

(b) to (d). Steps taken to enhance export of agricultural products include simplification of inspection procedures, removal of Minimum Export Price and Quantity restrictions on selected items, provisions of concessional credit, product development to meet international needs, extension of benefits available under the scheme of EOUs/EPZs to agriculture sector and permitting 50% sale in the domestic tariff area, free import of raw cashew nuts for augmenting domestic supply, quality testing and facilities to maintain the cold chain.

### Inspection of Banks

1978. SHRI ANANTH KUMAR :  
SHRI VIJAY GOYAL :

Will the Minister of FINANCE be pleased to state :

(a) whether the working group set up by the Reserve Bank of India to suggest changes in the approach, thrust and style of inspections of banks has submitted its report to the R.B.I. recently;

(b) if so, the details of the recommendations made by the working group; and

(c) the reaction of the Government thereon;

THE MINISTER OF FINANCE AND MINISTER OF COMPANY AFFAIRS (SHRI P. CHIDAMBARAM) : (a) Yes, Sir. The Working Group has submitted its report to RBI on November 8, 1995.

(b) The major recommendations of the Group are as under :

- i) Strategy: The Working Group has recommended a shift in Supervisor strategy from periodic inspection to a system of continuous/ongoing supervision and periodical inspection. The system envisaged integration of the newly introduced off-site monitoring system with periodical on-site inspections. The focus of the inspection has to be on solvency capital adequacy, liquidity, operations soundness and managerial prudence.
- ii) Periodicity : The Group has recommended on sight inspection for weak banks on annual basis and for sound banks on biennial basis based on their reported/assessed financial and operational conditions and compliance record. The rating of banks would be important factor for deciding the periodicity of inspections.
- iii) Inspection output : Inspection should focus and produce output relating to assessments on three broad areas:
  - a) financial condition;
  - b) operating conditions (systems and controls) and quality of Management; and

c) regulatory compliance: Assessment of financial condition would consist of separate assessment on asset quality, solvency, capital adequacy, liquidity and earning performance.

The group has also recommended supplementary on-site assessments between the inspections namely targeted appraisals; targeted appraisals at control sites; commissioned audits; and Monitoring visits.

Action plans incorporating identified concerns arising out of on-site inspections would be monitored by the Department of Supervision (DOS) on regular basis.

iv) Rating of Banks: The group has recommended to adopt a rating systems for banks. The rating would be on five-score of (a) to (e) based on their strength and soundness of rating factors, namely capital adequacy, asset quality, management, earnings, liquidity, systems and controls (CAMELS) for Indian Banks and capital adequacy, asset quality, compliance, systems & controls (CACS) for Foreign Banks.

(c) RBI has reported that major recommendations of the Working Group have been largely accepted by RBI.

### Dues against Maharashtra

1980. SHRI MOHAN RAWALE :  
SHRI JAGAT VIR SINGH DRONA :

Will the Minister of TEXTILES be pleased to state:

(a) whether the National Textile Corporation has to pay some outstanding dues to the Maharashtra State Cooperative Cotton Federation for purchase of cotton from time to time;

(b) if so, the details thereof;

(c) whether the Government of Maharashtra has been requesting the Union Government for payment of these outstanding dues; and

(d) if so, the reaction of the Union Government thereto?

THE MINISTER OF TEXTILES (SHRI R.L. JALAPPA): (a) to (d). As on 31.5.1996, the NTC had to pay an amount of Rs.98.30 crores to the Maharashtra State Cooperative Cotton Growers' Marketing Federation towards purchase of cotton. Since cotton is purchased by the NTC mills on credit terms, there are always bound to be certain outstanding dues at any given point of time. NTC is unable to clear all the outstanding dues on account of acute shortage of working capital. The request of State Govt./Maharashtra State Coop. Cotton Growers' Marketing Federation has been passed on to the NTC with a request to clear the dues at the earliest. NTC is expected to clear the dues depending upon the availability of the working capital.