

ESTIMATES COMMITTEE

1959 - 60

NINETY-FIFTH REPORT

(SECOND LOK SABHA)

MINISTRY OF FINANCE

The Rehabilitation Finance Administration

(REPORTS AND ACCOUNTS)



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1960/Vaisakha, 1882 (Saka)

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ESTIMATES COMMITTEE

1959 - 60

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* Elected w.e.f. 19th December, 1959 *vice* Shri Mathuradas Mathur resigned.

INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Ninety-fifth Report on the Ministry of Finance – Rehabilitation Finance Administration (Reports and Accounts).

2. The report is based on a general study of the published Annual Reports and Accounts of the Rehabilitation Finance Administration for the year ending 31st December, 1958 by the Sub-Committee on Public Undertakings. The Report was approved by the Sub-Committee on the 20th April, 1960 and by the main Committee on the 22nd April, 1960.

3. The Committee wish to thank Shri S. Prakash Chopra, Chartered Accountant (Honorary Adviser, Management Accounting, Department of Company Law Administration) for giving evidence and making valuable suggestions to the Committee.

NEW DELHI;
The 27th April, 1960
Vaisakha 7, 1882(S)

H. C. DASAPPA,
Chairman,
Estimates Committee.

A. Background

1. The Rehabilitation Finance Administration was set up on the 1st June, 1948 by an Act of Dominion Legislature called the Rehabilitation Finance Administration Act, 1948 for giving financial assistance on reasonable terms to displaced persons to enable them to settle in business and industry.

B. Business of the Administration

2. Under Section 12 of the Act, the Administration may :

- (i) advance loans, and
- (ii) guarantee losses which a scheduled bank may suffer in respect of any loan advanced by it and approved by the Administration.

C. Funds

3. The finances of the Administration are provided by the Central Government by way of loans subject to the limits prescribed in Section 11 of the Act. The limits operative at present are:—

Rs. 12.50 crores for advances

Rs. 2 crores for guarantees.

The loans carry interest at 3%. The amount borrowed by the Administration and due to the Government as on 31st December, 1958 was Rs. 9.22 crores (including unpaid interest of Rs. 1.89 crores).

D. Results and Trends of Operations

4. The following statement gives the particulars

regarding the results and trends of operations :-

Particulars	Y E A R S				
	1954	1955	1956	1957	1958
(Figures in lakhs of Rupees)					
1. (i) Loans sanctioned	156.00	67.36	27.08	26.88	22.11
(ii) Loans disbursed	185.00	84.00	38.00	25.68	19.17
(iii) Loans cancelled	60.00	83.48	51.59	-	-
		(379.77 total upto the year)			
(iv) Loans recalled	-	42.15(P)	67.07(P)	255.00(P)	289.00(P)
	-	6.56(I)	14.27(I)	53.00(I)	62.00(I)
				(Total upto the year)	(Total upto the end of the year).
2. Recoveries made on account of :-					
(a) Principal	12.00(P)†	11.30(P)	42.28(P)	96.86(P)	109.97(P)
(b) Interest	13.62(I)†	14.46(I)	18.20(I)	35.01(I)	36.14(I)
Total :	25.62	25.76	60.48	131.87	146.11
3. Gross Income :-					
(i) Interest from Loans	37.98	40.64	42.63	39.31	35.41
(ii) Other sources	.37	.11	.07	.07	.06
Total:	38.35	40.75	42.70	39.38	35.47
4. Profit/Loss :-					
(a) Without providing for interest payable to Government	(-) 7.56	(-) 5.20	(+) 27.43	(+) 22.09	(+) 22.93
(b) After providing for interest payable to Government	(-) 33.06	(-) 33.69	(-) 2.57	(-) 3.76	(+) .77
5. Expenses :-					
(a) Admn. expenses in- cluding rebate on interest	19.12	18.92	15.27	13.91	12.23
(i) Percentage to Gross Income	50%	46%	35%	36%	34%
* (b) Establishment expen- ses	16.22	14.96	12.57	10.70	9.79
(c) Provision for audit fee	.10	.10	.10	.79	.22
(d) Provision for bad debts	26.79	27.03	-	3.38	.32
(e) Writes off	.01	.01	.05	.02	-

† P. Principal
I. Interest.

* Establishment expenses include Salary and T.A.

(Figures in lakhs of Rupees)

Particulars	Y F A R S				
	1954	1955	1956	1957	1958
6. Total Loans sanctioned upto the end of year	1522.00	1589.64	1616.67	1643.55	1665.66
7. Total loans disbursed	926.00	1010.00	1048.00	1073.48	1092.65

5. It will be seen from the above statement that as against the loans amounting to Rs. 156 lakhs sanctioned in 1954 the corresponding figures for the years 1955, 1956, 1957 and 1958 were Rs. 67 lakhs, Rs. 27 lakhs, Rs. 27 lakhs and Rs. 22 lakhs respectively *i.e.* 43%, 17%, 17%, and 14% respectively of the former. In its Annual Report for 1957, the Administration had stated that practically all the applications for loans had been disposed of and that although application lists for certain categories of displaced persons from East Pakistan were still open, fresh receipts were small. However, from the half-yearly Report ending December, 1958, it is noticed that the number of applications left to be dealt with by the R.F.A. at the end of year 1958 was 1011. It was explained that the large number of applications were outstanding due mainly to the following reasons:—

Loans sanctioned and disbursed.

- (i) Certain number of applications were under enquiry by the Government of Assam.
- (ii) Certain number of applications were pending with the Director of Industries, West Bengal.
- (iii) Applicants having shifted residence or asked for postponement of enquiry.

As a result of special measures adopted by the Administration, the number of applications was reduced to 500 by 31.12.59.

Necessity for expeditious disposal of pending applications.

6. *The Committee feel that for an organisation like the Rehabilitation Finance Administration which deals with displaced persons who are in urgent need of rehabilitation, it is very necessary that applications for loans should be dealt with expeditiously. They urge that steps should be taken to dispose of the remaining applications very early.*

Disbursements far short of sanctioned amount of loans.

7. Another important feature of the lending operations is that during the years 1954, 1955 and 1956 the amount of loans disbursed was more than the amounts sanctioned during the year. This evidently is due to the fact that certain disbursements were also made against the sanctions accorded in previous years. Against the total loans sanctioned upto the end of 1958 amounting to Rs. 1665.66 lakhs, loans amounting to Rs. 1092.65 lakhs only had been disbursed within that period. As the loans sanctioned during the years 1957 and 1958 amounted only to Rs. 49 lakhs, it would seem that large amounts of loans sanctioned in the early years were still undisbursed. It is also observed from the half-yearly reports that out of the loans worth Rs. 12.76 and Rs. 9.36 lakhs sanctioned during the half years ending 30.6.58 and 31.12.58 no disbursements were made during the respective periods. The difference in the amount of loans sanctioned and disbursed is due to (i) time lag in their disbursement and (ii) cancellation of sanctioned loans. In this connection it may be mentioned that the delay in disbursing loans had also been adversely commented upon by the Public Accounts Committee in their fifteenth report (1st Lok Sabha).

Reasons for time lag between sanction and disbursement of loans.

8. It was stated that the time lag between sanction and disbursement of loans was due to the following factors:

- (i) Non-availability of suitable business premises.

- (ii) The inability of the applicants to find acceptable guarantors.
- (iii) The applicant has to complete certain essential formalities and execute documents before he can draw the money; these legal formalities generally take time.
- (iv) Delays and difficulties are very often experienced by borrowers in securing power connection, quota of raw materials etc. necessary for their industries.
- (v) Sometimes the applicants ask for a change in some of the conditions of the sanction, for instance, a change in the business or industry for which the loan was asked for, in the locality where it is to be carried on or in the constitution of the firm.
- (vi) In a fairly large number of cases, enquiries have shown that the parties are either not traceable or they are no longer interested in availing of the loans.

9. *The Committee consider that the difficulties enumerated at (i), (ii) and (iv) above should have been looked into and resolved before sanctioning the loans and not considered at the time of disbursing them. They are surprised that there should be a large number of cases where the parties are not traceable or are no longer interested in availing of the loans. It suggests that either the loans were sanctioned without proper scrutiny or unduly long time was taken in sanctioning loans.*

10. Sanctioned loans are cancelled in those cases where either it had not been possible to contact the applicants in spite of every effort on the part of the Administration or the applicants have intimated their intention not to utilize the loans or they are not in a position to comply with one or more of

Loans cancelled.

the essential conditions subject to which the loans were originally sanctioned. It is noticed that against the total amount of loans sanctioned upto the year 1956 (Rs. 1,617 lakhs), the loans cancelled till then (for which figures are available) amounted to Rs. 380 lakhs *i.e.* about 24% of the former. The percentage of cancelled loans to those sanctioned by the Industrial Finance Corporation was 16% only at the end of 1957-58. In this connection it is significant to note that the amounts of cancelled loans during the years 1955 and 1956, even exceeded the amount of loans sanctioned during those years. It was stated that the cancellation of sanctions was to a certain extent inherent in the work of the Rehabilitation Finance Administration because it was dealing with displaced persons who had not much to offer as security against the loans and were, therefore, unable to fulfil the terms and conditions of sanction, such as an acceptable guarantor, securing business premises for the business/industry, trade licence for the business industry, quota of raw material etc.

Loans Re-
called

11. Loans are recalled in cases where there is evidence of *malafides* on the part of the borrower or for one reason or another his business has gone so hopelessly bad that there is no reasonable chance of its recovery. The figure of recalled loans on 31.12.58 stood at Rs. 351 lakhs (*i.e.* 289 lakhs on account of principal plus Rs. 62 lakhs on account of interest) which comes to 32% of the total loans disbursed upto that year. It was explained that the Administration was entrusted with an unprecedented type of business and had to deal with displaced persons who were in need of financial assistance but were not able to offer adequate security. In the case of loans advanced to displaced persons from West Pakistan who had compensation claims there was unwillingness on their part to repay in cash and in the

initial stages such loans, though covered by compensation, were recalled to enforce recovery. Further, many Rehabilitation Finance Administration loanees were not in a position to adhere to the terms and conditions of agreement in regard to repayment of loans due to among others, the following reasons:-

- (i) Lack of sufficient scope of business in the new colonies under development where the loans had been advanced.
- (ii) Competition with established concerns.

Loans had to be recalled in such cases.

12. The Committee note that the total provision for bad and doubtful debts stood at Rs. 92.58 lakhs on 31.12.58. It is about 11% of the amount of loans disbursed. However, considering the magnitude of overdue loans which amounted to Rs. 515 lakhs on 31.12.58, it is doubtful whether the bad debt reserve would prove adequate. The authorities of the Rehabilitation Finance Administration are unable to forecast whether the amount would be sufficient to meet the situation. The Committee further feel that the amount of bad and doubtful debts is also a measure of the success of a financial institution.

Provision for Bad Debts.

13. In this connection it is noteworthy that out of 81355 applications received upto the end of 1958, loans were advanced in 15223 cases only i.e. about 19% of the total applicants. If the figures of recalled loans and loans which have become doubtful are also taken into account, then the percentage of applicants who ultimately availed of these loans would be much less.

14. The Rehabilitation Finance Administration Act 1948 authorised the Administration to borrow money from

Achievements of the Rehabilitation Finance Administration.

Government for making direct advances to displaced persons upto a maximum of Rs. 7 crores. In 1953 this limit was raised to Rs. 12.5 crores and the Administration was also enabled to make advances out of the recoveries of principal effected by it. It is thus evident that the Rehabilitation Finance Administration was intended to advance loans to displaced persons far in excess of Rs. 12.5 crores. It is, however, noticed that the loans actually disbursed by Rehabilitation Finance Administration upto the year 1958 did not exceed even Rs. 11 crores. The maximum amount of advances drawn from Government was Rs. 10.10 crores in 1956, which came down to Rs. 8.47 crores in 1957 and Rs. 7.33 crores in 1958. Further the amount of Rs. 2 crores which was provided in the Act for guarantee against losses suffered by scheduled banks on loans given to displaced persons has not been used at all so far.

15. *Considering the above facts, it would appear that the extent of operations of the Rehabilitation Finance Administration fell very much short of original expectations.*

Profit/Loss.

16. The Administration had been incurring losses year after year upto 1957. During the year 1957, the amount of net loss was Rs. 3.76 lakhs which was higher by about Rs. 1.2 lakhs over that in the preceding year. In the year 1958, however, a net profit of Rs. 77,000 has been shown in the Accounts. In this connection, it is significant to note that the provision for bad debts and audit fees which was Rs. 3.38 lakhs and Rs. 79,000 respectively during 1957, has been reduced to Rs. 32,000 and Rs. 22,000 respectively during 1958. Further it would also appear that though a gross profit (without taking into account interest) of about Rs. 27.43 lakhs and Rs. 22 lakhs accrued during the years 1956 and 1957 respectively, these figures are not comparable to those in the preceding two

years since no provision for bad debts was made during the year 1956 and a very meagre amount was provided for in 1957.

17. In this connection, it should be noted that the Rehabilitation Finance Administration does not have any share capital and the amount of loss incurred by it upto December 1958 *viz.* Rs. 167.49 lakhs is less than the amount of interest due to Government on the loans given to the Administration for its business which is Rs. 188.82 lakhs.

18. Further it is also observed that the rate of interest charged by the Rehabilitation Finance Administration from the borrowers which was 6% per annum (with a rebate of 1% in the event of payment being made on or before due dates) was reduced from 1st April, 1954 as under:—

- “(i) On the loans upto and including Rs. 20,000/- the interest will be charged at $4\frac{1}{4}\%$ for the first five years and 5% afterwards with a rebate of 1% in both cases if and so long as there is no default in payment of interest and/or capital.
- (ii) Loans for amounts exceeding Rs. 20,000/- will bear interest at $5\frac{1}{2}\%$ with a rebate of 1% if and so long as there is no default in payment of interest and/or capital”.

Thus, after allowing rebate, the margin of interest left to the Rehabilitation Finance Administration between its borrowing and lending rates is $\frac{1}{2}$ to $1\frac{1}{2}\%$. The reasons for reducing the rate of interest were not indicated. It was, however, stated that this margin was inadequate to meet provision for bad and doubtful debts and interest payable to Government in addition to the cost of administration. The rate of interest charged by the Industrial Finance Corporation on the loans granted by it was 7% during 1957-58 with a rebate of $\frac{1}{2}\%$ for payment of interest and repayment of instalment of principal on due dates.

The Committee hope that reduction in the rate of interest with effect from 1st April, 1954 will result in better realisation.

Expenses.

19. The administration and establishment expenses of the Rehabilitation Finance Administration have decreased gradually from year to year. The former have gone down to Rs. 12 lakhs in 1958, compared to Rs. 19 lakhs in 1954 while the latter decreased from Rs. 16.22 lakhs in 1954 to Rs. 9.79 lakhs in 1958. Even so, the expenditure on establishment was high. It was stated by the Rehabilitation Finance Administration that reduction in these charges would depend on the progress of adjustments of compensation claims by the Settlement Organisation of the Ministry of Rehabilitation. *While the Committee appreciate that the slow progress in the settlement of compensation claims of displaced persons might have necessitated the maintenance of some extra staff for watching recovery of loans, they doubt whether it is necessary for the Administration to have such a large staff involving an annual expenditure of over Rs. 9 lakhs per annum for handling the limited volume of transactions which is now with the Administration. They feel that there is scope for reduction in the establishment expenses which may be effected without delay.*

E. Financial Position

20. The financial position of the Rehabilitation Finance Administration on the 31st March of the last five years is given below:—

Particulars	1954	1955	1956	1957	1958
(Figures in lakhs of rupees)					
1. Liabilities:					
(a) Amount of dues to Government					
(i) Principal	925.00	980.00	1010.00	846.69	732.79
(ii) Interest	82.32	110.80	140.80	166.66	188.82
Total:	1007.32	1090.80	1150.80	1013.35	921.61

Particulars	1954	1955	1956	1957	1958
(Figures in lakhs of rupees)					
(b) Total provision for bad and doubtful debts	61.85	88.88	88.88	92.26	92.58
2. Assets :					
(a) Total Loans to Borrowers					
(i) Principal including overdues	837.78	910.49	905.74	834.55	743.76
(ii) Interest including overdues	77.08	103.25	127.68	131.98	131.26
Total:	914.86	1013.74	1033.42	966.53	875.02
(b) Total amount of overdue loans at the end of the year					
(i) Principal	108.97	262.05	356.48	374.71	403.25
(ii) Interest	37.85	69.70	94.99	106.18	112.06
Total:	146.82	331.75	451.47	480.89	515.31
(c) Classification of loans					
(i) Secured and good	-	-	615.00	517.49	430.66
Percentage to the total	-	-	60%	53%	49%
(ii) Secured by the personal security of Debtors etc. and considered good.	-	-	334.28	356.78	351.78
Percentage to the total	-	-	32%	37%	40%
(iii) Doubtful	-	-	84.14	92.26	92.58
Percentage to the total	-	-	8%	10%	11%
Total:	-	-	1033.42	966.53	875.02
(d) Cash in hand and with banks	29.46	8.68	8.42	10.41	10.69
(e) Dead Stock	1.07	1.05	.88	.77	.69
(f) Overall Losses	128.24	161.93	164.50	168.26	167.49

Overdue
Loans.

21. From the table given above, it would be observed that the amount of overdue loans on account of principal and interest has increased from year to year, i.e., from Rs. 147 lakhs in 1954 to Rs. 515 lakhs in 1958, an increase of Rs. 368 lakhs over the period of four years. The percentage of overdue loans to the entire loans went up from 13% in 1954 to 59% in the year 1958, thus registering an increase of about 250% over the figure for 1954. Similarly, the overdues on account of interest which stood at 49% of total amount on this account in 1954, accounted for 85% of the total outstandings of interest in 1958. In spite of the adjustments made on account of compensation of the order of Rs. 38 lakhs, Rs. 105 lakhs and Rs. 112 lakhs in 1956, 1957 and 1958 respectively, the position has not shown any signs of improvement.* The recoveries from the recalled loans amounting to Rs. 3 crores which were referred to the Collectors upto 1957 for enforcement do not seem to have been appreciable. *The Committee very much doubt whether all the overdue loans amounting to Rs. 515 lakhs would ultimately prove recoverable.*

* At the time of factual verification it was stated that under-noted factors had contributed to increase in overdues:-

- (i) Further instalments have fallen due in respect of loans which are covered by compensation claims payable by the Ministry of Rehabilitation. Loanees deliberately avoid cash payments to get the dues adjusted against compensation claims. Settlement of such claims is awaited.
- (ii) In some accounts substantial credits have been received by the Rehabilitation Finance Administration through compensation claims. But adjustments were pending for want of certain particulars etc.
- (iii) In the case of recalled loans entire amount of such loans is shown as overdues though they were to run for a period of 15 years.

In a large number of cases references have been made to the Collectors for recovery of dues as arrears of land revenues.

22. Further, the break-up of these overdue loans, with regard to the period of their becoming due, is not available either in the annual accounts or in the Reports of the Administration nor could these be obtained from the authorities of the Rehabilitation Finance Administration which stated that such classification of loans at this stage would involve incommensurate labour. *The Committee feel that such a classification is necessary for such an institution and should be given in the annual Reports.*

23. As will be seen from the figures given under this heading, the losses of the Administration have consistently increased from year to year, except during 1958 and stand at a total figure of Rs. 167.49 lakhs at the end of the year 1958. These losses which include the interest payable to Government are about 15 per cent of the total loans advanced by the Administration. *Considering the magnitude of overdue loans referred to at para 21, the Committee apprehend as stated earlier that the provision for bad debts might prove inadequate to cover the actual liability on that account and the actual overall losses of the Rehabilitation Finance Administration might turn out to be much greater than the figures shown in the accounts.*

Overall
Losses.

F. Annual Report and Accounts

24. The Annual Reports of the Administration are not comprehensive and uniform in the presentation of details regarding its working e.g., the half-yearly Reports on the working of the Administration which are presented to the House, were attached as Appendices to the Annual Reports up to the year 1956, but were not enclosed to the Reports for the

years 1957 and 1958. Further, the reports also do not indicate how far the purpose for which the Administration was set up, viz., to enable the displaced persons to settle in business and industry has been fulfilled as the figures of the businesses and industries which have proved successful, are not furnished. It would be advantageous if a broad analysis containing the classification of loans according to trade and industry, together with an indication of their proving successful or otherwise, could be appended to the Annual Reports. It was stated by the Administration that classification of loans according to trade and industry with indication of their proving successful or otherwise was not feasible because there were practical difficulties in compiling any reliable information at this stage as the position of a large number of accounts which had already been adjusted and finally closed or covered by compensation or referred to the Collectors for recovery was not known. *The Committee do not think that the difficulties in classifying the loans according to trade and industry are insuperable. They suggest that an attempt should be made to that end.*

25. *Further the Annual and Half-yearly Reports of the Administration do not bring out the extent of sanctioned loans which remain undisbursed at the end of the year and the period to which the sanctions relate. Such information, if furnished, would be valuable in determining the operational efficiency of the Administration.*

26. There is no provision for the laying of the Annual Reports of the Administration on the Table of the House. Half-yearly Reports of the Administration are, however, laid on the Table. In terms of Section 16 of the Act, the annual accounts are, however, laid on the Table along with the Civil Appropriation Accounts and Audit Report thereon.

The latest accounts which were presented to the House in December, 1958 pertained to the year 1956. The accounts for the years 1957 and 1958 have not yet been laid on the Table. *There is thus considerable time lag in the laying of the annual accounts of the Administration on the Table of the House.**

G. Conclusion

27. The main activity of the Rehabilitation Finance Administration, *viz.*, lending money to displaced person, has naturally recorded a sharp decline during the last 3 years, *i.e.*, 1956, 1957 and 1958. The list from the Eastern Zone is still open but the receipt of fresh applications from that zone has also dwindled. *The Committee are of the opinion that since in future the Administration will mainly be occupied with the servicing and recovery of loans for which it takes help from the Collectors as well as Settlement Commissioners, Government should consider whether the continued existence of such a big organisation is necessary.*

NEW DELHI,
The 27th April, 1960.
Vaisakha 7, 1882(S).

H. C. DASAPPA,
Chairman,
Estimates Committee.

* At the time of factual verification it was stated that 'under Section 16 of Rehabilitation Finance Administration Act and Regulation 60 of the Rehabilitation Finance Administration General Regulations the procedure followed by the Rehabilitation Finance Administration is to submit accounts of Rehabilitation Finance Administration, to Government before the end of April. The responsibility for audit is that of the Comptroller & Auditor General of India and, therefore, the time lag in laying the audited accounts on the Table of the House is not due to any delay on the part of the Administration'.

APPENDIX

Summary of Recommendations/Conclusions

Sl. No.	Reference to Para No. of the Report.	Summary of recommendations/conclusions
1	2	3
1	6	The Committee feel that for an organisation like the Rehabilitation Finance Administration which deals with displaced persons who are in urgent need of rehabilitation, it is very necessary that applications for loans should be dealt with expeditiously. They urge that steps should be taken to dispose of the remaining applications very early.
2	9	The Committee consider that the difficulties enumerated at (i), (ii) and (iv) under para 8 of the Report should have been foreseen and resolved before sanctioning the loans rather than at the time of disbursing them. They are surprised that there should be a large number of cases where the parties are not traceable or are no longer interested in availing of the loans. It suggests that either the loans were sanctioned without proper scrutiny or unduly long time was taken in sanctioning loans.
3	12	The total provision for bad and doubtful debts which stood at Rs. 92.58 lakhs on 31.12.58 is about 11% of the amount of loans disbursed. Considering the magnitude of overdue loans which amounted to Rs. 515 lakhs on 31.12.58, it is doubtful whether the bad debt reserve would prove adequate to cover the actual arisings on account of

1	2	3
		bad debt. The Committee further feel that the amount of bad and doubtful debts is also a measure of the success of a financial institution.
4	13-15	Considering the number of applicants to whom loans were sanctioned, the amount of loans cancelled, the amount of loans disbursed, the amount of loans recalled and the amount of bad and doubtful debt, it would appear that the extent of operations of the Rehabilitation Finance Administration fell very much short of original expectations.
5	18	The Committee hope that reduction in the rate of interest with effect from 1.4.54 will result in better realisation.
6	19	While the Committee appreciate that the slow progress in the settlement of compensation claims of Displaced Persons might have necessitated the maintenance of some extra staff for watching recovery of loans, they doubt whether it is necessary for the administration to have such a large staff involving an annual expenditure of over Rs. 9 lakhs per annum for handling the limited volume of transactions which is now with the administration. They feel that there is scope for reduction in the establishment expenses which may be effected without delay.
7	21	The Committee very much doubt whether all the overdue loans amounting to Rs. 515 lakhs would ultimately prove recoverable.
8 •	22	The Committee feel that the classification of overdue loans, with regard to the period of their becoming due is necessary for such an institution

1

2

3

and should be given in the annual Reports.

- 9 23 Considering the magnitude of overdue loans referred to at para 21, the Committee apprehend as stated earlier that the provision for bad debts might prove inadequate to cover the actual liability on that account and the actual overall losses of the Rehabilitation Finance Administration might turn out to be much greater than the figures shown in the accounts.
- 10 24 The Committee do not think that the difficulties in classifying the loans according to trade and industry are insuperable. They suggest that an attempt should be made to that end.
- 11 25 Further the Annual and Half-yearly Reports of the Administration do not bring out the extent of sanctioned loans which remain undisbursed at the end of the year and the period to which the sanctions relate. Such information, if furnished, would be valuable in determining the operational efficiency of the Administration.
- 12 26 The accounts for the year 1957 and 1958 have not yet been laid on the Table. There is thus considerable time lag in the laying of the annual accounts of the Administration on the Table of the House.
- 13 27 The Committee are of the opinion that since in future the Administration will mainly be occupied with the servicing and recovery of loans for which it takes help from the Collectors as well as Settlement Commissioners, Government should consider whether the continued existence of such a big organisation is necessary.
-