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STANDING COMMITTEE ON FINANCE (1998-99)

TWELFTH LOK SABHA

MINISTRY OF FINANCE

(DEPARTMENTS OF ECONOMIC AFFAIRS AND EXPENDITURE)

DEMANDS FOR GRANTS (1998-99)

[Action taken by the Government on the recommendations contained in the Third Report of the Standing Committee on Finance on Demands for Grants (1998-99)]

SEVENTEENTH REPORT

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*Ceased to be Member of the Committee w.e.f. 12.4.99.

CHAPTER I

REPORT

This report of the Standing Committee on Finance deals with action taken by Government on the recommendations contained in their Third Report (Twelfth Lok Sabha) on Demands for Grants (1998-99) of Ministry of Finance (Departments of Economic Affairs and Expenditure) which was presented to Lok Sabha on 10 July, 1998.

2. Action Taken Notes have been received from the Government in respect of all the 14 recommendations contained in the Report. These have been categorised as follows:—

(i) Recommendations/Observations which have been accepted by the Government:

Sl. No. 1

(Chapter II—Total 1)

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:

Sl. Nos. 4, 6, 7, 9 and 13

(Chapter III—Total 5)

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:

Sl. Nos. 2, 3, 5 and 14

(Chapter IV—Total 4)

(iv) Recommendations/Observations in respect of which final replies of the Government are still awaited:

Sl. Nos. 8, 10, 11 and 12

(Chapter V—Total 4)

3. The Committee desire that the replies to the recommendations contained in Chapter I and final replies in respect of the recommendations contained in Chapter V for which only interim replies have been given by the Government should be furnished to the Committee expeditiously.

4. The Committee will now deal with the action taken by the Government on some of their recommendations.

Currency Note Press/Bank Note Press

Machinery and Equipment

Recommendation (Sl. Nos. 3 and 4)

5. The Committee, after observing dismal performance in the utilisation of budgetary allocations under minor head 'Machinery and Equipment' of Currency Note Press had concluded that substantial amount of budgetary allocation made during 1993-94, 1995-96, 1996-97 and 1997-98 could not be utilised by currency note press mainly due to non-receipt of Treasure Wagons from Bharat Earth Movers Ltd., (BEML) for which no specific reasons had been furnished.

6. The grounds which necessitated the authorities to make an enhanced budgetary provisions at the RE stage during 1995-96 particularly when the actual amount spent remained far less than the amount which was allocated had not been specified. The Committee had, therefore, desired that in future at least more caution should be taken while framing the budget estimates so that the same did not result in unnecessary savings and the budgetary exercise could become much more meaningful. The Committee had also desired to apprise them of the year in which Currency Note Press had entered into contract with Bharat Earth Movers Ltd., the cost escalation due to delay in supply of the Treasure Wagons, the reasons for non-procurement of the equipment together with the concrete steps taken to procure the machinery during the current year. The Committee further desired to be informed if any firm date for supply of the wagons was committed by Bharat Earth Movers Ltd., and in case of default on their part whether suitable penalties were imposed.

7. In their Action Taken Reply, the Government have furnished the following information:—

> "The GMs of Mints & Presses have been cautioned to be more careful in the matter of preparation of their BE/RE".

In this connection copy of Ministry of Finance's letter No. C&C/JA01(38)/95-96 dated 16.9.1996, No. C&C/JA01(25)/98-99 dated 16.10.1998 and No. C&C/JA01(5)/98-99 dated 3.12.1998 enclosed as Annexure I, II & III may be seen.

Provision were kept in BE 1993-94 in anticipation of Govt.'s sanction and placement of order on M/s Bharat Earth Movers Ltd., Bangalore. However, the Technical Evaluation Committee of BNP, Dewas could finalise their recommendation on the placement of order on BEML for supply of 30 wagons only on 8.10.94. Accordingly, provisions in BE 1994-95 were kept in anticipation of advance payment and supply of wagons. Sanction could, however, be issued by the Ministry on 18.5.95. Supply order was placed by BNP, Dewas on 15.12.95 to supply 30 wagons, 15 each for BNP and CNP on M/s Bangalore at a cost of Rs. 16.38 crores.

As per the supply order conditions, the first prototype wagon was to be ready by 31.01.97 or earlier and the bulk supply of the remaining wagons was to be commenced after two months from the date of clearance of the prototype wagon and the remaining were to be supplied @4 to 6 wagons per month. Thus the entire supply of the wagons was to be completed during the year 1997-98. However, the supplier *i.e.* M/s BEML, Bangalore (a Govt. Undertaking) could not supply the prototype wagon on the scheduled date *i.e.* upto 31.01.97, but sought for extension of time for delivery. The delivery period of the prototype wagon was first extended upto 31.07.97 and secondly upto 31.12.97. As the prototype wagon was not ready for delivery even upto the extended date of 31.12.97, M/s BEML has again sought for extention but the same has not been granted so far."

8. The reasons for the delay in the development of the prototype wagon have been explained by M/s BEML as under:—

"(a) Fatigue testing and clearance of bogie frame, bolster beam and LS beam by RDSO was time consuming and only after completion of the fatigue test, the production of components for the proto could be taken up.

(b) Obtaining raw materials only from RDSO—approved sources in small batch quantities resulted in delayed supplies.

(c) The axles required were of 16 ton capacity—different from the regular 13 ton axles used on regular coaches. These axles were processed at different places like Bhopal & Wheel and Axle Plant. Movement of the axles and inspection of the same took time which resulted in delay in supply of wheel sets.

(d) The bolster springs were especially developed. This development and subsequent approval by RDSO was time consuming.

(e) The proto was subjected to 3 tier inspection *viz.* by RDSO, RITES and Bank Note Press. This 3 tier inspection also added to the delay in submission of proto.

The first Prototype wagon despatched by BEML on 26th November, 1998, has been received at BNP siding, Dewas on 9.1.1999. Now the matter is being taken up with the Railway authorities to sort out the operational matters. The actual trial of the above wagon with the Express train with full load would start soon. It is expected that once the user trial is conducted and necessary certificates are issued to the BEML by the railway authorities, the remaining 29 wagons will be supplied by them during the financial year 1999-2000.

It is further stated that there is no condition for cost escalation due to delay in supply of the treasure wagons. As per our supply order terms liquidated damages will be imposed on the supplier for delayed supply of these wagons as the delay has been on the part of the supplier and not on the purchaser. Regarding firm date for supply of these wagons it is stated that M/s BEML have committed to supply all the treasure wagons by 31.03.2000. As per the Supply Order terms, regular supply of 4 to 6 wagons per month is to be commenced after acceptance of the prototype wagons.

9. Under the same minor head 'Machinery and Equipment' of Bank Note Press the Committee expressed their unhappiness over the scant reply given by the Ministry on the reasons for under utilisation of budgetary allocation which did not even specify as to when the Ministry had first planned to instal two new lines of note printing machines, purchase Treasure Wagons, defer the original proposal and instead decided to replace the old machines. The Committee apprehended that the budgetary provisions had been made year after year even when no concrete steps were taken for procuring treasure

wagons as a result of which the amount had to be surrendered every year. Concluding that this showed lack of financial prudence on the part of authorities concerned, the Committee, recommended that the Ministry should not merely be content with placing the orders for supply of the equipment but should also ensure timely procurement of the same on the basis of firm commitments made by the suppliers so that the dalay could be minimised and the losses suffered on account of late supply of equipment could be properly compensated.

10. The reply of the Government reads as under:—

> "The figures indicated have been confirmed, except actual expenditure for 1997-98 which should be 43,20 instead of 29,37.
>
> Ministry was not in a position to mobilise additional funds, and therefore it was decided in March, 1995 to shelve the expansion programme *i.e.* additions of two lines of machines, and instead to go in for 2 lines replacement programme. However here also, due to high value of the machines, the required machines had been purchased by RBI direct and supplied to BNP, Dewas. The total cost of importing machines came to Rs. 150 crores.
>
> The Bank Note Press, Dewas is despatching the consignment to the 17 issue centres of the RBI throughout the country. It depends upon the railways for the availability of the Wagons. The present railway wagons are attached to the passenger trains only because of the speed limit of the goods wagons. Attaching the wagons with the passenger trains takes a lot of time for reaching the destination. This apart, the safety of the consignment is also not adequate with the present arrangement. In order to cut short the journey period required for the consignment as also considering the safety of the consignments, a proposal for manufacturing of our own wagons as per our requirement was mooted in 1980. However, after a detailed examination/ consultation with Ministry of Railways & RDSO, and following due procedure of tendering etc. the supply order was placed on M/s. BEML Bangalore for supply of 30 Wagons, 15 each for BNP and CNP Nasik on 15.12.95. The first proto-type wagon was to be ready by 31.12.97. However, the supplier i.e. M/s. BEML requested for extension of delivery period upto 31.8.98 for supply of proto-type wagon. Firm has been requested

to expedite delivery of the proto-type wagon but confirmation about readiness not yet received. Although budget provisions has been made in our budget estimates for the year 1998-99 on the assumption that the wagons will be supplied during the year 1998-99, the position/prospects will be further assessed in March.

Instructions have been issued to the GMs that budgeting should be done in a more realistic manner and funds be not surrendered at the end of financial year *vide* our letter No. C&C/LA01/95-96 dated 16.9.96 (copy enclosed)."

11. The Committee take a serious note of the fact that though the proposal to have their own wagons was mooted by Bank/Currency Note Presses way back in 1980 with a view to obviating the dependence on Railways for the availability of wagons, to cut short the journey period and from the point of view of the safety of the consignments, yet it took almost 15 years from 1980 to 1995 to complete the formalities for placing supply orders on M/s. BEML. The Committee also fail to understand as to why higher allocations were made during 1993-94 to 1995-96 despite the fact that the first prototype wagon was committed to be supplied only by 31.1.97. They also regret to note that extensions were granted repeatedly and the first prototype wagon could be received at Bank Note Press Dewas only on 9.1.99, the trial for which has still not been carried out as the matter is reportedly being sorted out with the Railway authorities. Making allocations year after year and surrendering the same at the end of the year speaks of lack of seriousness on the part of the Ministry in making realistic budgetary estimates. Besides, in view of the fact that the first prototype wagon has been supplied only in January, 1999 it is quite obvious that the bulk of the funds earmarked for 1998-99 might have also remained unutilised.

12. The Committee however hope that the issue of trial of the prototype wagon shall not be allowed to further linger on and is sorted out without further loss of time. They also desire that the Government should at least now act with a sense of expediency and prevail upon the supplier to supply the remaining 29 wagons at the rate of 4 to 6 wagons per month as already envisaged in the terms and conditions of the contract. They also desire that in future the budget estimates should be made more realistically.

Over Time Allowance

Recommendation (Sl. No. 5)

13. Alarmed at the abnormal expenditure on Over Time Allowance (OTA) in Government of India Mints and Presses, the Committee regretted to point out that huge amount of money was being spent on payment of Over Time Allowance in Government of India Mints and Presses which was increasing year after year. While considering Demands for Grants under Head 'Machinery and Equipment', the Committee had found that there had been substantial under utilisation of the budgetary allocations meant for procurement/modernisation of machinery and equipment by Currency Note Press as well as by Bank Note Press. The Committee were of the view that had modernisation of Government of India Mints and Presses been completed as originally envisaged; substantial savings could have been made by way of reduction in over-time allowance. The Committee had, therefore, desired that earnest efforts should be made to modernise Mints and Presses so that the budgetary allocations meant for procurement of machinery and equipment could be utilised fully. However, in the meantime efforts might also be made to reduce OTA by following prudent management policies.

14. In their action taken reply, the Government have stated as under:—

> "As regards observation that the OTA in Government of India Mints and Presses is increasing year after year, it will be mentioned that in the case of Presses there is actually no increase in the quantum of OTA hours of working in a particular month or year. The increase in expenditure of OTA is because the payment is required to be made as per provisions of Factory Act. As per these provisions the workers are entitled to OTA payment at double the rate and for this purpose their total emoluments drawn in a particular month are taken into consideration. This would mean that as and when the employees start getting their increments or additional instalments of D.A., their monthly emoluments will increase and consequently the rate of OTA amount will increase.
>
> With a view to reducing the over time working, the C&C division has appointed a committee under the chairmanship of

GM of SPP Hyderabad, with members of workers unions to frame a suitable incentive scheme in order that there is no loss in the existing level of production and simultaneously there is no increase of expenditure in drawl of over time. This committee's recommendation is awaited.

In the case of mints, there is already shortage of coins in the country particularly owing to coinisation of Re. 1, 2 and 5. As a temporary measure, all the 4 mints which had been working for 48 hours have been now put to 54 hours working. Here also our efforts will be to implement a suitable scheme as recommended by the Rastogi Committee so that increase in the expenditure on over time is checked.

The ISP Nasik which is an older unit, and also SPP Hyderabad have been advised to take up modernisation in phases, so that their regular work is not hampered. At the same time there is no sudden increase in the budgetary allocation on account of complete modernisation."

15. The Committee are concerned to note that despite their recommendations to the effect that earnest efforts be made to modernise the Mints and Presses with a view to reducing overtime allowance, little progress seems to have been made so far. The Committee were earlier told that a production linked incentive scheme with nine hours working per shift would be formulated in consultation with the workers' unions with a view to curtailing the overtime allowance. The Commitee are, however, dismayed to note from the action taken replies that another Committee has now been appointed by C & C Division to frame an incentive scheme and the recommendations of the Committee are still being awaited. As the expenditure in none of the Presses has shown a declining trend and has on the contrary increased from Rs. 38,89,25,000 in 1996-97 to Rs. 53,95,57,000 in 1997-98 and to Rs. 60,72,00,000 during 1998-99 (upto 31 January, 1999 taken together for all the four Presses), it seems that nothing tangible has so far been done in this direction.

16. In so far as reduction of OTA in Mints is concerned, even though weekly working hours had been increased from 37.5 hours to 44 hours and 54 hours as a temporary measures in all the four Mints, not sufficient impact seems to have been felt, as the expenditure on this account has been steadily increasing from

Rs. 8,03,45,000 in 1996-97 to Rs. 8,51,67,000 in 1997-98 and to Rs. 15,92,00,000 in 1998-99 (upto 31 January, 1999).

17. The Committee, therefore, reiterate their early recommendation and desire that the modernisation of Government of India Mints and Presses should be completed even as per the revised schedule with a view to effect savings under this Head. They also desire that the productivity linked incentive scheme should at least now be implemented without further loss of time.

Expenditure Management and Reforms 'Commission

Recommendation (Sl. No. 14)

18. Expressing their concern over the revenue expenditure, the Committee had observed that ever rising revenue expenditure especially consumption, expenditure and the compulsion to use the market borrowings of the Government raised at market rate of interest to meet half of the revenue expenditure has led to erosion of fiscal discipline. As such, expenditure patterns might have forced the Government to increasingly resort to borrowings from the market to repay the old debt increased on account of revenue expenditure. The Committee had, therefore, recommended that urgent steps should be taken to constitute Expenditure Management and Reforms Commission consisting of distinguished personalities in all walks of life and leaders from national political parties to have consensus approach in the policies and strategies which need to be evolved for revamping the expenditure patterns of the Central Government without any delay.

19. The Government, in their action taken reply have stated as under:—

> "The appointment of a High-Level Exnenditure Management and Reforms Commission as envisaged has not been possible because of genuine difficulties experienced in securing the consent of distinguished Members of Parliament, who had been identified, to serve on the Commission. The involvement of representatives of political parties of diverse views and philosophies had been considered desirable so as to evlove a consensus on the crucial and important issues involved.
>
> Efforts in this direction have been unsuccessful, the Parliamentary Standing Committee, being an Expert Body, may

itself like to deliberate on the reforms necessary and make suitable recommendations in the matter. Such recommendations as are made by the Committee will receive the serious consideration of the Government.

This has the approval of Finance Minister."

20. The Committee are not inclined to accept the contention put forward by the Ministry that it had not been possible to appoint a High-Level Management and Reforms Commission on account of genuine difficulties experienced in securing the consent of distinguished members of Parliament representing different political parties having diverse views and philosophies. In view of the fact that the Finance Minister while presenting the Budget for the current year has also proposed formation of a similar Commission called Expenditure Reforms Commission, with identical objectives as that of the Commission proposed earlier, which in turn implies that the Government is confident of involving representatives of various political parties, the Committee believe that serious and earnest efforts have not been made by the Ministry in this direction. They are therefore, of the considered opinion that had the Government taken serious steps towards the constitution of this Commission, as already reommended by this Committee, substantial progress could have been achieved by now in this area. Reiterating their earlier recommendation, the Committee, therefore, again emphasise that suitable steps should be initiated at least now to constitute the recently announced Expenditure Reforms Commission. They also suggest that in future unnecessary time should not be wasted in only changing the nomenclature of such Bodies by relegating the important objectives and functions for which these are proposed to be constituted.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 1, Para 6)

The above 'Head' is meant for procurement of machinery and equipment needed for modernisation of budget press. The budgetary allocation, revised estimates and actuals since 1995-96 are as follows:—

Year	B.E.	R.E.	Actuals
1993-94	76,00,000	75,00,000	3,13,000
1994-95	98,90,000	65,50,000	40,62,000
1995-96	70,00,000	19,00,000	Nil
1996-97	90,00,000	30,00,000	6,57,000
1997-98	90,00,000	16,00,000	—
1998-99	1,00,00,000	—	—

As per the specific reasons for underutilisatioin of budgetary outlays since 1993-94, during the examination of Demands for Grants of the Ministry of Finance for 1997-98, the Ministry in a written note submitted as under:—

> "The installation of additional machinery required extra space. However, due to non-availability of extra accommodation, the procurement action could not be initiated for printing machinery".

The Committee in their Third Report on Demands for Grant (1997-98) of Ministry of Finance *inter-alia* recommended as follows:—

> "The Committee expect the authorities incharge of the project to function with responsibility. Immediate steps should be taken to find space for accommodating new machinery thereafter procurement action be initiated immediately."

In their written reply to the above mentioned recommendation, the Ministry of Finance have stated as under:—

> "Due to insufficient space in the existing accommodation, the response to tender notices are very poor and does not satisfy our specifications. Hence the machinery could not be procured and funds surrendered from time to time. Funds are being provided in Budget Estimates on the presumption that we will get the machinery as per our specification.
>
> An attempt is being made this year also and procurement action is in progress."

The reasons for increase in budget estimates in the year 1989-99 inspite of gross underutilisation of funds during the previous years, as stated by the Ministry, are as under:—

> "The need for modernisation of the Finance Ministry Press has been felt for quite some time. Its old machinery needs to be replaced and its printing capacity also needs to be augmented. However, this has not materialised so far for two reasons, viz., the continuing constraint in getting additional accommodation for the expansion of the Press and poor response to tender inquiries for replacement of existing machines. However, we have not given up our efforts and this is reflected in the budgetary provisions being made. The increase in the B.E. 1998-99 is on account of the planned purchase of some additional machines in addition to the printing machine for which efforts are being made for past few years."

The Committee find that since 1993-94 gross under utilisation of budgetary provisions has been explained by the Ministry on the grounds of non-procurement of machinery for want of sufficient space and poor response to the tender enquiries. The Committee are not at

all convinced with such stereotyped replies and fail to understand as to why attempts made by the Ministry could not yield desired results even after a lapse of five years. They regret to point out that recommendations made by the Committee in this regard have also not been taken seriously by the Ministry. They are of the firm view that no serious efforts seem to have been made in this regard. They, therefore, desire that concrete steps should now be taken at least to overcome the bottlenecks with a view to obviate the practice of surrendering funds year after year. They would like to be apprised of the steps taken by the Ministry in this regard as early as possible.

Reply of the Government

To provide additional space for the Press, we have written to the Chief Engineer, Central Public Works Department to examine the feasibility of construction of a building in the open quadrangle adjacent to the Press in the North Block. In the past, this had not found favour with Central Public Works Department due to fire hazard arising out of the proximity to an electric sub-station. The sub-station has recently been shifted to another location. Hence, the proposal of additional construction has been revived. The reply of Central Public Works Department is awaited.

[Ministry of Finance, Department of Economic Affairs, Communication No. 5(4)/97-Press Dated 13th October, 1998]

CHAPTER III

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

Recommendation (Sl. No. 4, Para 22)

The Government of India in order to eliminate coin shortage and to have to total coinage upto Rs. 5, approved the project for modernisation of mints located at Mumbai, Calcutta and Hyderabad in March, 1989 with stipulated date of completion as March 1992 and with an estimated cost of Rs. 118.28 crores.

When the project was approved, it was a planned scheme but during 1990-91 and 1991-92 all schemes of mints and presses were funded as non-plan. Again in October, 1992, it was agreed by the Planning Commission to fund the project as 'plan' project. The uncertainty about getting the upward cost revision via 'plan' route resulted in a time overrun of 17 months as a result of which the project cost also went up. The Public Investment Board (PIB) cleared the revised cost estimates of the project at Rs. 348.80 crores with the target date of completion as 30 November, 1996.

The Ministry of Finance (Department of Economic Affairs) in their reply dated 8 August, 1996 had stated as under:—

> "The project is scheduled for completion by November, 1996. Every effort is being made to adhere to the target".

However, in the light of the observations of the monitoring agencies *i.e.* Department of Programme and Implementation made in their Annual Reports for 1995-96 and 1996-97 which stated that as rate of progress was not commensurate for completing the project by November, 1996 and the project activities at Mumbai and Calcutta were far behind the schedule as compared to Hyderabad mint, the Committee had urged the Ministry of Finance to take adequate steps and other measures required to ensure the completion of the project by November, 1996 as envisaged in the revised schedule.

The Government in their subsequent reply to the above mentioned recommendation, *inter alia,* had stated as follows:

> "It is pertinent to record here that civil agencies like CPWD, NBCC and HSCL are constantly being persuaded to complete the civil works on TOP PRIORITY basis. It is expected that by June, 1997 even the CN stream envisaged in the modernisation will be completed and trial runs made to achieve the targets of modernisation."

However, as the project could not be completed the Committee while examining the demands for grants of Ministry of Finance for 1997-98 asked them to explain the reasons for an inordinate delay in implementation of the project. Delay in implementation of the project even as per revised schedule and within the revised cost estimates was explained on account of reclassification of the project from plan to non-plan and back to plan and also on account of delay in clearance of the project from the consultants *i.e.* M/s Mecon, slow execution of works by the civil construction agencies, delay in delivery of equipment by the suppliers and procedural delays. The Committee had, therefore, urged the Ministry of Finance in their 3rd Report on Demands for Grants to take adequate steps and other measures required to ensure expeditious completion of the project.

The Ministry of Finance in their reply to the above mentioned recommendation as contained in their 3rd Report, *inter-alia,* stated as follows:

> "With a view to ensure that there is no further delay in completion of the project, implementation of various components of projects was being regularly monitored. Remedial measures were being promptly taken wherever necessary to sort out difficulties. The progress had been speeded up. At Calcutta and Mumbai mints, civil works had to be executed in the existing premises without disrupting the production. This is one significant reason for slow progress. The projects at Mumbai and Calcutta are expected to be completed at the end of 1997."

However, in their latest reply furnished to the Committee on the progress of the completion of the projects, the Ministry of Finance have stated as under:

> "The projects at Mumbai and Calcutta are expected to be completed by March 1999. No cost overrun is anticipated as machines and equipment were ordered well in time. There may be some cost escalation due to exchange rate variations. The Government is monitoring the projects regularly to ensure timely completion."

The Committee take a serious note of the fact that despite repeated assurances given by the Ministry of Finance, the project has not been completed even as on date. The very fact that the stipulated date of completion which was originally fixed as March, 1992 with an estimated cost of Rs. 118.28 crores, had to be subsequently revised to 30 November, 1996 together with revised cost estimates of Rs. 348.80 crores and expected date of completion being shifted first to June, 1997 then to December, 1997 and now to March, 1999 is in itself indicative of casual approach adopted by the Ministry and lack of proper monitoring on their part. It is disheartening to note that repeated recommendations of the Committee for completing the project within the revised targets (both cost and time) have made little impact on the dithering attitude of the Ministry. They are not inclined to accept the contention of the Ministry that there shall be no cost overruns as machines and equipment were ordered well in time particularly in view of their own candid admission to the effect that some cost escalation could be there due to exchange rate variations. It is also beyond comprehension as to how the Ministry kept on assuring the Committee that the project would be completed within the revised schedule even when the monitoring agency *i.e.* Department of Programme and Implementation had in their successive Annual Reports clearly cautioned about the slow pace of progress of the project and had expressed apprehensions for its timely completion. The Committee, therefore, strongly disapprove of such commitments made by the Ministry and desire that now at least every earnest effort should be made to complete the project of modernisation of Government of India mints particularly at Mumbai and Calcutta latest by March, 1999 as already promised, so that the problem of shortage of coins gets resolved without any further delay. The Committee would like to be apprised of the concrete steps taken in this regard as expeditiously as possible.

Reply of the Government

This Ministry accepts the fact that the project has been delayed. But at the same time, it is submitted that the Ministry has been closely monitoring the progress and taking remedial steps. Despite the sincere efforts, the project has got delayed for reasons beyond control like discovery of unexpected concrete structures in the process of excavation for civil works at Calcutta and Mumbai Mints where the project is being executed within the existing premises. The executing agencies which are all public sector undertakings also contributed to the delay for their own financial and administrative constraints. It is submitted that the Ministry is reviewing the projects on the spot and all efforts are being made to ensure that the project is completed by 31st March, 1999.

Recommendation (Sl. No. 6, Para 32)

The Committee note that since 1994-95 upto March, 1998 an amount of Rs. 774 crores (approximate) has been provided by the Central Government as recapitalisation support to total number of 151 select Regional Rural Banks (RRBs). They, however, find that all the money which is being provided for clearing their balance sheets as well as for strengthening their capital base is being utilized in paying salaries, clearing the old settlements etc. and has hardly met the objective of strengthening these banks. Needless to say that regional rural banks which were originally designed to be low cost institutes for catering to the needs of the rural areas have, on the contrary, turned out to be highly costly due to their cost structure becoming more and more akin to that of commercial banks. The Committee, therefore, apprehend that this will definitely have an adverse affect on their sustainability in the medium and long run unless the Government in the right earnest review the relevant policies applicable to them and bring necessary legal policy changes in order to make their operations viable and sustainable.

Action Taken

Prior to the introduction of Financial Sector Reforms, the RRBs were plagued by low profitability due to increasing costs and decreasing spread, high and mounting Non-Performing Assets, deteriorating industrial relations, resulting in high losses and consequent erosion in their capital base. In view of the fragile state of the RRBs Government initiated the following measures:—

1. Greater role was entrusted to the sponsor banks in exercising full managerial and operational control over their sponsored RRBs to achieve unity of command in addition to making the sponsor banks more responsible towards the RRBs sponsored by them.

2. Deregulation of interest rate structure was introduced which improved the financial margin available to the RRBs and helped them in their turn around efforts.

3. Prudential norms were introduced in RRBs to impart transparency in the functioning of RRBs as also to rationalise the system of provisioning for bad and doubtful debts.

4. The methodology of DAP/MoU was introduced in RRBs for bringing improvement in their performance in a specified time frame.

5. RRBs were provided greater access to profitable avenues of investment as well as diversification in their business activities. This led to improvement in operational efficiency and profitability of these banks.

6. The Organisational Development Initiative (ODI) Programme was conducted in 49 RRBs to improve the motivation level, skill, accountability etc. of the employees of these banks.

7. Recapitalisation measures have been undertaken to strengthen their equity base and improve their financial performance.

These measures have provided the necessary impetus to RRBs to turn around and the financial results as on 31st March, 1998 reveal that RRBs are rightly on the path of recovery. *For the first time since*

1975, 126 of the 196 RRBs have made profit while 62 RRBs have reduced their losses.

Recommendation (Sl. No. 7, Para 37)

The Committee express concern at the fact that even after their contribution to RIDF since 1995-96, the public sector commercial banks are still short of meeting their targets for lending to agricultural sector and its adverse impact on growth of agriculture. The Committee would like to be apprised of the reasons for not lending to agriculture as per the targets and the concrete measures taken to improve flow of credit to agriculture. The Committee also want the Government to furnish them the Bank-wise data on disbursement of loans to agricultural sectors.

Reply of the Government

The public sector banks are required to deploy atleast 18% of their net bank credit (NBC) towards agriculture. The performance of public sector banks in this regard indicates that despite substantial increase in outstanding of advances to agriculture from public sector banks from a level of Rs. 15857 crores in 1991 to Rs. 34304.50 crores in 1998, the target of 18% of net bank credit to agriculture has not been fully achieved by some commercial banks. This is mainly on account of rapid growth in deployable fund of banks on account of reduction of statutory reserves since introduction of financial sector reforms. Notwithstanding this, Reserve Bank of India has advised scheduled commercial banks to make all efforts to achieve the stipulated target/sub-target for lending to priority sector/agriculture. Banks which do not achieve the lending subtarget of 18% of net bank credit are required to make contribution to the extent of 1.5% of their NBC to Rural Infrastructure Development Fund (FRIDF) maintained by National Bank for Agriculture and Rural Development (NABARD) which is used to provide funds to the State Government for investment in rural infrastructure.

A number of steps have been taken by RBI and NABARD to enhance the credit flow to the agriculture sector. Some of these include, *inter-alia,* the following:

— Banks have been asked to formulate Special Agriculture Credit Plans (SACPs). They have also been asked by RBI to increase disbursements under SACPs to agriculture every year by 25% over earlier year's disbursement.

— Banks have been advised to set up specialised agricultural branches in each State to exclusively deal with high-tech agricultural advances.

— As announced in the budget of 1998-99, Kisan Credit Card (KCC) scheme has been launched to provide timely credit to the farmers for meeting the short term credit requirements in flexible and cost banks and over six lakh credit cards have been issued to the farmers till January, 1999.

— Most of the recommendations made by the High Level Committee on agriculture credit (R.V. Gupta Committee) appointed by RBI have been accepted which include, *inter-alia,* simplification of procedures regarding loan applications, delegation of powers to branch managers, introduction of composite cash credit limits to farmers, introduction of new loan products with savings component, cash disbursement of loans, discretion to banks on matters relating to margin/security requirements for agricultural loans above Rs. 10,000/- and dispensing with "No Due Certificate" as a compulsory requirement, etc. It is expected that these recommendations when fully implemented by banks would improve flow of credit to agriculture sector specially small and marginal farmers.

The bank-wise details of disbursement/achievement under Special Agricultural Credit Plans for the years 1995-96, 1996-97 and 1997-98 are given in the Annexure IV.

Recommendation (Sl. No. 9, Para 44)

The Committee observe that the reply furnished by RBI implies that only during low-credit take off periods banks invest their funds in zero risk Government securities. However, the Committee are unable to agree with the contention of RBI in the light of the fact that public sector, commercial banks have been investing in Government Securities of about 5.8%, 6.9%, 6.6%, 7.4% and 8.2% in 1993-94, 1994-95, 1995-96, 1996-97 and 1997-98 respectively in excess of RBI stipulated percentage. It is surprising to note that about 13 public sector commercial banks have invested more of their increase in aggregate deposits during 1996-97 and 1997-98 in Government Securities.

The Committee are of the opinion that there is no dearth of availability of credit worthy quality borrowers seeking bank funds for financing their manufacturing/commercial ventures. Though the Committee appreciate the problem of low off-take of credit by commerce and industry and also reluctance on the part of the banks for lending due to the bitter experience of the Securities Scam, they feel that the public sector commercial banks are not making concerted efforts to identify the potential customers for lending. The public sector commercial banks have instead, been preferring the soft option of investing in SLR securities in excess of the RBI's prescribed norms. It, however, must be recognized that there is nothing like zero-risk lending and the banks have to take appropriate risk through extension of the credit. The Committee, therefore, recommend that RBI/Government should persuade the banks to shed their risk averseness and start identifying the potential customers to lend in the current year by providing suitable insulating mechanism at the lower levels (without undermining accountability) in order to encourage honest decision making and to minimize fear psychosis prevailing at present. This is especially so in the light of the fact that due to sanctions imposed by the United States, the spreads on the Indian paper has gone up which may force many Indian corporates wanting to raise capital from international capital market to abandon their plans resulting in demand for more funds from the banking system. They also desire that steps should be taken to strengthen the decision making process at all the levels with a view to ensuring that the loan applications are cleared without undue delay and particularly the need for credit for the small borrowers are properly catered to.

Reply of the Government

In the past, SLR prescription was high and banks were investing in Government securities as a matter of statutory prescription. With the financial sector reform measures undertaken since 1991, the SLR prescription has been brought down to the prudential level of 25 per cent and Government has also started issuing securities at market related rates through auctions. Therefore, banks chose to invest in Government Securities at their volition, with a view to maximising their returns through optimal deployment of funds in various assets *viz.* loans and advances, investments including investments in Government Securities in excess of statutory requirements. This is solely based on their commercial judgments of evaluating risk and return from various alternatives. When business expectations are at low ebb, thus adversely affecting credit decisions, banks invest in Government securities for improving their profitability.

Bank credit to commercial sector, in the conventional sense, includes only advances in the forms of loans, cash credit, overdrafts, bill purchased and discourted and investment in approved securities other than Government securities. With more instruments and avenues available for banks to lend to commercial sector, banks have in recent years been investing in commercial paper, shares and debentures issued by the commercial sector which are not reflected in the conventional credit aggregates. These investments need to be factored in to arrive at a measure of the total flow of non-food resources from banks to the commercial sector. In a liberalized economy, this aggregate gains more economic meaning than the conventional concept of credit. The flow of funds from scheduled commercial banks to commercial sector in the form of bank credit (other than food credit) and investments in shares/debentures/bonds/commercial paper etc. increased by Rs. 51,601 crore during the year 1997-98 as against an increase of Rs. 30,631 crore during the year 1996-97. During the current financial year 1998-99 upto October 9, 1998, increase in non-food credit to the commercial sector by scheduled commercial banks was of the order of Rs. 6,972 crore (2.2 per cent) as against Rs. 4,886 crore (1.7 per cent) in the corresponding period of last year.

The issue regarding flow of credit to meet the genuine credit requirements of the borrowers without undue delay has been engaging the attention of RBI/Government. The issue was discussed in the Finance Minister's Meeting with the Chief Executives of public sector banks held in December, 1996. In the follow up report of the above meeting, the banks have stated that they have taken necessary steps to clear all matters pertaining to good performing clients, on priority basis. They have also stated that all proposals for enhancement of new facilities from large corporates are being cleared within two to eight weeks. The proposals being received from other borrowers also are being cleared expeditiously. Banks are taking a quick review of all pending proposals and ad-hoc requests at periodical intervals both at corporate levels and field levels to expedite decision.

The issues regarding meeting the credit requirements of borrowers without undue delay was again reviewed in the Finance Minister's meeting with the Chief Executives of public sector banks held in November, 1997. Some Chairmen observed that even though credit sanctions during 1997 have increased there was reluctance on the part of corporates to fully utilise the sanctioned limits. Banks were advised to analyse the reasons behind this reluctance and see whether this was because of difficult conditions prescribed while sanctions were made or whether there was reluctance on the part of corporates to fully utilise the limits sanctioned in anticipation of reduction in interest rates or for other reasons.

The matter regarding credit dispensation by the banks to the commercial sector was also discussed in December 1997 by RBI in a meeting with the Chief Executive Officers of major public sector banks. It was impressed upon them to step up the flow of credit by activating the functionaries at operative levels and that they should monitor the credit growth on a monthly basis. The bankers were also advised to convene meetings of regional and zonal heads and visit some of the branches to monitor the situation.

With a view to providing an environment which will encourage decision making, banks were advised that there should be no objection to exercise of discretionary powers in a judicious manner with a view to meeting the genuine credit requirements of the borrowers without undue delay.

The Bank's Board may consider building in flexibility in its delegated authority to bank officials to meet exceptional and emergent requirements of the borrowers. If they consider that the existing discretionary powers granted to officials at various levels are not sufficient to meet the increased volumes of business and the needs of the borrowers, they may suitably enhance the discretionary powers at various levels.

From the foregoing it may seen that adequate steps have been taken to meet the genuine credit requirements of the borrowers.

Recommendation (Sl. No. 13, Para 66)

The Committee are of the view that the ever increasing fiscal deficit which results in pre-emption of available scarce capital by the Government might pushout commercial sector from raising funds from the market which in turn will result in hardening of interest rates. The Committee believe that there is distinct possibility of firming up of interest rate in the near future in the light of sanctions, downgrading of India's credit rating by international rating agencies by two notches (indicating negative outlook on the economy) and the consequent drying up of international sources of finance. Hence, any significant increase in the borrowings of the Government to finance its unproductive/consumption expenditure is something that the country can ill-afford at this critical juncture. The Committee believe that for reducing the fiscal deficit to any considerable extent a consensus has to be built up which is essential for taking certain hard decisions in this regard.

It is regrettable to note that about half of the revenue expenditure and entire plan expenditure is currently met by market borrowings. With regard to reduction in expenditure, Government should target considerable reduction in revenue expenditure especially non-plan revenue expenditure. Plan expenditure which results in capital formation and is essential for infrastructure development should not be reduced at all. However, the Committee find that there has been gross under utilisation of budgetary provisions under plan in sectors namely, Coal and Fertilisers due to various reasons. The Committee, therefore, recommend that such substantial under-utilisation of plan allocations should be taken seriously by the Nodal Ministry *i.e.* Ministry of Finance and the need for proper utilisation of scarce planned resources should invariably be impressed upon the different Ministries. The Committee recommend that the investments made by the Government in public sector undertakings should also earn decent returns so that adequate surplus can be generated for funding future projects.

The Committee are of the opinion that the number of tax payers in the country is still too small as compared to potential tax payers in the country. Hence, on the revenue front, the Committee recommend that the tax net should be widened for which tax machinery should be geared up to ensure the maximum tax compliance resulting in enhanced tax revenues. However, freedom fighters who are provided with telephone connection on concessional basis by the Government for their services rendered to the nation should be exempted from filing income-tax returns. They also desire that a study be conducted with a view to examining the feasibility of identifying rural rich.

Reply of the Government

Government resorts to additional borrowings for meeting the gap between expenditure (net of repayment) and non-debt receipts. This represents the "fiscal deficit" for the relevant year. The fiscal deficit can be contained only by increasing non-debt receipts and controlling expenditure. Apart from obligatory and committed liabilities of the Government like plan expenditure, interest payments, defence, subsidies, internal security, pensions, transfer to States etc., the growth of other items is closely watched.

2. As a result of the fiscal consolidation programme initiated in 1991-92, the percentage of fiscal deficit to GDP was brought down to 5.9% of GDP in 1991-92 and 5.7% in 1992-93 as compared to an average of 8.2% during the period 1985-86 to 1990-91. The fiscal deficit was 7.4% of GDP in 1993-94 partly due to slower pace of industrial recovery which led to a shortfall in revenue receipts and partly because various expenditures had also exceeded the budget estimates. In 1994-95, 1995-96 and 1996-97, the fiscal deficit was 6%, 5.4% and 5.2% respectively, of GDP. The projection for 1997-98 (RE) and BE (1998-99) is 6.1% and 5.6% respectively. The setback in 1997-98 was mainly on account of fall in customs collections (BE Rs. 52550 crore - RE 41000 crore).

3. Government is aware of the ill-effects of the growing fiscal deficits, like "crowding out" and hardening of interest rates. Government would endeavour to contain fiscal deficits by maximising non-debt receipts and controlling expenditure keeping in view at the same time the needs of development.

4. There is no one-to-one, direct and measurable correspondence between Government borrowings and the interest rates prevailing in

the debt market. It may be noted that the weighted average rates of interest on market borrowings made by the Central Government upto December, 1998 was 11.81% as against 12.01% during 1997-98 despite increase in Government borrowing.

5. The Committee's recommendations regarding reduction in Non-Plan Revenue Expenditure have been noted. Bulk of this expenditure (like interest, defence subsidies, Finance Commission mandated grants to States, pension, police etc.) are of a committed nature and any significant reduction under these items is not feasible at least in the short term. Regarding other items of Non-Plan Revenue Expenditure the growth is not significant.

6. Regarding under-utilisation of Plan expenditure, it may kindly be noted that the allocations are made by the Planning Commission and it is the responsibility of the concerned Departments/Ministries to take necessary action in spending the budgeted funds, fully and properly. Finance Secretary in a letter dated 3.9.1998 to all Secretaries (Annexure V) has impressed upon the need of close monitoring of Plan targets.

7. Government has issued instructions prescribing minimum dividend it expects from the profit making Public Sector Undertakings. These are—

(i) It should be ensured that all profit-making PSEs which are essentially commercial enterprises must declare a minimum dividend on equity of 20% or a minimum dividend payment of 20% of post-tax profits, whichever is higher. The minimum dividend payment in respect of oil, petroleum, chemical and other infrastructure sectors should be 30% of post-tax profits;

(ii) All profit making companies must also issue bonus shares to the Government; and

(iii) All profit making Joint Venture companies must also give a minimum dividend of 20% on Government equity holding.

The trend of dividend receipts (excluding Profits of Reserve Bank of India) has been as under:—

(Rs. in crore)

1994-95	1216
1995-96	1748
1996-97	2354
1997-98 (RE)	3362
1998-99 (BE)	3173

8. A number of incentives have been taken recently to widen the tax base and enhance the collection of revenue. The budget for 1998-99 introduced 'One by Six' Scheme which made it obligatory for a person to file return of income on the basis of fulfilling any one of the six specified economic criteria. This was an improvement on the earlier effort in this direction. The Government has also introduced quoting of Permanent Account Number or GIR No. in certain high value transactions with a view to curbing tax evasion and also to widening the tax base. The provisions regarding tax deduction at source has been widened to cover a large variety of transactions to ensure collection of revenue at the source. The TDS provisions are also strictly enforced.

9. In regard to the provisions relating to filing of return of income on the basis of economic indicators which include house and telephone, the Government has also provided suitable exceptions in appropriate cases. It has already been notified that a senior citizen who has attained 65 years of age or more is not required to file return under 'One by Six' Scheme by virtue of having a telephone or a house if he is not otherwise engaged in any business or profession. This exemption will take care of freedom fighters who are senior citizens and who do not have taxable income. The 'One by Six' Scheme is otherwise applicable to 35 principal cities in the country.

10. The suggestion to conduct a study with a view to examining the feasibility of identifying rural rich has been noted for compliance.

CHAPTER IV

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

Recommendation (Sl. No. 2, Para 9)

The BE, RE and actuals under this head which is meant for meeting expenditure to procure various plants and machinery are as follows:—

Year	BE	RE	Actuals
1992-93	6,00,00,000	2,50,00,000	17,50,000
1993-94	10,00,00,000	10,00,00,000	1,04,77,000
1994-95	18,00,00,000	2,00,00,000	1,00,98,000
1995-96	1,00,00,000	3,00,00,000	1,68,31,000
1996-97	6,97,00,000	1,80,00,000	1,14,00,000
1997-98	1,80,00,000	1,80,00,000	1,14,00,000
1998-99	8,41,00,000		

On the reasons for dismal performance in utilisation of budgetary allocations, the Ministry of Finance, in a written note submitted as under:—

"In 1992-93 Saving was due to non-receipt of Band Coat Machine, Pantograph machine and Etching machines; in 1993-94 saving was due to non-receipt of Treasure Wagons; in 1994-95 also saving was due to non-receipt of Treasure Wagons and also a token provision was made for modernisation of CNP, Nasik which could not be utilised; in 1995-96 saving was due to non-receipt of counting machines; in 1996-97 saving was due to the non-receipt of Treasure Wagons; and in 1997-98 also the saving was due to Treasure Wagons. It may be pointed out that the Govt. had taken a decision to procure specially designed Wagons for dispatch of currency notes. These are designed and being manufactured by Bharat Earth Movers Ltd., Bangalore in consultation with Ministry of Railways. These Wagons are expected to be delivered during the current year."

The Committee note with grave concern that substantial amount of budgetary allocation made during 1993-94, 1995-96, 1996-97 and 1997-98 could not be utilized by Currency Note Press mainly due to non-receipt of Treasure Wagons from Bharat Earth Movers Ltd., (BEML). The reply furnished by the Government is however, conspicuously silent with regard to the reasons which resulted in non-procurement of these Treasure Wagons for more than four years. The reply is also silent with regard to the specific grounds which necessitated the authorities to make an enhanced budgetary provisions at the RE stage during 1995-96 particularly when the actual amount spent remained far less than the amount which was allocated. Needless to say the assessments have not been made realistically. The Committee, therefore, desire that in future at least more caution should be taken while framing the budget estimates so that the same do not result in unnecessary savings and the budgetary exercise could become much more meaningful. The Committee should also be apprised of the year in which Currency Note Press entered in to contract with Bharat Earth Movers Ltd., the cost escalation due to delay in supply of the Treasure Wagons, the reasons for non-procurement of the equipment together with the concrete steps taken to procure the machinery during the current year. The Committee also like to be informed if any firm date for supply of the Wagons was committed by Bharat Earth Movers Ltd., and in case of default on their part whether suitable penalties were imposed.

Reply of the Government

The GMs Mints & Presses have been cautioned to be more careful in the matter of preparation of their BE/RE.

In this connection copy of Ministry of Finance's letter No. C&C/JAO1(38)/95-96 Dated 16.9.1996, No. C&C/JAO1(25)/98-99 dated 16.10.98 and No. C&C/JAO1(5)/98-99 Dated 3.12.1998 enclosed as Annexure I, II & III may be seen.

Provisions were kept in BE 1993-94 in anticipation of Government's sanction and placement of order on M/s. Bharat Earth Movers Ltd., Bangalore. However, the Technical Evaluation Committee of BNP, Dewas could finalise their recommendation on the placement of order on BEML for supply of 30 wagons only on 8.10.94. Accordingly, provisions in BE 1994-95 were kept in anticipation of advance payment and supply of wagons. Sanction could, however, be issued by the Ministry on 18.5.95. Supply Order was placed by BNP, Dewas on 15.12.95 to supply 30 wagons, 15 each for BNP and CNP on M/s. BEML, Bangalore at a cost of Rs. 16.38 crores.

As per the supply order conditions, the first prototype wagon was to be ready by 31.01.97 or earlier and the bulk supply of the remaining wagons was to be commenced after two months from the date of clearance of the prototype wagon and the remaining were to be supplied @ 4 to 6 wagons per month. Thus the entire supply of the wagons was to be completed during the year 1997-98. However, the supplier *i.e.* M/s. BEML, Bangalore (a Govt. Undertaking) could not supply the prototype wagon on the scheduled date *i.e.* upto 31.01.97, but sought for extension of time for delivery. The delivery period of the prototype wagon was first extended upto 31.07.97 and secondly upto 31.12.97. As the prototype wagon was not ready for delivery even upto the extended date of 31.12.97, M/s. BEML has again sought for extension but the same has not been granted so far.

The reasons for the delay in the development of the prototype wagon have been explained by M/s. BEML as under:—

(a) Fatigue testing and clearance of bogie frame, bolster beam and LS beam by RDSO was time consuming and only after completion of the fatigue test, the production of components for the proto could be taken up.

(b) Obtaining raw materials only from RDSO — approved sources in small batch quantities resulted in delayed supplies.

(c) The axles required were of 16 ton capacity — different from the regular 13 ton axles used on regular coaches. These axles were processed at different places like Bhopal & Wheel and Axle Plant. Movement of the axles and inspection of the same took time which resulted in delay in supply of wheel sets.

(d) The bolster springs were specially developed. This development and subsequent approval by RDSO was time consuming.

(e) The proto was subjected to 3 tier inspection *viz.* by RDSO, RITES and Bank Note Press. This 3 tier inspection also added to the delay in submission of proto.

The first Prototype wagon dispatched by BEML on 26th November, 1998, has been received at BNP siding, Dewas on 9.1.1999. Now the matter is being taken up with the Railway authorities to sort out the operational matters. The actual trial of the above wagon with the Express train with full load would start soon. It is expected that once the user trial is conducted and necessary certificates are issued to the BEML by the railway authorities, the remaining 29 wagons will be supplied by them during the financial year 1999-2000.

It is further stated that there is no condition for cost escalation due to delay in supply of the treasury wagons. As per our supply order terms liquidated damages will be imposed on the supplier for delayed supply of these wagons as the delay has been on the part of the supplier and not on the purchaser. Regarding firm date for supply of these wagons it is stated that M/s. BEML have committed to supply all the treasury wagons by 31.03.2000. As per the Supply Order terms, regular supply of 4 to 6 wagons per month is to be commenced after acceptance of the prototype wagons.

Recommendation (Sl. No. 3, Para 13)

Bank Note Press, Dewas, prints Bank note of Rs. 20/-, Rs. 100/- and Rs. 500/- denominations. The press also manufactures ink for its use as well as for the use of currency note press, India Security Press and Security Printing Press. The budgetary allocations, Revised estimates and actuals spent on procurement of machinery and equipment for Bank Note Press are as follows:—

Year	BE	RE	Acutals
1993-94	26,26,00,000	6,81,40,000	2,83,46,000
1994-95	10,80,00,000	4,90,66,000	3,00,73,000
1995-96	6,85,00,000	3,72,00,000	2,46,95,000
1996-97	8,00,00,000	8,00,000	5,30,000
1997-98	8,00,00,000	5,34,00,000	29,37,000
1998-99 •	10,00,00,000		

In response to a written query as to why there has been substantial underutilisation of budgetary allocations even as compared to revised estimates since 1993-94, the Ministry in a written reply submitted as follows:—

> "It was planned to install two new lines of note printing machines and purchase of Treasure Wagons for transport of notes. Keeping in view the budgetary positions, it was decided to defer the proposal for two new lines of machines. Instead it was decided first to replace the old machines. Subsequently the machines were supplied by RBI. Hence non-utilisation of funds."

On the reasons for quantum jump in allocation for 1998-99, the Ministry of Finance in a written reply stated as under:—

> "Higher allocation has been made in BE 1998-99 as Treasury Wagons are expected to be supplied by M/s Bharat Earth Movers during 1998-99".

The Committee are unable to reach any conclusion in view of the scant reply given by the Ministry on the reasons for under utilization budgetary allocation. The reply does not even specify as to when the Ministry had first planned to instal two new lines of note printing machines, purchase Treasure Wagons, defer the original proposal and instead decided to replace the old machines. The very fact that proposal for installing two new lines of note printing machines had to be deferred on account of budgetary constraints speaks of lack of planning on the part of the Ministry. They would, therefore, like to be apprised as to why the proposal for installing new lines was initiated at all when the budgetary provisions for meeting the expenditure was inadequate. They would also like to be informed of the year in which the decision to procure Treasure Wagons was taken. The Committee apprehend that the budgetary provisions had been made year after year even when no concrete steps were taken for procuring these as a result of which the amount had to be surrendered every year. Evidently, this shows lack of financial prudence on the part of Authorities concerned. The Committee, therefore, recommend that the Ministry should not merely be content with placing the orders for supply of the equipment but should also ensure timely procurement of the same on the basis of firm commitments made by the suppliers so that the delay could be minimised and the losses suffered on account of late supply of equipment could be properly compensated.

Reply of the Government

The figures indicated have been confirmed, except actual expenditure for 1997-98 which should be 43,20 instead of 29,37.

Ministry was not in a position to mobilise additional funds, and therefore it was decided in March, 1995 to shelve the expansion programme *i.e.* additions of two lines of machines, and instead to go in for 2 lines replacement programme. However here also, due to high value of the machines, the required machines had been purchased by RBI direct and supplied to BNP, Dewas. The total cost of importing machines came to Rs. 150 crores.

The Bank Note Press, Dewas is dispatching the consignments to the 17 issue centres of the RBI throughout the country. It depends upon the railways for the availability of the wagons. The present railway wagons are attached to the passenger trains only because of the speed limit of the goods wagons. Attaching the wagons with the passenger trains take a lot of time for reaching the destination. This apart, the safety of the consignment, is also not adequate with the present arrangement. In order to cut short the journey period required for the consignment as also considering the safety of the consignments, a proposal for manufacturing of our own wagons as per our requirement was mooted in 1980. However, after a detailed examination/consultation with Ministry of Railways & RDSO, and following due procedure of tendering etc. the supply order was placed on M/s BEML Bangalore for supply of 30 wagons, 15 each for BNP and CNP Nasik on 15.12.95. The first proto-type wagon was to be ready by 31.12.97. However, the supplier *i.e.* M/s BEML requested for extension of delivery period upto 31.8.98 for supply of proto-type wagon. Firm has been requested to expedite delivery of the proto-type wagon but confirmation about readiness not yet received. Although budget provisions has been made in our budget estimates for the year 1998-99 on the assumption that the wagons will be supplied during the year 1998-99, the position/prospects will be further assessed in March' 99.

Instructions have been issued to the GMs that budgeting should be done in a more realistic manner and funds be not surrendered at the end of financial year *vide* our letter No. C&C/JAO1(38)/95-96 dated 16.9.96 (Annexure-I).

Recommendation (Sl. No. 5, Para 26)

The actual amount incurred on payment of Over Time Allowance (OTA) by Security Printing Press (S.P.P.), India Security Press (I.S.P.), Currency Note Press (C.N.P.), Bank Note Press (B.N.P.) and Mints since 1993-94 is as under:—

Year	S.P.P.	I.S.P.	C.N.P.	B.N.P.	Mints
1993-94	1,27,19,000	12,79,64,000	12,25,00,000	4,81,72,000	5,98,82,000
1994-95	1,34,76,000	13,22,66,000	11,59,49,000	5,35,95,000	6,49,53,000
1995-96	1,63,91,000	14,64,22,000	12,94,77,000	5,97,30,000	7,45,81,000
1996-97	1,81,89,000	16,61,93,000	14,26,81,000	6,18,62,000	8,03,45,000

In written reply to a query on whether the authorities have devised any plans/policy to reduce Over Time Allowance (OTA) in Mints, the Government stated as follows:—

> "Earlier the workers were getting overtime allowance for work done beyond 37.5 hours in a week. Now Government has introduced 44 hours normal weekly working. Hence, the workers will be entitled to OTA only for work beyond 44 hours in a week. Further Government has taken steps to reduce OTA by modernising the Mints and introduction of incentive schemes. Government also propose to start night shift working in Noida Mint."

With regard to the policy for reducing OTA in India Security Press, the Ministry in a written note, stated as under:—

> "Based on discussion with workers Unions, the General Manager, Indian Security Press, Nasik has also been advised to formulate a production-linked incentive scheme, with 9 hours working per shift. The above plan is expected to be completed in the current year itself thereby reducing the OTA expenditure considerably.

Besides, ISP's machines have become quite old. It has also been decided to replace these obsolete machines by latest machines in phases, which will considerably increase present production."

The Committee regret to point out that huge amount of money is being spent on payment of Over Time Allowance in Government of India Mints and Presses which is increasing year after year. While considering Demands for Grants under Head 'Machinery and Equipments', the Committee find that there has been substantial under utilisation of the budgetary allocations meant for procurement/ modernisation of machinery and equipment by Currency Note Press as well as by Bank Note Press. The Committee are of the view that had modernisation of Government of India Mints and Presses been completed as originally envisaged; substantial savings could have been made by way of reduction in over-time allowance. Hence, as recommended elsewhere in this report, the Committee desire that earnest efforts should be made to modernise Mints and Presses so that the budgetary allocations meant for procurement of machinery and equipment are utilised fully. However, in the meantime efforts may also be made to reduce OTA by following prudent management policies.

Reply of the Government

As regards observation that the OTA in Government of India Mints and Presses is increasing year after year, it will be mentioned that in the case of presses there is actually no increase in the quantum of OTA hours of working in a particular month or year. The increase in expenditure of OTA is because the payment is required to be made as per provisions of Factory Act. As per these provisions the workers are entitled to OTA payment at double the rate and for this purpose their total emoluments drawn in a particular month are taken into consideration. This would mean that as an when the employees start getting their increments or additional instalments of D.A., their monthly emoluments will increase and consequently the rate of OTA amount will increase.

With a view to reducing the over time working, the C&C division has appointed a committee under the chairmanship of GM of SPP Hyderabad, with members of workers unions to frame a suitable incentive scheme in order that there is no loss in the existing level of production and simultaneously there is no increase of expenditure in drawal of over time. This Committee's recommendation is awaited.

In the case of mints, there is already shortage of coins in the country particularly owing to coinisation of Re. 1, 2 and 5. As a temporary measure, all the 4 mints which had been working for 48 hours have been now put to 54 hours working. Here also our efforts will be to implement a suitable scheme as recommended by the Rastogi Committee so that increase in the expenditure on over time is checked.

The ISP Nasik which is an older unit, and also SPP Hyderabad have been advised to take up modernisation in phases, so that their regular work is not hampered. At the same time there is no sudden increase in the budgetary allocation on account of complete modernisation.

Recommendation (Sl. No. 14, Para 71)

The Committee are concerned to note that ever rising revenue expenditure especially consumption expenditure and the compulsion to use the market borrowings of the Government raised or market rate of interest to meet half of the revenue expenditure has led to erosion of fiscal discipline. As such, expenditure patterns may force the Government to increasingly resort to borrowings from the market to repay the old debt increased on account of revenue expenditure. The Committee, therefore, recommend that urgent steps should be taken to constitute Expenditure Management and Reforms Commission consisting of distinguished personalities in all walks of life and leaders from national political parties to have consensus approach in the policies and strategies which need to be evolved for revamping the expenditure patterns of the Central Government without any further delay.

Reply of the Government

The appointment of a High-Level Expenditure Management and Reforms Commission as envisaged has not been possible because of genuine difficulties experienced in securing the consent of distinguished Members of Parliament, who had been identified, to serve on the Commission. The involvement of representatives of political parties of diverse views and philosophies had been considered desirable so as to evolve a consensus on the crucial and important issues involved.

Efforts in this direction having been unsuccessful, the Parliamentary Standing Committee, being an Expert Body, may itself like to deliberate on the reforms necessary and make suitable recommendations in the matter. Such recommendations as are made by the Committee will receive the serious consideration of the Government.

This has the approval of Finance Minister.

[Ministry of Finance—Department of Expenditure Communication No. 7(2)-E.II(A)/98 Dated 9.11.1998]

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Recommendation (Sl. No. 8, Para 38)

"The Committee recommend that the Government should not accept the recommendations of R.V. Gupta Committee with respect to dispensation of compulsory rural posting of bank officials in view of acute shortage of bank staff in rural areas and its negative impact on delivery of Rural Credit."

Recommendation (Sl. No. 10, Para 52)

The Committee find that in order to reduce non-performing assets of public sector commercial banks a new concept of setting up as Asset Reconstruction Company (ARC) has been evolved according to which the company would be floated by the concerned bank for the sub-standard and loss assets, and the assets will be transferred at a discounted realisable value from the bank to the concerned company which in turn will issue bonds to the banks for these assets. These bonds will have to be Government-guaranteed and then the Asset Reconstruction Company would take on the assets and pursue the matter for the debt recovery. However, since such companies will be manned by the same staff who are already working in the concerned bank and the ownership will also continue to remain unchanged, the Committee are of the view that setting up such companies is not going to make much difference except making a mere cosmetic change and it will be totally an artificial exercise for clearing the NPAs. They are of the firm view that the banks which already adequate infrastructure should not disown their primary responsibility of making recoveries. The Committee are of the opinion that since the present legal framework for undertaking recoveries is not adequately supportive, it should be suitably reformed if NPAs are to be reduced. The Committee apprehend that in the absence of comprehensive legal framework ARCs will meet the same fate as that of Debt Recovery Tribunals which are till now suffering from various deficiencies of legal and administrative nature. Hence, the Committee strongly recommend that immediate corrective steps be taken to identify the shortcomings inherent in the legal system which are presently hampering recoveries of dues and necessary changes be brought through legislation without any further loss of time so that recovery process gets toned up and DRTs get activated.

Reply of the Government

Based on the Narasimhan Committee recommendations contained in its Report on Banking Sector Reforms submitted in April, 1998, an Expert Committee under the Chairmanship of Shri T.R. Andhyarujina former Solicitor General of India has been set up by the Government to review the changes needed in legal framework affecting the work of financial sector. The Committee has been asked to submit its recommendations by 30th June, 1999.

At present there are nine Debt Recovery Tribunals (DRT) and one Debt Recovery Appellate Tribunal (DRAT) set up in the country under the Recovery of Debts Due to Banks and financial Institutions Act, 1993. The performance of the Tribunals have been affected on account of certain court cases including the one in Delhi High Court wherein the DRT Act has been challenged. The Government have, however, filed Special Leave Petition in the Hon'ble Supreme Court and DRTs are functioning under the orders of Supreme Court. It has been decided to bring out amendments to the DRT Act to overcome the legal problems.

Recommendation (Sl. No. 11, Para 56)

The Committee are concerned to note that inspite of infusion of huge amount of capital to the extent of about Rs. 1350 crores, Rs. 1565 crores and Rs. 2382 crores into United Bank of India, UCO Bank and Indian bank respectively since 1993-94 to strengthen their capital base these banks are still incurring losses. The fact that losses of UCO and United Bank of India in 1995-96 (Rs. 236.66 and Rs. 234.46 crores respectively) are far higher than the losses incurred in the preceding year (Rs. 83.81 and Rs. 197.23 crores respectively) indicates that to revamp these banks in stand alone basis, the Committee believe, that not only the infusion of funds but also reorganisation of these banks' structure has to be carried out by the Government. The Committee would like to be apprised of the action taken in this regard by the Government at an early date.

The Committee would like to be apprised of the specific reasons as to why these banks could not be turned around even after infusion of capital for the last five years and the concrete measures taken in this regard.

Reply of the Government

Infusion of additional capital by way of recapitalisation assistance has been to enable the banks to reach the prescribed level of capital adequacy ratio (CRAR) and not to directly reduce their losses. Losses can be reduced only if the operation of the concerned banks improve.

Although United Bank of India, UCO Bank and Indian Bank showed losses during 1995-96, 1996-97 these banks have showed considerable improvement in their performance over the years as their net losses have been coming down. During 1997-98 United Bank of India posted a profit of Rs. 9.62 crores.

Profits/losses of

(Amount Rs. in crores)

Name	1994-95	1995-96	1996-97	1997-98
Indian Bank	14.16	-1336.4	-389.09	-301.5
UCO Bank	-83.81	-236.66	-176.23	-96.22
UBI	-197.23	-234.46	-113.64	9.62

(-ve sign indicates losses)

While a high level of Non-performing Assets (NPAs) is one of the reasons for the losses, other reasons include, *inter-alia*, high administrative and, operational expenses, low productivity, large number of loss making branches and non-adoption of technological updating to the required extent. In the case of Indian Bank provisioning for NPAs, additional provisioning on account of short provisioning done by the bank for NPAs during the previous years, provisioning for investment on account of increase in the YTM (Yield to Maturity) and arrears payments on account of wage revisions were other reasons for the high level of loss during 1995-96. Infusion of additional capital by way of recapitalisation was made to enable these banks to reach the prescribed level of capital adequacy ratio and not to directly reduce their losses.

Various steps such as strengthening of internal control systems, laying down of clear loan and recovery policy thereof, setting up of recovery cells and monitoring of recovery at senior levels and within a time frame, establishment of Debt Recovery Tribunals, strengthening of system of banking supervision, upgradation of credit appraisal skills have been taken to improve the overall functioning of banks which will lead to higher profitability. In addition the following steps have also been taken:—

1. Banks with weak financial position have been asked to prepare and implement strategies for their revival with the approval of their Board of Directors. RBI also finalises MoUs with these Banks for implementing revival strategies.

2. The RBI has set up a Working Group under the Chairmanship of Shri M.S. Verma, Former Chairman, State Bank of India, for revival of weak public sector banks, with the following terms of reference:

    (a) Criteria for identification of weak public sector banks;

    (b) To study and examine the problems of weak banks;

    (c) To undertake a case by case examination of the weak public sector banks and to identify those which are potentially revivable.

    (d) To suggest a strategic plan of financial, Organisational and operational restructuring for weak public sector banks.

Recommendation (Sl. No. 12, Para 59)

During 1996-97, the primary market was characterised by reduced number of issues and lower amounts raised, while the secondary market witnessed low trading volumes and declining prices during much of the year amid persistence of subdued market sentiment. The situation in 1997-98 was hardly different from that of the earlier year. The capital market continued to remain sluggish in 1997-98 where in the resource mobilisation capitalisation through primary market through public issues steadily declined to Rs. 14,276 crore in 1996-97 and further down to Rs. 4570 crore in 1997-98.

The number as well as amount of resources mobilised through equity and Rights issues by non-Government Public Limited Companies, Public Sector Undertakings, Government companies, Banking and FIs (in the public sector) and banks in the private sector as furnished by Ministry of Finance since 1994-95 is as follows:—

Resources Mobilised Through Public and Rights issues

FOR THE PERIOD APRIL 1994-MARCH 1995

	Public		Rights		Total	
	No.	Amt. (Rs. in Crs.)	No.	Amt. (Rs. in Crs.)	No.	Amt. (Rs. in Crs.)
	1	2	3	4	5	6
Private Sector	1302	19214.95	343	6526.39	1645	25741.34
Public Sector	7	1344.25	1	18.00	8	1362.25
Joint Sector	33	484.78	6	43.64	39	528.90
Total Capital Raised					1692	27632.49

	1	2	3	4	5	6
(Banking/FIs in the Public Sector)	1	360.00	0	0.00	1	360.00
Banks (in the Private Sector)	3	280.74	3	37.26	6	318.00
FOR THE PERIOD APRIL 1995 — MARCH 1996						
Private Sector	1412	10019.61	297	6550.86	1709	16570.47
Public Sector	7	4164.90	0	0.00	7	4164.90
Joint Sector	7	55.02	2	13.26	9	68.28
Total Capital Raised					1725	20803.65
Banking/FIs (in the Public Sector)	3	3621.46	0	0.00	3	3621.46
Banks (in the Private Sector)	2	94.00	10	591.14	12	685.14

	1	2	3	4	5	6
FOR THE PERIOD APRIL 1996 — MARCH 1997						
Private Sector	738	7610.04	129	1897.41	867	9507.45
Public Sector	9	3902.00	1	133.01	10	4035.01
Joint Sector	4	44.74	1	688.78	5	733.52
Total Capital Raised					882	14275.98
Banking/FIs (in the Public Sector)	7	3502.00	0	0.00	7	3502.00
Banks (in the Private Sector)	0	0.00	0	0.00	0	0.0

	1	2	3	4	5	6
FOR THE PERIOD APRIL 1997 — MARCH 1998						
Private Sector	55	2136.59	47	1684.38	102	3820.97
Public Sector	6	717.87	0	0.00	6	717.87
Joint Sector	2	23.63	1	7.48	3	31.11
Total Capital Raised					111	4569.95
Banking/FIs (in the Public Sector)	3	467.44	0	0.00	3	467.44
Banks (in the Private Sector)	1	180.00	0	0.00	1	180.00

The Committee observe that the continued decline in the number of issues as well as the amounts raised by way of equity and rights by corporates/companies in public, private and joint sector may not angur well for the corporates wanting to raise resources from the public. As there is distinct possibility of many corporates abandoning their plans to raise capital abroad due to widening of the spreads on the Indian paper as well as the likely lack of response to the Indian paper in the international capital markets in the wake of sanctions, the Committee feel many corporates may opt for domestic markets for raising capital. The Committee, therefore, are of the opinion that, there is a need to improve the disclosure standards in order to have greater transparency, introduce measures to restore investor confidence and lure them back to the market especially by providing liquidity/exit option in respect of highly illiquid scrips, take prompt action against companies/corporates for various omissions and commissions and to plug loopholes in the existing system.

The Committee also recommend that the newly setup private sector banks which, as per the RBI stipulation are required to raise capital from the public, but could not do so and got extensions, should not be given any further extension and they be made to tap the market for capital this year as this will go a long way in improving the subdued sentimenents prevailing in the markets. They also desire that adequate steps should be taken to revitalize the markets. SEBI should also conduct an enquiry into erratic and volatile behaviour of the stock markets and the report may be submitted to the Committee expeditiously.

Reply of the Government

The refusal or grant of extension to Private Sector Banks for coming out with public issue is not under SEBI's jurisdiction. However, as a step towards making capital market more accessible to Banks exemptions have been given to private sector and public sector banks from entry norms and track record requirements for free pricing, subject to RBI approval.

Regarding the recommendation of the Committee in respect of introduction of measures to provide liquidity/exit option in respect of highly illiquid scrips, SEBI has, in the board meeting held on September 7, 1998 decided to request RBI to extend the line of credit to market intermediaries for, *inter-alia* market making. Also, SEBI has set up a

Committee to devise norms for market makers. Market making is viewed primarily as a tool to bring in liquidity to some of the illiquid scrips in the present market. The committee is in the final stages of submitting its recommendations to SEBI.

It may be noted that though SEBI can devise tools to facilitate trading in illiquid scrips, SEBI cannot, as such, create interest in a scrip. Moreover, the trading in a scrip is primarily governed by, among other factors, the market sentiment of the traders and the performance of the company *per se*. It is felt that companies which have some prospects of having a profit/growth may create some interest in the trading on the Exchange, which in turn would create liquidity for the scrip in the market.

As far as an exit route of the investors of highly illiquid scrips is concerned, SEBI has issued Guidelines for buy-back of shares, following the Government's Ordinance Companies by buying back their shares, may give an exit route for the investors. It has also been decided to make an effort to cover at least 1000 cities by the year 2000 by extension of trading terminals.

Regarding the recommendation of the committee that SEBI should conduct an enquiry into erratic and volatile behaviour of the stock markets and the report may be submitted, it may be stated that due to the high degree of volatility the Indian capital markets have experienced from the first week of May onwards, SEBI held various meetings with the major stock exchanges and was in constant touch with them to keep a close vigil on the market and ensure strict implementation of the risk containment measures that were in place. The regulatory measures taken by SEBI and the stock exchanges to stabilise the markets during the period of exceptional market volatility have been stringent administration of the already existing system including mark to market margining system, exposure margins for stock brokers, daily price bands and adherence to prudential exposure norms.

SEBI in consultation with the Inter Exchange Market Surveillance Group of the stock exchanges took various further initiatives in the context of the present volatility mentioned above, which are detailed as under:

- levy of additional margin of 10% on the total net outstanding sale position scrip-wise at the end of each trading day;

- levy of additional 10% margin on "incremental" carry forward positions;

- levy of additional 5% margin on "concentrated" positions in scrips;

- net outstanding sales position of the brokers at the end of any trading day in each security must result in delivery and in respect of carry forward business, all outstanding short sale positions at the end of trading on June 16, 1998 should be squared up by at least 50% in the current settlement and the balance in the succeeding settlements *(since removed)*;

- daily price band of 10% reduced to 8%.

- existing weekly price band of 25% was removed and additional graded margin in the range of 5% to 40% was put in place for volatile securities with a variation of ± 16% or more in a single trading cycle;

- stock exchanges were asked to strengthen the surveillance efforts to check abnormal price behaviour of scrips and possible market manipulations.

There might be a view that such measures interfere with the free play of the market forces. However, SEBI in consultation with the market participants and stock exchanges considered it necessary and appropriate to take such measures with an objective to curb excessive speculation and volatility. Some amount of speculation and volatility is a part of the securities markets phenomenon, but when such speculation and volatility become excessive, it is harmful to the interest of the securities markets and investors at large. In view of the various guidelines and risk management measures taken on a continous basis, the Indian securities markets have remained stable and safe. Strict implementation of margin mechanism and price caps have proved to be very useful in containing volatility and ensuring safety as seen from the actual experience during such periods. This is borne by the fact that inspite of several instances of market volatility coupled with sharp and erratic fluctuations in prices and volumes, the Indian securities markets remained secure. It may also be noted that because of some of the systemic measures taken earlier and recently, there has been overall safety in the Indian securities markets, unlike in other Asian securities markets, where apart from extreme downward trend of the stock indices in general, several market participants have reportedly defaulted. This shows that Indian securities markets have achieved a certain level of maturity, safety and stability.

[Ministry of Finance, Department of Economic Affairs, Communication No. 9/13/CM/98, Dated 13th January, 1999]

NEW DELHI;
15 *April*, 1999
25 *Chaitra*, 1921(*Saka*)

MURLI DEORA,
Chairman,
Standing Committee on Finance.

MINUTES OF THE THIRTY SIXTH SITTING OF THE STANDING COMMITTEE ON FINANCE

The Committee sat on Friday, 9 April, 1999 from 1530 hours to 1600 hours.

PRESENT

Shri Murli Deora — *Chairman*

MEMBERS

Lok Sabha

2. Sh. Dhirendra Agarwal
3. Sh. Chetan Chauhan
4. Sh. Bhagwan Shankar Rawat
5. Sh. Kavuru Sambasiva Rao
6. Sh. Sandipan Bhagwan Thorat
7. Sh. R.L. Jalappa
8. Sh. Magunta Sreenivasulu Reddy
9. Sh. Varkala Radhakrishnan
10. Sh. M. Sahabuddin

Rajya Sabha

11. Dr. Manmohan Singh
12. Sh. N.K.P. Salve
13. Sh. M. Rajsekara Murthy
14. Dr. Biplab Dasgupta
15. Sh. C. Ramachandraiah
16. Sh. Prem Chand Gupta
17. Sh. R.K. Kumar
18. Sh. Gurudas Das Gupta
19. Sh. Suresh A. Keswani

SECRETARIAT

1. Dr. (Smt.) P.K. Sandhu — *Director*
2. Shri S.B. Arora — *Under Secretary*
3. Shri N.S. Hooda — *Assistant Director*

2. The Committee resumed the meeting at 1530 hours.

3. The Committee took up for consideration the following draft Reports:

(i) ** ** ** **
** ** ** **

(ii) Action Taken Report on the recommendations contained in the Third Report on the Demands for Grants (1998-99) of Ministry of Finance (Department of Economic Affairs & Expenditure).

(iii) ** ** ** **
** ** ** **

(iv) ** ** ** **
** ** ** **

(v) ** ** ** **
** ** ** **

(vi) ** ** ** **
** ** ** **

4. The Committee after deliberations considered and adopted the above mentioned reports without any modification/amendments. The Committee thereafter authorised the Chairman to present the Reports to both the Houses of Parliament.

The Committee then adjourned.

ANNEXURE I

D.O.No.C&C/JAO1(38)/95-96

Smt. Usha Nigam
Director (C & C)
Tele. 3015881

New Delhi, dated the 16th Sept. 1996

Dear Shri All GMs/DGMs Mints & Presses,

It has been brought to our notice that the budgeting in respect of your Account Office unit is being done very unrealistically. It has been observed that very often higher provision has been made in the B.E. and the same has been repeated at the R.E. stage. Having made the higher provision at RE stage, the same has not been utilised leading to surrender of funds. This kind of budgeting has been viewed very seriously by the Audit.

2. Since this not only has upset the budgeting exercise, but has also affected in implementation of activities of the Units. I would request you therefore, to look into this aspect personally and also issue suitable instructions to the concerned officers, so that budget is prepared realistically keeping in view the priority areas.

With regards,

Yours sincerely,

Sd/-
(Usha Nigam)

To

All GMs & DGMs
Mints & Presses.

ANNEXURE II

D.O.No. C&C/JAO1(25)/98-99

Usha Nigam
Director (C&C)

भारत सरकार Government of India
वित्त मंत्रालय Ministry of Finance
आर्थिक कार्य विभाग Department of Economic Affairs
नई दिल्ली New Delhi
Dated 16.10.98

Dear Shri

It has been brought to our notice *vide* para 14.1.1 of C&AG's Report No. 1 of 1998 that there had been instances of injudicious re-appropriations during 1996-97 under Major Head 2046 and 4046. More funds were required to be transferred unnecessarily where as there were savings even in the original provisions at the end of the year. This practice has been viewed seriously by the Audit.

You are, therefore requested to ensure that budgeting in future is done realistically and no funds are transferred unnecessarily and surrendered at the end of financial year. The GMs/DGMs will be personally responsible for any lapses in this regard in future.

Yours sincerely

Sd/-
(Usha Nigam)

All GMs/DGMs
Mints & Presses.

ANNEXURE III

V.K. Velukutty,
Under Secretary,
(Currency)

3rd December, 1998

D.O. No. C&C/JAO1(5)/98-99

Dear Shri Singh,

While reviewing the expenditure position, SS(EF) expressed his displeasure at low expenditure in Revenue Section compared to Provisions made in BE 1998-99. You are advised to closely monitor the rate of expenditure under the above head.

2. SS(EF) has also mentioned that any shortfall in the expenditure over the provisions made in BE must be due to wrong budgeting and such cases are seriously taken note of by Standing Committee on Finance/PAC. The SS(EF) has also stated that such lapses on the part of GMs concerned will be reflected in their CRs.

3. You are accordingly advised to monitor your budgeted expenditure and let us know actual reason for shortfall, if any.

Yours sincerely,

Sd/-
(V.K. Velukutty)

Shri M.D. Singh,
General Manager,
Bank Note Press,
Dewas

Copy to:—

All other GMs, Mints & Presses, for information and similar action.

Sd/-
(V.K. Velukutty)

ANNEXURE IV

SPECIAL AGRICULTURAL CREDIT PLAN

BANK-WISE STATEMENT FOR THE YEAR 1995-96, 1996-97 & 1997-98

(Rs. crores)

Sl. No.	Name of the Bank	1995-96		1996-97		1997-98	
		Target	Achievement	Target	Achievement	Target	Achievement
1	2	3	4	5	6	7	8
1.	State Bank of India	3660.52	2706.34	3753.65	3351.00	4200.58	3621.38
2.	State Bank of Bikaner & Jaipur	85.00	64.44	118.00	113.94	143.00	147.86
3.	State Bank of Hyderabad	323.00	270.94	338.67	296.29	370.00	315.17
4.	State Bank of Indore	106.00	51.27	82.50	82.78	103.50	106.08

1	2	3	4	5	6	7	8
5.	State Bank of Mysore	150.89	104.24	133.10	131.16	164.00	154.60
6.	State Bank of Saurashtra	209.28	119.78	198.00	184.60	250.00	250.82
7.	State Bank of Travancore	89.00	81.70	100.00	124.46	155.00	158.28
8.	State Bank of Patiala	387.00	298.53	408.40	390.20	490.10	414.66
9.	Allahabad Bank	266.48	135.09	262.00	198.27	250.00	254.57
10.	Andhra Bank	109.55	251.09	314.00	321.74	162.00	404.35
11.	Bank of Baroda	850.40	605.53	893.00	745.76	950.00	858.43
12.	Bank of India	640.00	576.55	1050.00	873.09	1080.00	983.14

1	2	3	4	5	6	7	8
13.	Bank of Maharashtra	239.00	275.00	343.75	363.61	454.50	465.02
14.	Canara Bank	933.00	1104.52	1380.65	1390.00	1740.00	1560.05
15.	Central Bank of India	374.00	271.05	500.00	301.08	375.00	453.26
16.	Corporation Bank	130.00	102.94	129.00	126.93	157.00	161.26
17.	Dena Bank	241.80	165.29	239.15	211.93	265.00	265.46
18.	Indian Bank	452.72	478.73	598.41	494.87	603.00	401.34
19.	Indian Overseas Bank	525.00	491.87	615.00	533.45	695.00	646.78
20.	Oriental Bank of Commerce	141.00	189.38	240.00	247.00	309.00	318.62

1	2	3	4	5	6	7	8
21.	Punjab National Bank	540.00	457.37	641.00	661.52	827.00	883.85
22.	Punjab & Sind Bank	211.55	218.00	272.50	150.08	220.00	219.83
23.	Syndicate Bank	451.00	225.06	451.00	366.51	451.00	431.44
24.	Union Bank of India	610.00	621.30	777.00	713.55	900.00	793.45
25.	United Bank of India	150.00	92.45	147.00	117.63	150.00	125.00
26.	UCO Bank	120.00	107.78	134.70	151.49	189.36	192.22
27.	Vijaya Bank	125.00	106.21	133.00	139.64	175.00	211.28
	Total	12121.19	10172.45	14253.48	12782.53	16069.04	14808.20

ANNEXURE V

Vijay L. Kelkar
Finance Secretary

Tel.: (O) 3012611, 3010555
D.O. NO. 16(1)/B(CDN)/98
Ministry of Finance
New Delhi-110001.
Date: 3 September, 1998

Dear Shri

Instructions have been issued from time to time regarding need for exercising strict control over the budgeted expenditure to ensure that amounts allocated for the Plan Schemes are utilised fully and effectively without compromising with extant rules and orders.

2. This year there has been a substantial increase in your Plan Budget. It is, hence, of utmost importance that utilisation of these resources is well planned out. It is not uncommon to see a rush of expenditure as the financial year nears its end. In this rush, very frequently, common financial prudence suffers leading to either misdirected expenditure or under-utilisation of the scarce resources.

3. I would request you to kindly work out a specific plan of action for utilisation of the resources and the expenditure met out of Plan resources may be strictly monitored against that plan of action. Wherever utilisation of Plan resources involves preparatory exercise, like tendering, negotiations etc., these may be expedited. We may be kept informed of the initiatives taken by your Ministry for timely utilisation of Plan resources.

Yours sincerely,
Sd/-
Vijay L. Kelkar

Secretaries of various
Ministries/Departments.

Copy forwarded to FA concerned.

Sd/-
J.S. Mathur
Addl. Secretary (Budget).

APPENDIX

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE THIRD REPORT OF THE STANDING COMMITTEE ON FINANCE (TWELFTH LOK SABHA) ON THE DEMANDS FOR GRANTS (1998-99) OF THE MINISTRY OF FINANCE (DEPARTMENTS OF ECONOMIC AFFAIRS & EXPENDITURE)

		Total	%of Total
I.	Total number of recommendations	14	
II.	Recommendations/Observations that have been accepted by the Government. (*Vide* Rec. at Sl. Nos. 2, 6, 7 and 8)	1	7.1
III.	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's reply. (*Vide* Rec. at Sl. Nos. 1, 4, 5, 9, 10 and 11)	5	35.7
IV.	Recommendations/Observations in respect of which the Government's replies have not been accepted by the Committee. (*Vide* Rec. at Sl. Nos. 3, 12, 13 and 14)	4	28.5
V.	Recommendation/Observation in respect of which final reply of the Government is still awaited. (NIL)	4	28.5