutions operating or helping in the operation of lending schemes for the Scheduled Castes and Scheduled Tribes.

Reply of Government

Under the Lead Bank Scheme, there are District Consultative Committees and their Standing Committees at the district-level. In addition there are State Level Committees at the State-level in which bankers and State Govt. officials discuss banking problems of the State. Regional Consultative Committees at the highest level for the six regions into which the States and Union Territories have been grouped also discuss banking problems in different States in each of the regions. These meetings are usually taken by the Union Finance Minister and attended by Chief Ministers/State Finance Ministers, Chief Executives of banks and also Governor, RBI. The implementation of lending schemes in the priority sectors for weaker sections of the Society, implementation of the 20-Point Programme and all related aspects are reviewed in these forums.

Banks are expected to lend to the weaker sections within the framework of the District Credit Plans (DCP). The DCP is specifically drawn up taking into account the credit requirements of the weaker sections. Under the IRD Programme, which is directed towards the weaker sections, a certain proportion of the beneficiaries have to be SC/STs. For these identified borrowers, ventures which are viable and suitable for local requirements have to be drawn up.

Thus, there already exist several forums for ensuring coordination between the activities of the banks and the various agencies concerned. Under the IRD Programme the District Rural Development Agency (DRDA) is the focal point of coordination. The executive officer in charge of DRDA is now a member of the Standing Committee of the District Consultative Committee. Since the problems of coordination are felt at the district/block levels, it is felt

that the required degree of coordination will have to be achieved by ensuring that the coordination forums already created at the district-level function effectively. The problems as also the requirements of function effectively. The problems as also the requirements of specific schemes are likely to vary from State to State and even from district to district.

At the national-level a high-level committee has been constituted under the Chairmanship of Member-Secretary, Planning Commission to review the extent of credit support from the financial institutions to the IRD Programme and to identify operational difficulties and suggest measures for their removal. A copy of the relevant notification has been reproduced below. The recommendations of this committee will help in identifying the problems and finding solutions, with a view to bringing about better coordination, more effective implementation of schemes, greater flow of financial assistance and follow up action.

Given this situation, it is felt that creating another forum at the national level is not likely to have meaningful impact at the field level.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 5/10/81-SCT(B) dated 31-3-1982]

Copy of Government of India, Ministry of Rural Reconstruction Notification dated the 12th, August, 1981.

NOTIFICATION

Institutional credit support is crucial for the success of the Integrated Rural Development Programme (IRDP). In order to review the extent of support to this programme from various credit institutions in the context of the Sixth Five Year Plan and also to identify the operational difficulties being experienced in obtaining credit, it has been decided to set up a high level Committee in the Ministry of Rural Reconstruction, which shall meet every quarter to review and discuss these issues. The Committee shall also undertake tours to States in order to gain first hand knowledge of the field situation. The composition and the terms of reference of this Committee will be as under:—

Composition:

1. Dr. Manmohan Singh, Member Secretary Planning Commission—*Chairman*

2. Shri S. C. Varma, Secretary, Ministry of Rural Reconstruction—*Member*
3. Shri M. Ramakrishnayya, Deputy Governor Reserve Bank of India—*Member*
4. Shri R. K. Kaul, Additional Secretary, Banking Division, Department of Economic Affairs, Ministry of Finance.—*Member*
5. Shri P. R. Dubhashi, Additional Secretary, Deptt. of Agriculture & Cooperation, Ministry of Agriculture—*Member*
6. Shri G. V. Ramakrishna, Adviser, Rural Development, Planning Commission—*Member*
7. Shri N. V. Krishnan, Joint Secretary, Plan Finance Division, Ministry of Finance—*Member*
8. Shri R. Srinivasan, Joint Secretary, Deptt. of Industrial Development, Ministry of Industry—*Member*
9. Shri K. Ramanujam, Commissioner-cum Secretary, Rural Reconstruction, Government of Bihar—*Member*
10. Shri H. B. N. Shetty, Secretary, Rural Development, Government of Tamil Nadu—*Member*
11. Shri Sant Dass, Managing Director, Agricultural Refinance & Development Corporation—*Member*
12. Shri P. G. Muralidharan, Joint Secretary, Ministry of Rural Reconstruction—*Member-Secretary*

Terms of Reference:

- (i) Review the availability of credit for IRDP periodically.
- (ii) Examine the credit network of commercial banks, Regional Rural Banks and Cooperatives in the context of IRDP and recommend expansion, where necessary.
- (iii) Examine the operational problems coming in the way of obtaining credit for IRDP and recommend appropriate action to meet these problems.
- (iv) Examine whether the recent guidelines on simplification of procedures and relaxations with respect to credit for the weaker sections are being implemented by bank branches in the field and also see whether any further simplifications, relaxations etc. are necessary.

- (v) Examine the progress of preparation and implementation of credit plans for IRDP blocks. The Committee will also review the implementation of the IRDP block plans prepared by the ARDC and the IRDP component of District Credit Plan.
- (vi) Examine to what extent the credit targets set for the weaker sections in the Sixth Plan are being realised.
- (vii) Any other relevant matter, approved by the Chairman of the Committee.

Sd/-

(Atul Sinha)

Deputy Secretary to the Govt. of India.

Comments of the Committee

Please see Chapter I Para 1.13.

Recommendation Serial No. 7 (Para No. 3.21)

The Committee note that the purpose of starting DRI Scheme is to enable persons who are poorest among the poor to engage themselves in productive endeavours with the help of their own labour and the labour of their family members and to improve their economic condition. The Committee appreciate purpose of the scheme. They are, however, apprehensive whether this gigantic task can be achieved with the present resources earmarked under the DRI Scheme for the Scheduled Castes/Scheduled Tribes, majority of whom fall below the poverty line. The Committee agree with the assessment of the Commissioner for SC/ST in his 26th Report that the present limit of minimum of 1 per cent of aggregate advances (as at the end of the previous year) and at least 40 per cent of the total advances under the DRI Scheme fixed for the Banks will not serve the needs of the SC/ST. The Committee, therefore, recommend that at least 2 per cent of the aggregate advances of banks, as at the end of the previous year, should be fixed for lending under the DRI Scheme and a minimum of 75 per cent of the total advances under the DRI should go to the SC/ST.

Reply of Government

Banks resources comprise mainly deposits raised from the public. They have to pay interest on the deposits at the rates stipulated from time to time by RBI. The cost of raising deposits and servicing them

has to be met from the earnings on banks' advances. A certain portion viz. about 43 per cent of the deposits is not available for lendings due to liquidity requirements. Of the remaining 57 per cent of the funds, a major portion has to be earmarked for lendings to priority sector borrowers at concessional rates of interest. Hence, while considering any suggestion for increasing lendings at concessional rates of interest, banks' profitability and viability have to be taken into account. Taking these factors into consideration, the Working Group appointed by the Government of India in 1978 to study the DRI Scheme had come to the conclusion that the target of 1/2 per cent of total advances may not be raised further. The Government of India, however, chose to raise it to 1 per cent. The Working Group had estimated that the banks incurred a loss of 9 per cent on their advances under the Scheme. On the basis of 9 per cent gap (which would have increased further by now) between income and expenditure on an outstanding balance of DRI advances at the end of June, 1980 at Rs. 157 crores, the loss of income on this score would be in the region of Rs. 14 crores. This has to be seen against the aggregate published profits of public sector banks at Rs. 44.64 crores in 1979. Considering these aspects, it would not be possible to raise the target to 2 per cent.

Advances under the DRI Scheme are for the weakest of the weaker sections of the society and SC/ST would be the main group of beneficiaries under the Scheme. Government of India, increased the share of SC/ST under this Scheme from 33.13 per cent to 40 per cent. The target of 40 per cent fixed appears to be reasonable, considering that the weakest of the weaker sections should include a sizeable portion of the total SC/ST population. This target of 40 per cent lending to SC/ST borrowers under the scheme is the minimum that should go to such borrowers. As at the end of June, 1980 advances to SC/ST borrowers accounted for 44.2 per cent of the total outstandings under the Scheme. Incidentally, Government have asked NIBM to make a review of the Scheme and their findings are awaited.

(Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 5|10|81-SCT(B) dated 31-3-1982)

Comments of the Committee

Please see Chapter I para 1.16

Recommendation Serial No. 8 (Para No. 3.22)

The Committee, also, endorse suggestion of the Commissioner for Scheduled Castes and Scheduled Tribes that at least 10 per cent of the total loans advanced by banks should be given to the persons

belonging to Scheduled Castes and Scheduled Tribes to meet their medium and long-term credit requirements.

Reply of Government

Recently measures have been taken by the Government and the Reserve Bank to increase the flow of credit to the weaker sections. The banks have been asked to raise the proportion of their advances to priority sectors to 40 per cent by March 1985 and a significant proportion of this enlarged credit is to be directed towards the weaker sections and the beneficiaries of the 20 Point Programme. In the agricultural sector, 50 per cent of the banks' direct lending is to be to the small and marginal farmers and landless labourers. In the small industry sector also, artisans, craftsmen and village and cottage industries and very small units requiring not more than Rs. 25,000 as credit are to receive double their present proportion in the credit going to small industry sector.

To ensure that the Scheduled Castes and Scheduled Tribes borrowers derive adequate benefit from this increased flow of credit to the weaker sections, banks have been asked to weight their District Credit Plans in favour of Scheduled Castes and Scheduled Tribes borrowers, by incorporating special schemes for development of activities in which the members of these communities are engaged.

Banks have also been asked that while adopting villages for intensive lending, villages with sizeable population of SC|ST communities may be specially chosen.

Periodical review is being made of the credit extended to SC|ST borrowers on the basis of priority sector returns being received from the branches.

The main difficulty being faced by the banks in rapid enlargement of the size of their credit flow to the SC|ST borrowers is not related to the lack of resources or to any hesitation on the part of their staff to undertake such lending. The main problem has been absence of specific area schemes with proper tie-up arrangements for supply of inputs and marketing of produce, the responsibility for which has to be borne by the State Government machinery at the district and the block levels. Wherever such composite schemes have been drawn up by the State Govt. authorities or State SC|ST Development Corporations, the banks have stepped in with the requisite amount of credit support.

It is felt that the objective of augmenting the flow of credit to the SC|ST borrowers in a purposeful manner can be achieved through the schematic approach outlined above. Stipulation of a lending target, without matching efforts on the part of other Govt. agencies concerned at the district level to ensure that the SC|ST borrowers actually derive lasting benefit from the credit support from the banks, will dilute the quality of lending and may, in the ultimate analysis, prove detrimental to the long term interests of the borrowers themselves.

Currently the banks are participating in the implementation of the Integrated Rural Development Programme which is directed towards those below the poverty line. The Programme stipulates that among beneficiaries to be identified, a sizeable proportion of beneficiaries should belong to Scheduled Castes|Scheduled Tribes. It is accepted that since the Programme would be implemented in an integrated manner with adequate pre-lending and post-lending measures to sustain the viability of the self-employment ventures to be taken up by the borrowers, it should be possible for the banks to further enlarge the flow of their credit to SC|ST borrowers in such a manner as to be beneficial to them on a sustained basis.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 5/10/31-SCT(B) dated 31-3-1982].

Comments of the Committee

Please see Chapter I Para 1.19. . .

Recommendation Serial No. 11 (Para No. 3.41)

The Committee feel that the present condition for a person to become eligible for credit under the D.R.I. Scheme i.e. his family income from all sources should not exceed Rs. 3000/- per annum in urban and semi-urban areas and Rs. 2000/- per annum in rural areas needs to be reviewed. They recommend that the limit of family income should be raised to Rs. 6000/- and Rs. 4000/- per annum for urban/semi-urban and rural areas respectively.

Reply of Government

The D.R.I. Scheme has been evolved for assisting the weakest of the weaker sections of the society. One of the eligibility criteria is that the family income should not exceed Rs. 3000 in urban/semi-urban areas and Rs. 2000/- in rural areas. Even under IRD Schemes, although the maximum family income of the beneficiary has been fixed at Rs. 3500/- it has been stipulated that families

falling in the lowest income group viz. those having family incomes upto Rs. 1500 and from Rs. 1501 to Rs. 2500/- should be covered first for assistance under the Programme. Given the availability of funds, liberalisation of the income criteria would lead to the benefits of the DRI Scheme going to comparatively better off persons.

[Ministry of Finance Department of Economic Affairs (Banking Division) O.M. No. 5/10/81-SCT(B) dated 31-3-1982].

Comments of the Committee

Please see Chapter I Para 1.22

Recommendation Serial No. 12 (Para No. 3.42)

The Committee also desire that the present amount of credit admissible under the Scheme i.e. Rs. 1500 for working capital loans and Rs. 5000/- for term loan should be suitably enhanced so that a borrower finds it sufficient to meet his needs and he has not to raise a part loan from other sources.

Reply of Government

The maximum amount of loan available under the Scheme is Rs. 6500/- (Rs. 5,000/- as term loan and Rs. 1500/- as working capital). Within the total funds available for lending under the Scheme, any increase in the credit limit would lead to reduction in the number of beneficiaries.

The Scheme is intended for the benefit of very poor people who are mainly engaged on a very modest scale in agriculture and allied activities, cottage and village industries and vocations such as making reasonably cheap eatables, home delivery service of articles and commodities of daily use, running way-side tea stalls, plying of self owned manual rickshaws and cycle rickshaws, repairing of shoes/sandles mainly by hand, basket making by hand etc. It is felt that a maximum amount of Rs. 5000/- for implements and Rs. 1500/- for working capital should be sufficient for these purposes.

[Ministry of Finance Department of Economic Affairs (Banking Division) O.M. No. 5/10/81-SCT(B) dated 31-3-1982].

Comments of the Committee

Please see Chapter I Para 1.25

Recommendation Serial No. 13 (Para No. 3.43)

Similarly the Committee recommend that the period of 5 years fixed for repayment should be increased so as to help the borrowers to pay back the amount in easy instalments.

Reply of Government

The loans under DRI Scheme are granted for undertaking modest productive endeavours. Since the loans are small and rate of interest is low, the period of 5 years fixed for repayment appears to be reasonable. It has also been the endeavour of Government that the benefits of the Scheme reach the maximum number of eligible borrower. Since the funds available for lending under the Scheme are limited, this is possible only if there is quicker recycling of funds. For this reason also it may not be advisable to increase the repayment period.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 5/10/81—SCT(B) dated 31-3-1982]

Comments of the Committee

Please see Chapter I Para 1.28

Recommendation Serial No. 24 (Paragraph No. 3.111)

The Committee would like the Government to make adequate central funds available to the Cooperatives so that they could be organised better for providing assistance to the Scheduled Castes | Scheduled Tribes for their rapid economic development.

Reply of Government

No comments.

[Ministry of Finance, Department of Economic Affairs (Banking Division), OM. No. 5/10/81—SCT(B), dated the 31-3-82]

Comments of the Committee

Please see Chapter I Para 1.31.

Recommendation Serial No. 29 (Paragraph No. 4.19)

Till the overall review as suggested above by the Committee is made, the Committee recommended that the Government should reserve 10 per cent of the total credit available under the priority sector for lending to Scheduled Castes and Scheduled Tribes so that more persons belonging to these communities could take advantage of the priority sector lending scheme.

Reply of Government

Please see comments in Recommendation Serial No. 8 (Paragraph No. 3.22)

[Ministry of Finance, Department of Economic Affairs (Banking Division), O.M No. 5|10|81-SCT(B), dated the 31-3-82]

Comments of the Committee

Please see Chapter I Para 1.34.

Recommendation Serial No. 30 (Paragraph No. 4.20)

The Committee would also like the Govt. to do away with the margin money in the case of SC/ST borrowers particularly where assets created out of the procured loan are hypothecated to the banks.

Reply of Government

Under the existing instructions banks cannot ask for margin money for loans upto Rs. 5,000 granted to small and marginal farmers. For composite loans upto Rs. 25,000 granted to artisans, village and cottage industries also banks have instructions not to insist on any margin. Under the DRI Scheme, no margin money should be asked for. Further wherever subsidies are available under the Central Govt. State Govt. Schemes are in Integrated Rural Development Programme such subsidies are to be treated as margin money and no additional amount is to be taken from the eligible borrowers as margin money. However as larger borrowers are considered to be in a position to meet a part of the cost their own resources they are required to contribute margin money. This also ensures their involvement in the successful implementation of the projects.

So far as co-operative credit is concerned it is not advisable to do away altogether with the margin requirements. With a view to helping the small farmers the ratio of share linking to borrowing has been relaxed by us from 10 per cent to 5 per cent from March 1977. In the case of loans for investment purposed borrowers are allowed to contribute to the share capital at 5 per cent of their borrowings in 4 instalments i.e. 2 per cent in the first year and 1 per cent in the subsequent 3 years. Further the share capital so contributed is reck-towards downpayment requirements.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 5|10|81-SCT (B), dated the 31-3-82]

Comments of the Committee

Please See Chapter I Para 1.37.

Recommendation Serial No. 33 (Paragraph 4.23)

The Committee are unable to agree with the view point of the Ministry of Finance's representative if the suggestion that interest at 4 per cent may be charged on the amount permissible under DRI Scheme and at higher rate of interest on amount in excess thereof would work to the detriment of poorer sections and therefore would not be in accordance with the spirit of the scheme. They feel that this suggestion should be gone into deeply with a view to make more funds available to SC/ST borrowers for taking up productive and economically viable ventures.

Reply of Government

The DRI Scheme is basically meant to cater to the credit requirements of the weakest among the weak and assist them in their efforts to better their economic condition by small productive endeavours. It is also not the intention of Government that comparatively larger borrowers should be given the benefit of DRI lending for taking up somewhat bigger ventures. Persons desirous of taking up somewhat bigger ventures would also be comparatively better off and as such they should not be allowed to pre-empt the credit available under the scheme which is meant for the weakest of the weak.

[Ministry of Finance, Department of Economic Affairs, (Banking Division), O.M. No. 5|10|81-SCT(B), dated the 31-3-82]

Comments of the Committee

Please see Chapter I Para 1.40.

Recommendation Serial No. 38 (Paragraph No. 4.42)

The Committee need hardly point out that bulk of the Scheduled Caste/Tribes communities live in the rural areas, which are without adequate civit amenities and living condition of a large part of the people is appalling. The Committee feel if the objective of improving the quality of life of these communities is to be achieved a substantial amount will have to be earmarked every year for advancing housing loans to the Scheduled Castes/Tribes. These loans should be made available to these communities through various financial institutions at a nominal rate of interest. The Committee desire that the maximum limit of a housing loan for Scheduled

Castes/Tribes should also be raised to Rs. 7,500/- with a provision of 25 per cent subsidy. The Committee would also like that a systematic evaluation of the housing needs of the Scheduled Castes and Scheduled Tribes should be undertaken immediately and schemes in the light of that evaluation should be evolved for financing from all sources so that a maximum number of Scheduled Castes and Scheduled Tribes could have a neat and clean dwelling place of their own in the minimum possible period.

Reply of Government

The overall funds for housing earmarked by the banking system which were Rs. 5 crores each during 1979 and 1980 have been augmented to Rs. 100 crores for 1981 and are subject to review within the limitations imposed by various demands from priority and other sectors. Out of Rs. 100 crores so earmarked a sum of Rs. 15 crores has been set apart; for individuals and group belonging to SC/ST and other economically weaker sections, to be disbursed in rural and semi-urban areas. The rate of interest on advances for housing purposes to SC/ST is already lower at 4 per cent as against the rate of interest ranging from 12.5 per cent to 15 per cent applicable to other borrowers. As regards the maximum limit for loans to SC/ST this has only recently been raised from Rs. 2,500 to Rs. 5000/-. The provision of subsidy as recommended by the Committee will need separate consideration by the State Govts. Ministry of Works and Housing of Central Government.

(Ministry of Finance, Department of Economic Affairs (Banking Division)
O.M. No. 5/10/81-SCT(B) dated 31-3-1982)

Comments of the Committee

Please see Chapter I Para 1.43.

NEW DELHI;
19th July, 1982
28th Ashada, 1904 (S)

A. C. DAS,
Chairman
Committee on the Welfare of Scheduled
Castes and Scheduled Tribes

APPENDIX

Analysis of the Action Taken by the Government on the Recommendations contained in the Fourteenth Report (Seventh Lok Sabha) of the Committee.

(Vide Para 4 of Introduction)

I. Total Number of recommendations	42
II. Recommendations which have been accepted by Government (Vide Recommendations Serial Numbers : 9, 10, 14, 15, 17, 18, 19, 20, 21, 22, 23, 25, 26, 27, 28, 32, 34, 35, 36, 37, 39, 40, 41, 42).	
Number-----	24
Percentage to total	57.1%
III. Recommendations which the Committee do not desire to pursue in view of Government's replies (Vide Recommendations Serial Nos. 16, 31)	
Number-----	2
Percentage to total	4.8%
IV. Recommendations in respect of which replies of Government have not been accepted and which require reiteration (Vide Recommendations Serial Nos. 1, 2, 3, 4, 5, 6, 7, 8, 11, 12, 13, 24, 29, 30, 33, 38).	
Number-----	16
Percentage to total	38.1%