16

STANDING COMMITTEE ON FINANCE (2004-2005)

FOURTEENTH LOK SABHA

MINISTRY OF FINANCE (DEPARTMENTS OF ECONOMIC AFFAIRS, EXPENDITURE AND DISINVESTMENT)

DEMANDS FOR GRANTS (2005-2006)

SIXTEENTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

April, 2005/*Chaitra*, 1927 (*Saka*)

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CONTENTS

COMPOSITION OF STANDING COMMITTEE ON FINANCE—2004-2005

Maj. Gen. (Retd.) B.C. Khanduri — *Chairman*

MEMBERS

Lok Sabha

2. Shri Jaswant Singh Bishnoi
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22. Shri Murli Deora
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24. Shri Jairam Ramesh
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27. Shri Chittabrata Mazumdar
28. Shri S.P.M. Syed Khan
29. Shri Amar Singh
30. Shri C. Ramachandraiah
31. Shri Mangani Lal Mandal

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3. Shri R.K. Jain	—	*Deputy Secretary*
4. Shri T.G. Chandrashekhar	—	*Under Secretary*

INTRODUCTION

I, the Chairman, Standing Committee on Finance, having been authorised by the Committee to submit the Report on their behalf, present this Sixteenth Report on Demands for Grants (2005-2006) of the Ministry of Finance (Departments of Economic Affairs, Expenditure and Disinvestment).

2. The Demands for Grants of the Ministry of Finance were laid on the Table of the House on 21 March, 2005. Under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, the Standing Committee on Finance are required to consider the Demands for Grants of the Ministries/Departments under its jurisdiction and make Reports on the same to both the Houses of Parliament.

3. The Committee took oral evidence of the representatives of the Ministry of Finance (Departments of Economic Affairs, Expenditure and Disinvestment) at their sitting held on 1 April, 2005 in connection with examination of the Demands for Grants (2005-2006) of the Ministry.

4. The Members at the sitting held on 07 April, 2005 expressed their views on the subjects/topics that could be covered in the Report. The Committee considered and adopted the draft Report at their sitting held on 11 April, 2005.

5. The Committee wish to express their thanks to the officers of the Ministry of Finance (Departments of Economic Affairs, Expenditure and Disinvestment) for the co-operation extended by them in furnishing written replies and for placing their considered views and perceptions before the Committee.

6. For facility of reference, the observations/recommendations of the Committee have been printed in thick type.

NEW DELHI;
19 *April*, 2005
29 *Chaitra*, 1927 *(Saka)*

MAJ. GEN. (RETD.) B.C. KHANDURI,
Chairman,
Standing Committee on Finance.

INTRODUCTORY

The Ministry of Finance is responsible for the administration of the finances of the Central Government. It is concerned with all economic and financial matters affecting the country as a whole, including mobilisation of resources for development. It regulates the expenditure of the Central Government, including the transfer of resources of States. The Ministry comprises four Departments namely:—

(i) Department of Economic Affairs;

(ii) Department of Expenditure;

(iii) Department of Revenue; and

(iv) Department of Disinvestment.

2. The Departments of Economic Affairs and Expenditure are the nodal Department of following divisions:—

(i) Economic Division

(ii) Banking Division & Insurance Division

(iii) Budget Division

(iv) PSE Division

(v) Capital Markets, Pension Reforms and External Commercial Borrowing Division

(vi) Currency and Coinage Division

(vii) Fund Bank Division

(viii) Foreign Trade Division

(ix) Aid Accounts and Audit Division

(x) Administration Division

(xi) Bilateral Cooperation Division

(xii) Project Management Unit

(xiii) Integrated Finance Division

(xiv) Establishment Division

(xv) Plan Finance I

(xvi) Plan Finance II

(xvii) Finance Commission Division

(xviii) Staff Inspection Unit

(xix) Cost Accounts Branch

(xx) Controller General of Accounts and Central Pension Accounting Office

3. The overall Demands for Grants pertaining to the Department of Economic Affairs and its various divisions, Department of Expenditure and Department of Disinvestment are as follows:

(In crores of Rupees)

		Plan	Non plan
Demand No. 32	Department of Economic Affairs	2926.62	248.91
Demand No. 33	Currency, Coinage and Stamps	—	1425.88
Demand No. 34	Payments to Financial Institutions	25.81	4060.69
Demand No. 35	Appropriation—Interest Payments	—	137444.86
Demand No. 36	Transfers to State and Union Territory Governments	26500.33	30419.41
Demand No. 37	Loans to Government Servants etc.	—	475.00
Demand No. 38	Appropriation—Repayment of Debt	—	601477.12
Demand No. 39	Department of Expenditure	0.50	27.32
Demand No. 40	Pensions	—	5925.00
Demand No. 41	Indian Audit and Accounts Department	—	1214.52
Demand No. 45	Department of Disinvestment	—	6.70

4. The detailed Demands for Grants of the Departments of Economic Affairs, Expenditure and Disinvestment were laid in Parliament on 21st March, 2005

5. In the present Report, the Committee have examined following issues:—

(i) Insurance Regulatory and Development Authority—other charges

(ii) Secretariat-Professional Services

(iii) Professional Services

(iv) Non performing Assets of the Banking Sector

(v) Debts Recovery Tribunals

(vi) Advances to Agriculture and Weaker Sections

(vii) Credit Deposit Ratio of Scheduled Commercial Banks

(viii) Implementation of Twelfth Finance Commission Recommendations and FRBM Act

(ix) Disinvestment Policy

(x) National Investment Fund

DEPARTMENT OF ECONOMIC AFFAIRS

Demand No. 32
Department of Economic Affairs
Major Head: 2070
Minor Head: 00.800
Detailed Head: 24.00.50
Insurance Regulatory and Development Authority—Other Charges

6. According to Section 16 of Insurance Regulatory and Development Authority Act, 1999, there shall be constituted a fund to be called Insurance Regulatory & Development Authority Fund for receipt of all Government Grants, Fees and Charges received by the Authority to meet its regular and developmental expenditure. The Head is meant for release of Government Grants into Insurance Regulatory and Development Authority Fund.

7. The Budgetary allocations and actual expenditure incurred under this Head during the last four years is as follows:

(Non plan)

Year	Budget Estimates	Revised Estimates	Actuals
2002-2003	2,84,00,000	1,00,000	—
2003-2004	1,00,000	1,00,000	25,53,000
2004-2005	1,00,000	—	—
2005-2006	1,00,000	—	—

8. The details of expenditure on Insurance Regulatory and Development Authority during the last five years as furnished by the Ministry is as below:

"Year	Expenditure
1999-2000	Rs. 87,52,000
2000-2001	Rs. 1,56,09,000
2001-2002	Nil
2002-2003	Nil
2003-2004	Nil

9. When asked about the reasons for drastic reduction in allocations at RE stage and no actual expenditure incurred in the year 2002-03, the Ministry replied as under:

> "A provision of Rs. 2.84 crores was made under this Head for BE 2002-03. However, the Authority started receiving fees and a percentage of premium income of insurance companies which were retained by the Authority for meeting its expenditure. Since the Authority decided not to meet its expenditure out of the budget allocation for 2002-03, the same was reduced to Rs. 1 lakh at RE stage."

10. Again furnishing reasons for manifold increase in actual expenditure in 2003-04, as against provisions at both BE and RE stage and no actual expenditure in 2004-05, the Ministry stated as under:

> "There are differences of opinion between the Government of India and the IRDA on location of the IRDA Fund. While the Government of India is of opinion that the Fund should be placed in the Public Account of India, the IRDA feels that the Fund should be retained by them in Bank Accounts of the Authority. The Government had examined the matter in consultation with the Budget Division and Ministry of Law. Based on their advice, this Department had been requesting the IRDA to transfer all its receipts into a fund to be maintained in the Public Account. However, the IRDA have not taken any action in the matter. Accordingly, token provision of Rs. 100,000/- has been made in BE 2004-05 and 2005-06 to keep the Head alive."

11. During the examination of Demands for Grants (2003-04), the Committee had recommended on this issue as under:

> "The Committee are informed that as per the advice given by the Ministry of Law, the Government had initially maintained that the funds received by the IRDA would be kept in the Public Account of India and IRDA would draw amounts under the IRDA Act, 1999 to discharge its functions. But the Authority, backed by legal opinion, desired to retain the money collected by it and therefore the Government has referred back this issue to the Law Ministry for reconsideration.
>
> The Committee are given to understand that a similar decision has already been taken in the case of SEBI. They, therefore, desire that in order to maintain uniformity in respect of all the regulators

it is necessary that the funds are deposited in the Public Account. At the same time it is also essential that the regulatory bodies are made accountable and are allowed to function in an unbridled manner. In order to ensure this, financial accounts need to be audited at frequent intervals."

12. When asked about the final decision taken by the Government in this regard, the Ministry submitted following reply:

"Government has opened the relevant head under Public Account as under:

Minor Head '122—Insurance Regulatory and Development Fund'
Major Head '8235—General and Other Reserve Fund'

After opening of the relevant heads, IRDA has again been requested to transfer money lying with IRDA to the relevant Head under Public Account. The issue of uniformity in respect of depositing funds of all the regulators in the public Account is under consideration of the Government.'

13. The Committee observe that under the head IRDA-other charges, there has been no expenditure since 2003-04. They find that since 2002-03, the Authority started retaining fees and a percentage of premium income of insurance companies and incurred expenditure out of this. They also note that there is difference of opinion on location of the IRDA Fund between the Government of India and the IRDA. The Government of India has finally created a relevant head under the Public Account of India and the IRDA has been asked to transfer the money into this.

14. The Committee feel constrained to state that this issue is still alive when the Ministry of Law also has furnished its opinion in the matter. Therefore, the Committee strongly recommend that the fund should be immediately placed in the Public Account of India and IRDA should draw amounts to discharge its functions from this fund. They would like to be informed of the action taken in this regard within a period of three months.

DEPARTMENT OF EXPENDITURE

Demand No. 39
Department of Expenditure
Major Head: 2052
Minor Head: 00.090
Detailed Head: 10.00.28

2. Secretariat-Professional Services

15. This head is meant for meeting the expenditure for legal services, Consultancy fees, remunerations to the examiners, invigilators etc. for conducting internal department examinations.

16. The allocations for this head along with actual expenditures, during the period 2002-03 to 2005-06 is as follows:

(in thousands of rupees)

Year	Budget Estimates	Revised Estimate	Actuals
2002-2003	14,75,000	14,75,000	13,35,000
2003-2004	14,75,000	13,75,000	6,58,000
2004-2005	13,75,000	12,34,000	6,71,000
2005-2006	13,75,000	—	—

17. When asked about the reasons for shortfall in actual expenditure vis-a-vis revised estimates during the years 2002-03 and 2003-04, the Ministry replied as below:

"(a) In respect of year 2002-03, the actuals were less than the RE due to less receipt of bills than anticipated. However, it may be mentioned that savings is marginal (about 9%).

(b) In respect of year 2003-04, the savings was on account of non-utilization of funds by Controller General of Accounts (CGA). In collaboration with NIC, CGA got developed software to computerize all Pay and Accounts Offices of the Civil Ministries. The first trial version of the software covering six modules i.e. pre-check, Compilation, GPF, Pension, Budget, and masters was released by the NIC in

September, 2001. Thereafter, based on the feed back received from the various CCA's/CA's the software has been modified from time to time to take care of concerns of the users. Once the software stabilized it was envisaged that it would be implemented in all PAO's spanning all the civil Ministries from the year 2003-04 onwards. The implementation of the package involves professional technical support for PAO's as the software has been developed on the latest RDBMS SQL platform and requires technical assistance not only for its installation but also for day to day housekeeping and trouble shooting etc. Therefore, it was planned to hire a group of professional technical personnel through NICSI.

These personnel along-with the NIC development team would train officials in PAO's and provide day-to-day technical support to these offices.

However, the actual implementation was contingent upon procurement of necessary hardware/software by each Ministry/Department, site preparation in all PAO's numbering 318 all of which have taken longer than anticipated. All these factors resulted in funds not being utilized as per the budget provision during the financial year 2003-04."

18. The Committee observe that actual expenditure under this head has fallen short of revised estimates during the period 2002-03 to 2004-05. The reasons for shortfall, as explained by the Ministry in respect of the year 2002-03 was less receipt of bill than anticipated. In 2003-04, the expenditure was lower due to deferment of computerisation of all Pay and Accounts offices of the Civil Ministries since necessary hardware/software was not available with these Ministries.

19. The Committee do not accept this excuse for keeping budgetary allocations higher as the installation of necessary hardware/software should have been taken note of before going ahead with implementation of the proposed programme.

20. The Committee, therefore, recommend that the budgetary allocation should be made based on the actual requirements and available conditions to avoid savings of huge sums at the end. They would further like to be apprised of the details of expenditure incurred under this head during the year 2004-05.

Demand No. 45
Department of Disinvestment
Major Head: 3451
Minor Head: 00.90
Detailed Head: 52.01.28

3. Professional Services

Non-Plan (In thousands of Rs.)

Year	B.E.	R.E.	Actuals
2000-2001	50,00	20,00	7,92,60
2001-2002	50,00	6,02,00	6,00,94
2002-2003	23,38,00	31,38,00	27,97,94
2003-2004	25,00,00	35,00,00	41,58,32
2004-2005	51,90,50	46,70,08	—
2005-2006	5,00,00	—	—

21. The Committee wanted to know why huge amount of expenses are incurred under this head. The Ministry submitted their reply as below:

> "Under this head, the expenditure booked is on account of payment of professional fees to the Financial Advisors and Legal Advisors, the Asset Values and other Intermediary Advisers as accounting firms, Printers, Advertising firms, Stock Exchange Fees for using their Book-Building software in case of Public Issues, Securities and Exchange Board of India Fees, payment to Directorate of Advertising and Visual Publicity, payment to Government Advocates for handling various litigations, specialised agencies engaged for environmental due diligence etc.".

22. The Committee asked the Ministry whether expenses under this head have any direct link with the amount of sale proceed collections received from sale of PSUs, and if so to also state year-wise sale proceed collections received from sale of PSUs and the annual

yearly expenses under this head for the last 5 years. In their reply the Ministry stated as below:

"The payments to the Advisors, etc., is generally a percentage of the total amount realised by the Government through the sale of equity. A table showing the year-wise sale proceeds received from sale of PSUs and the yearly expenses under this head during the last 5 years is as shown below:

Year-wise annual expenditure under the head "Professional Expenses" and total sale proceeds from the sale of Govt. equity in PSUs.

(Rs. in crore)

Year	Annual expenditure under the head 'Professional Services'	Annual receipts from the sale proceeds of Govt. equity.
2000-01	7.93	1871
2001-02	6.00	5632
2002-03	27.98	3348
2003-04	41.58	15547
2004-05 (till Feb. 2005)	24.54	2765

The Ministry has furnished the actual expenditure incurred under this head upto 23.3.05 as Rs. 28,10,83,194/-.

23. When the Committee asked the Ministry the reasons for allocating Rs. 5,00,00,000 as Budget Estimate for 2005-2006 under this head, the Ministry Submitted their replay as below:

"Pending finalisation of the strategies for implementation of the disinvestment policy of the Government, the disinvestment programme for 2005-06 was not clear till Sept.-Oct., 2004, when the Budget Estimates for 2005-06 were being projected. Therefore, a token provision of Rs. 5 crore was only made."

24. The Committee note that the Ministry have allocated Rs. 25 crore at BE for 2003-04 which was revised to Rs. 35 crore at RE, and the actuals for the same year was Rs. 41.58 crore. Similarly, for

2004-05, Rs. 51.90 crore allocated at BE was revised to Rs. 46.70 crore and the actual expenditure by 23rd March, 2005 was Rs. 28.10 crore. Allocations for BE 2005-06 have been made for Rs. 5 crore which is much lower to the actuals of 2004-2005. They are not convinced by the reply of the Government that the disinvestment programme for 2005-06 was not finalised at the time of finalisation of Budget Estimates for 2005-06.

25. Going by the previous trend noticed in 2003-04 and 2004-05, the Committee are constrained to state that Government have taken the entire budgetary exercise very casually which is pronounced in wide fluctuations between BE, RE and Actuals. The Committee recommend the Government to project its budgetary allocations in a realistic way. At the same time they also recommend that the programme for disinvestment should be prepared well in advance so that realistic sum could be allocated for the purpose.

4. Non performing assets of the Banking Sector

26. The Economic Survey, 2004-05 states that there was a significant decline in the Non-Performing Assets (NPAs) of Scheduled Commercial Banks (SCBs) in 2003-04, despite adoption of 90 day delinquency norm from March 31, 2004. The gross NPAs of SCBs declined from 4.0 per cent of total assets in 2002-03 to 3.3 per cent in 2003-04. The corresponding decline in net NPAs was from 1.9 per cent to 1.2 per cent.

27. The recovery of NPAs including recoveries through compromise and write-off, made by the public sector banks during each of the last three years are as under:

(Rs. in crore)

Year	Amount recovered
1.4.2001 to 31.3.2002	14,059.2
1.4.2002 to 31.3.2003	18,730.1
1.4.2003 to 31.3.2004	20,704.6

28. In response to a query on top 10 defaulters to the banking industry, the Ministry furnished following reply:

> "The top 10 defaulting companies owe about Rs. 3900 crores to various banks. The names of defaulting companies and the amount they owe as appeared in the list of suit filed accounts of Rs. 1 crore and above as on March 31, 2004 published by Credit Information Bureau (India) Ltd. (CIBIL) is given as follows:

List of defaulters (Suit filed accounts) of Rs. 1 crore and above as on March 31, 2004—Top Ten Borrowers

Sl.No.	Name of Borrower	Outstanding Amount (in crores)
1	2	3
1.	Malvika Steel Limited	1037.59
2.	Mardia Chemicals Ltd	561.05

1	2	3
3.	Daewoo Motors India Limited	373.63
4.	Lloyds Steel Industries Limited	307.42
5.	Mardia Steels Limited	284.58
6.	Indian Charge Chrome Limited	284.20
7.	Shrishma Fine Chemical and Pharmaceuticals (K) Limited	275.43
8.	Altos India Limited	263.93
9.	JCT Electronics Limited	261.95
10.	Lloyd Steel Industries Limited	259.18
	Total	3908.96

29. When asked why the banks were still burdened with such huge amounts of NPAs despite enactment of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI) in this respect, the Ministry submitted following reply:

(i) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 has provided, *inter alia*, for enforcement of security interest for realization of dues without the intervention of courts or tribunals. The Government has also notified the Security Interest (Enforcement) Rules, 2002 to enable Secured Creditors to authorize their officials to enforce the securities and recover the dues from the borrowers. The said Act was enacted in December 2002. Recovery position under SARFAESI Act is as under:

(Rs. in crore)

SARFAESI Act	Notices issued	Amount involved	No. of Account settled	Amount recovered
31.03.2003	28979	10150.93	6489	326.64
31.03.2004	55408	17997.55	20382	1482.17
30.06.2004	61263	19744.02	24092	1748.49

The recovery by banks under the SARFAESI Act was low on account of stay for same period by the Supreme Court on disposal of property acquired by the banks. However, the Supreme Court later in its judgement dated 8.04.2004 upheld the constitutional validity of the Act in the Mardia Chemical Case but struck down Section 17(2) of the Act as unconstitutional. This section provides for pre-deposit of 75% of the liability if the defaulting company wants to appeal in DRT against the order of the attachment of its assets. This judgement has effected the recovery further as borrowers in the absence of section 17(2) will further use the judicial process to delay action under the act by appealing on frivolous grounds. Further, during the course of pendency of the appeal by the borrower challenging the bank's action in taking possession of secured assets, the banks would be unnecessarily burdened with their maintenance and may also be accused of negligence in their maintenance. With a view to bring the provisions of the SARFAESI Act in conformity with the judgement of the Supreme Court, to dissuade the borrowers from indulging in dilatory tactics to postpone other repayment of dues and to enable secured creditors to make speedy recovery by enforcement of securities, the SARFAESI Act, 2002 has been amended by the Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2004. This would help to a great extent in reducing the NPAs."

30. On being asked that whether the Banks desired changes in the Recovery of Debts Due to Banks and Financial Institutions Act, 1993, so that they could initiate recovery proceedings under the SARFAESI Act, 2002, by taking permission from the Debt Recovery Tribunal (DRT) before which recovery proceedings may be pending, the Ministry in their written submission stated as below:

"As per the recent amendment made in the Recovery of Debts Due to Banks and Financial Institutions Act, 1993, if the Banks/ Financial Institutions have to enforce security interest under Section 13(4) of SARFAESI Act, amended during December, 2004, they have to first withdraw the application made to DRT under Section 19 of DRT Act. This affects adversely those recovery cases where the limitation period of 3 years expires. Indian Banks Association (IBA) has opined that this curtails the powers of the banks/financial institutions for enforcing of security interest, particularly in respect of defaulted loan where time is insufficient and the limitation period available for recovery through DRT is due to expire shortly.

Hence, the IBA have expressed apprehension that after the amendment, the effect is that the banks/financial institutions will not be in a position to resort to powers available under the SARFAESI Act, is being examined."

31. Further when asked that whether the recent amendment to section 19 of the Recovery of Debts due to Banks and Financial Institutions Act, 1993 was proving to be a constraint for all banks, the Ministry replied as under:

"As pointed out by Indian Banks' Association, the effect of the amendment is that a bank cannot take simultaneous action for recoveries under SARFAESI Act and DRT Act. As such, IBA is of the opinion that the amendment may prove to be a constraint for the banks."

32. When during the course of oral evidence, the Committee pointed out that the IBA has given the view that amendments to the Debt Recovery Act are required in order to expedite the recovery under NPAs the representative of the Ministry of Finance stated as under:

"That issue is being addressed by the introduction of the SARFAESI Act for the secured assets. They are taking steps to implement the SARFAESI Act and in case some amount still remains, then they have to go to the DRTs. The Act has come into affect only a couple of years back. They had already filed cases under DRTs. That is why, the limit is there. We are addressing the issue and we will take care of it."

33. When further pointed out that how the Government proposed to rectify this anomaly and speed up the process of recovery by banks under the SARFAESI Act, the Ministry, in their written submission, stated as below:

"The SARFAESI Act has been amended only during December, 2004 and the anomaly pointed out is under examination of the Government."

34. The Committee note that despite adoption of 90 day delinquency norm with effect from 31st March, 2004, both gross and net NPAs of Scheduled Commercial Banks (SCBs) declined by 0.7 per cent in 2003-04. However, they are perturbed to find out that top 10 defaulters to the banking industry owe as much as Rs. 3908.96 crores, as on 31st March, 2004. After enactment of Securitisation and

Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI), in December, 2002, the Banks have recovered Rs. 1748.49 crores as on 30th June 2004 out of the total involved amount of Rs. 19744.02 crore. The recoveries under the SARFAESI Act was lower due to its challenge in the Supreme Court and consequent deletion of Section 17 (2) of the Act. In order to rectify the lapses in the Act, it was amended by the Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2004.

35. Even amending Section 19 of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (DRT Act) has not yielded the desired results since banks cannot take simultaneous action under SARFAESI Act and DRT Act. Therefore, the Indian Banks Association (IBA) has desired that DRT Act should be further amended to enable banks to make recoveries smoothly, under the SARFAESI Act. They note the Government reply in this regard informing that they (Government) are addressing this issue. they recommend the Government to immediately look into the matter and amend the relevant Acts suitably to remove any hurdle that comes in the way of making recoveries in an effective manner. The Government should take other strong and effective measures to realise NPAs expeditiously.

DEPARTMENT OF ECONOMIC AFFAIRS

5. Debts Recovery Tribunals

36. Under the provisions of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 which provides for establishment of Debts Recovery Tribunals (DRTs) and Debts Recovery Appellate Tribunals (DRATs) for expeditious adjudication and recovery of debts due to Banks and Financial Institutions and matters connected therewith or incidental thereto, the Central Government have so far established 29 Debts Recovery Tribunals (DRTs) and 5 Appellate Tribunals (DRATs).

37. The number of cases filed in debt recovery tribunals stood at 64,941 as on June 30, 2004 involving an amount of Rs. 91,901 crore. Out of these, 29,525 cases involving an amount of Rs. 27,869 crore have been adjudicated. The amount recovered was Rs. 8,593 crore.

38. On being asked about the number of cases, decided by DRTs during the last three years ending December, 2004, the Ministry submitted following written information:

"As per information furnished by Debts Recovery Tribunals, 27,805 cases were disposed of and a sum of Rs. 10,340 crores has been recovered during the period 1.1.2002 to 30.9.2004 as per details below:

Sl.No.	Year	No. of cases disposed of	Debt recovered (in crores of rupees)
1	1.1.2002 to 31.12.2002	10,206	2,606
2.	1.1.2003 to 31.12.2003	10,405	4,849
3.	1.1.2004 to 30.9.2004	7,194	2,885
	Total	27,805	10,340

39. The pendency of cases in the DRTs, during the last four years is as follows:

Year	No. of cases pending at the end of the year
2001-02	33595
2002-03	31558
2003-04	30531
2004-05 (upto 30.9.2004)	29864

The data in the above table will show that the number of pending cases is decreasing. It may be mentioned that in 8 DRTs, there are less than 500 cases, in 16 DRTs, there are less than 1,000 cases.

The functioning of DRTs is reviewed by the Government from time to time. If need be, it would be decided to open new DRTs to cope up with the pendency of cases in various DRTs."

40. Further, during the course of oral evidence, the representative from the Ministry of Finance, informed the Committee in this regard as below:

> "The issue regarding DRTs, the number of pending cases in DRTs has now declined and in the statement which has been made available to the Committee, it will be found that the number of cases disposed of was 41 per cent for the year ending 2002, 52 per cent for the year ending 2003 and 59 per cent for the year ending 2004. So, there has been sufficient improvement. The only thing is that we have to ensure that all the benches are complete. There is a process in which the Supreme Court judge is involved in the selection of the Chairman of DRTs and the presiding officers of the benches."

41. With regard to the impact of recent amendment of DRT Act, the Ministry stated as under:

> "It is too early to assess the impact of the recent amendment, which was in December, 2004."

42. When asked about the problems faced by the DRTs, the Ministry furnished the following reply:

> "The practical problems faced by the DRTs include borrowers and banks taking adjournments for filing of evidence and documents, may be for their own genuine difficulties. This problem is unavoidable for application of the statutory law in para-judicial organisations to maintain the principle of natural justice."

43. When asked as to why the Government cannot plug loopholes in the existing laws so as to make the process of recoveries smoother, the Ministry furnished a written reply as under:

> "There are no loopholes in the existing law relating to debt recovery. However, Government would amend the laws as and when it is felt necessary in the interest of speedy recovery of dues."

44. The Committee are concerned to note that as on 30th June, 2004, 64,941 cases were filed in Debt Recovery Tribunals (DRTs) involving an amount of Rs. 91,901 crore. Further they find that till 30th September, 2004 only Rs. 10,340 crores have been recovered and 29,864 cases are still pending before DRTs.

45. The Committee are not satisfied with the reply of the Government with regard to speedy disposal of cases that the number of cases pending in the DRTs is declining. In 8 DRTs, there are less than 500 cases pending and in 16 DRTs, less than 1000 cases are pending. Contrary to this the Committee find that still a large number of cases are lying in DRTs without being disposed of, involving huge sum of money. Further, the Committee observe that the functioning of DRTs is reviewed by the Government from time to time. They have been informed that the Government may take decision to open up new DRTs in future to dispose the cases speedily, if it is deemed necessary. As regards the existing DRTs, the Committee note that all the Benches are not complete.

46. The Committee recommend that the Government should look into the specific problem of DRTs so that huge backlog could be cleared expeditiously. The Committee would further recommend that the Government should take advance action to fill up the Benches of existing DRTs in consultation with Supreme Court. In view of the Committee, the Government should undertake a thorough review of the pendency of cases in DRTs, vacancies in the existing DRTs and go ahead with creation of new DRTs where required.

6. Advances to Agriculture and Weaker Sections

47. The data on advances to agriculture and the weaker sections by the public and private sector banks during the last four years is given as under:

	Direct Agriculture Advances		Indirect Agriculture Advances		Total Agriculture Advances		Weaker Sections	
	Public	Private	Public	Private	Public	Private	Public	Private
March 2001	11.15	4.02	4.60	5.33	15.65	9.55	7.28	1.70
March 2002	11.31	4.03	4.58	8.74	15.81	8.53	7.30	1.82
March 2003	10.84	6.28	4.54	8.06	15.34	10.78	6.76	1.48
March 2004	11.08	7.81	4.33	8.00	15.41	15.81	7.44	1.34

48. The Annual Report 2003-04 states that while all the bank groups met the overall targets under priority sector lending, there were shortfalls in meeting the sub-targets set for agriculture and weaker sections of the society. For Public Sector Banks, advances to agriculture constituted 15.3 per cent of NBC falling short of the sub-target of 18 per cent. Outstanding advances to weaker sections constituted 6.8 per cent of NBC at the end of March, 2003 falling short of the sub target by 3.2 per cent points. Private sector banks fared even badly in meeting the sub targets under agriculture and weaker sections.

Individual advances of public sector banks to agriculture and weaker sections as on March, 2004, is as given below:

ADVANCES OF PUBLIC SECTOR BANKS TO AGRICULTURE AND WEAKER SECTION
(AS ON THE LAST REPORTING FRIDAY OF MARCH 2004)

(Amount in Rs. crore)

Sl.No.	Name of the bank	Direct agricultural Advances		Indirect agricultural Advances		Total agricultural Advances		Weaker Section		Total Priority Sector Advances	
		Amount	Per cent to NBC	Amount	Per cent to NBC	Amount	Per cent to NBC	Amount	Per cent to NBC	Amount	Per cent to NBC
1	2	3	4	5	6	7	8	9	10	11	12
1.	Allahabad Bank	2,169.96	13.93	721.28	4.63	2,891.24	18.56	1,575.24	10.11	7,032.50	45.16
2.	Andhra Bank	1,806.38	14.38	285.41	2.27	2,091.79	16.65	1,242.63	9.89	5,198.23	41.38
3.	Bank of Baroda	2,801.51	11.53	1,147.05	4.72	3,948.56	16.24	1,914.96	7.88	11,774.33	48.44
4.	Bank of India	3,859.00	13.84	859.00	3.08	4,718.00	16.92	2,393.00	8.58	13,271.00	47.60
5.	Bank of Maharashtra	855.85	7.57	471.93	4.17	1,327.78	11.74	530.15	4.69	4,538.33	40.12
6.	Canara Bank	4,727.00	10.61	1,818.00	4.08	6,545.00	14.69	2,626.00	5.89	19,580.00	43.93
7.	Central Bank of India	2,655.53	11.82	1,671.22	7.44	4,326.75	19.25	2,090.08	9.30	11,031.53	49.09

1	2	3	4	5	6	7	8	9	10	11	12
8.	Corporation Bank	591.09	5.08	524.02	4.50	1,115.11	9.58	329.62	2.83	5,080.68	43.63
9.	Dena Bank	619.40	6.58	1,124.23	11.94	1,743.63	18.52	343.07	3.64	4,204.33	44.65
10.	Indian Bank	1,801.55	14.71	412.45	3.37	2,214.00	18.08	1,230.78	10.05	5,971.11	48.75
11.	Indian Overseas Bank	2,575.60	14.18	790.93	4.35	3,366.53	18.53	1,971.64	10.86	8,283.45	45.61
12.	Oriental Bank of Commerce	1,244.00	6.32	1,166.00	5.92	2,410.00	12.25	765.87	3.89	8,423.73	42.80
13.	Punjab National Bank	6,490.39	13.94	2,856.82	6.14	9,347.21	20.08	5,036.30	10.82	22,964.49	49.33
14.	Punjab & Sind Bank	799.31	12.77	407.09	6.51	1,206.40	19.28	379.13	6.06	3,104.69	49.62
15.	Syndicate Bank	2,405.77	14.38	318.60	1.90	2,724.37	16.29	1,692.13	10.12	7,373.94	44.09
16.	Union Bank of India	3,139.64	10.88	1,419.14	4.92	4,558.78	15.80	1,906.72	6.61	13,727.01	47.57
17.	United Bank of India	786.00	9.23	520.00	6.11	1,306.00	15.34	475.00	5.58	3,292.00	38.67
18.	UCO Bank	1,509.00	7.80	867.00	4.48	2,376.00	612.29	831.00	4.30	8,103.00	41.90
19.	Vijaya Bank	863.12	8.22	566.18	5.39	1,429.30	13.62	656.96	6.26	4,709.12	44.87
	Nationalised Banks	41,700.10	11.38	17,946.35	4.90	59,646.45	16.27	27,990.28	7.64	1,67,663.47	45.74
20.	State Bank of India	12,529.93	9.43	4,462.96	3.36	16,992.89	12.79	9,572.16	7.20	51,406.59	38.69

1	2	3	4	5	6	7	8	9	10	11	12
21.	State Bank of Bikaner & Jaipur	1,211.68	14.39	164.55	1.95	1,376.23	16.35	577.10	6.86	4,130.80	49.07
22.	State Bank of Hyderabad	1,298.36	11.62	305.82	2.74	1,604.18	14.36	488.93	4.38	4,559.95	40.82
23.	State Bank of Indore	1,030.35	15.71	166.03	2.53	1,196.38	18.24	416.50	6.35	3,146.25	47.97
24.	State Bank of Mysore	755.37	13.26	111.00	1.95	866.37	15.21	571.82	10.04	2,303.45	40.43
25.	State Bank of Patiala	1,762.00	14.12	605.00	4.85	2,367.00	18.97	1,251.00	10.03	5,690.00	45.61
26.	State Bank of Saurashtra	832.51	15.30	140.28	2.58	972.79	17.88	227.65	4.18	2,341.38	43.04
27.	State Bank of Travancore	836.82	8.41	327.66	3.29	1,164.48	11.70	493.20	4.95	4,429.86	44.50
	State Bank Group	20,257.02	10.52	6,283.30	3.26	26,540.32	13.78	13,598.36	7.06	78,008.28	40.50
	Public Sector Banks	61,957.12	11.08	24,229.65	4.33	86,186.77	15.41	41,588.64	7.44	2,45,671.75	43.94

Notes: 1. Data are provisional
2. NBC—Net Bank Credit.
3. Indirect Agricultural advance taken to the extent of 4.5 per cent

Source: Data furnished by respective Banks.

ADVANCES OF PRIVATE SECTOR BANKS TO AGRICULTURE AND WEAKER SECTION
(AS ON THE LAST REPORTING FRIDAY OF MARCH 2004)

(Amount in Rs. crore)

Sl.No.	Name of the bank	Direct agricultural Advances		Indirect agricultural Advances		Total agricultural Advances		Weaker Section		Total Priority Sector Advances	
		Amount	Per cent to NBC	Amount	Per cent to NBC	Amount	Per cent to NBC	Amount	Per cent to NBC	Amount	Per cent to NBC
1	2	3	4	5	6	7	8	9	10	11	12
1.	Bank of Rajasthan Ltd	64.55	3.05	222.92	10.53	287.47	13.58	53.52	2.53	861.95	40.76
2.	Bharat Overseas Bank Ltd	35.62	1.64	45.77	2.10	81.39	3.74	11.85	0.54	393.90	18.11
3.	Catholic Syrian Bank Ltd	64.32	6.64	28.20	2.91	92.52	9.55	0.00	0.00	644.52	66.50
4.	City Union Bank Ltd	40.00	2.28	84.57	4.83	124.57	7.11	11.17	0.64	624.84	35.68
5.	Dhanalakshmi Bank Ltd	70.19	4.50	48.62	3.11	118.81	7.61	25.80	1.65	370.43	23.72
6.	Federal Bank Ltd	340.22	13.24	40.11	1.56	380.33	14.80	211.70	8.24	2,453.10	95.48
7.	Ganesh Bank of Kurundwad Ltd	30.13	2.84	0.00	0.00	30.13	2.84	11.82	1.11	63.65	5.99
8.	ING Vysva Bank Ltd	425.66	7.07	273.97	4.55	699.63	11.61	123.09	2.04	2,665.70	44.25

1	2	3	4	5	6	7	8	9	10	11	12
9.	Jammu & Kashmir Bank Ltd	164.21	142.85	754.98	656.79	919.19	799.64	261.98	227.91	2,726.49	2,371.89
10.	Karnataka Bank Ltd	355.21	15.08	234.37	9.95	589.58	25.03	98.49	4.18	1,929.44	81.90
11.	Karur Vysya Bank Ltd	259.11	1.88	238.61	1.73	497.72	3.62	140.51	1.02	1,540.06	11.19
12.	Lakshmi Vilas Bank Ltd	163.40	0.90	58.83	0.32	222.23	1.22	66.72	0.37	815.06	4.48
13.	Lord Krishna Bank Ltd	17.04	0.25	188.78	2.74	205.82	2.99	8.81	0.13	497.45	7.22
14.	Nainital Bank Ltd	27.30	0.58	4.80	0.10	32.10	0.68	9.17	0.19	136.57	2.88
15.	Ratnakar Bank Ltd	21.06	0.33	33.59	0.52	54.65	0.85	5.55	0.09	134.33	2.10
16.	Sangli Bank Ltd	54.42	0.78	59.58	0.85	114.00	1.63	19.97	0.28	194.91	2.78
17.	SBI Commercial & International Bank Ltd	12.72	0.27	66.00	1.42	78.72	1.69	0.00	0.00	80.61	1.73
18.	South Indian Bank Ltd	287.43	7.55	53.87	1.41	341.30	8.96	110.05	2.89	1,705.66	44.78
19.	Tamilnad Mercantile Bank Ltd	191.43	9.75	63.11	3.21	254.54	12.96	26.36	1.34	1,014.77	51.66
20.	United Western Bank Ltd	228.06	12.54	136.26	7.49	364.32	20.03	187.64	10.32	1,313.11	72.20
21.	Bank of Punjab Ltd	61.26	6.02	335.82	33.00	397.08	39.02	0.31	0.03	777.55	76.41
22.	Centurion Bank Ltd	22.69	9.41	171.76	71.23	194.45	80.63	56.95	23.62	626.43	259.77

1	2	3	4	5	6	7	8	9	10	11	12
23.	Development Credit Bank Ltd	13.90	0.96	212.07	14.60	225.97	15.56	0.16	0.01	1,054.63	72.60
24.	Global Trust Bank Ltd.	19.63	6.04	256.45	78.92	276.08	84.97	0.00	0.00	727.92	224.02
25.	HDFC Bank Ltd.	1,290.65	218.97	1,658.70	281.42	2,949.35	500.39	0.00	0.00	5,696.49	966.47
26.	ICICI Bank Ltd.	3,132.31	5,286.60	1,073.57	1,811.93	4,205.88	7,098.53	25.14	42.43	14,456.71	24,399.51
27.	IDBI Bank Ltd.	41.00	1.21	621.00	18.33	662.00	19.54	0.00	0.00	2,781.00	82.09
28.	Indusind Bank Ltd.	245.26	11.47	572.92	26.78	818.18	38.25	0.00	0.00	1,935.60	90.49
29.	Kotak Mahindra Bank Ltd.	102.58	2.87	61.63	1.72	164.21	4.59	0.00	0.00	823.28	23.02
30.	UTI Bank Ltd.	936.41	10.53	1,333.14	14.99	2,269.55	25.52	28.73	0.32	3,814.70	42.89
	Total	8,717.77	7.81	8,934.00	8.00	17,651.77	15.81	1,495.49	1.34	52,860.86	47.35

Notes: 1. Data are provisional
2. NBC—Net Bank Credit.
3. Indirect Agricultural advance taken to the extent of 4.5 per cent

Source: Data furnished by respective Banks.

49. Regarding the reasons for not achieving the sub targets for agriculture and weaker section advances by public and private sector banks, the Ministry furnished following reply:

"The credit to agriculture by the commercial banks has increased in absolute terms from Rs. 71105 crore as on March 2002 to Rs. 103839 crore as on March 2004. However, it has come down as a percentage to NBC due to the following reasons:

(a) bank credit to other sectors was growing at a faster rate;

(b) the drought situation in many States;

(c) crash in prices of various agricultural commodities such as coffee, rubber etc., has been adversely affecting the credit off-take in agriculture;

(d) Low capital formation in agriculture resulting in poor credit absorption capacity in many areas; and

(e) Banks having large number of branches in the North Eastern Region had an added disadvantage as low recovery rates and lack of infrastructure adversely impacted credit delivery.

The outstanding advances to Weaker Sections by public sector banks and private sector banks amounted to Rs. 41,589 crore (7.4% of NBC) and Rs. 1,495 crore (1.3% of NBC) respectively, as on the last reporting Friday of March 2004. The credit to Weaker sections by the commercial banks has increased in absolute terms from Rs. 30117 crore as on the last reporting Friday of March 2002 to Rs. 43084 crore as on the last reporting Friday of March 2004.

The outstanding advances to Weaker Sections by private sector banks has increased in absolute terms from 1142 crore (1.8% of NBC) as on the last reporting Friday of March 2002 to Rs. 1,495 crore (1.3% of NBC) as on the last reporting Friday of March 2004. Further, the outstanding advances to Weaker Sections by them aggregated to Rs. 2462.94 crore (1.3% of NBC) as on the last reporting Friday of September 2004.

The beneficiaries of the Central Government Sponsored Schemes fall under the category of 'Weaker Sections'. The reasons for not achieving the targets by the scheduled commercial banks (both public and private sector banks) under the Government Sponsored Schemes may be attributed to the following:

- Lack of co-ordination between banks and Government Sponsoring Agencies.
- Non-completion of formalities by the borrowers due to lack of awareness.

- Bunching of applications and their submission by the Sponsoring Agencies at the fag end of the year
- Lack of awareness of the guidelines of the scheme among the officials of both banks and Government Sponsoring Agencies
- Non-receipt of subsidy/delay in receipt of subsidy
- Diversification of funds by the borrowers for their high consumption needs
- Poor sponsoring of applications
- Poor recovery under the schemes
- No fixed place of business/address of the applicant.

Disappearance of the borrowers after availing the benefits under the scheme."

50. The sectoral Non Performing Assets of public and private sector banks are as follows:

Name of the Bank		Agriculture		Small Scale Industries		Others		Priority Sector		Public Sector		Non-Priority Sector		Total
		Amount	Per cent to total	Amount	Per cent to total	Amount	Per cent to total	Amount	Per cent to total	Amount	Per cent to total	Amount	Per cent to total	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
								(3+5+7)				(15–9–11)		(9+11+13)
	Nationalised Bank	4,739.71	13.55	6,557.38	18.74	5,40,7.70	15.46	16,704.78	47.74	390.14	1.12	17,894.78	51.14	34,989.70
1.	Allahabad Bank	255.16	17.99	189.54	13.36	319.49	22.52	764.19	53.87	18.46	1.30	635.81	44.82	1,418.46
2.	Andhra Bank	106.47	17.30	116.47	18.93	127.93	20.79	350.87	57.02	8.13	1.32	256.37	41.66	615.37
3.	Bank of Baroda	509.60	13.41	624.60	16.44	377.35	9.93	1,511.55	39.79	3.34	0.09	2284.06	60.12	3,798.95
4.	Bank of India	556.07	16.11	659.22	19.10	444.81	12.89	1,660.10	48.10	62.46	1.81	1728.84	50.09	3,451.40
5.	Bank of Maharashtra	204.72	21.45	202.64	21.23	184.36	19.32	591.72	62.00	0.01	0.00	362.73	38.00	954.46
6.	Canara Bank	424.80	13.64	435.73	13.99	450.17	14.45	1,310.70	42.08	4.17	0.13	1800.12	57.79	3,114.99
7.	Central Bank of India	459.78	14.87	683.39	22.10	581.42	18.80	1,724.59	55.78	21.14	0.68	1346.19	43.54	3,091.92
8.	Corporation Bank	95.70	13.25	75.80	10.50	162.94	22.57	334.44	46.32	15.26	2.11	372.31	51.57	722.01
9.	Dena Bank	165.45	11.15	298.34	20.10	186.76	12.59	650.56	43.84	21.69	1.46	811.76	54.70	1,484.01

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
10.	Indian Bank	164.38	14.09	342.89	29.40	282.64	24.23	789.91	67.73	9.20	0.79	367.21	31.48	1,166.32
11.	Indian Overseas Bank	142.16	9.19	373.58	24.15	181.49	11.73	697.23	45.06	20.78	1.34	829.20	53.59	1,547.22
12.	Oriental Bank of Commerce	129.52	10.67	307.86	25.36	146.42	12.06	583.80	48.10	5.07	0.42	624.86	51.48	1,213.73
13.	Punjab and Sind Bank	129.12	10.73	155.61	12.93	123.23	10.24	407.96	33.90	20.29	1.69	775.26	64.42	1,203.51
14.	Punjab National Bank	474.05	10.15	928.17	19.87	576.95	12.35	1,979.17	42.38	65.12	1.39	2625.84	56.23	4,670.13
15.	Syndicate Bank	223.85	14.11	304.87	19.22	275.37	17.36	804.09	50.69	49.31	3.11	732.74	46.20	1,586.14
16.	UCO Bank	177.03	12.21	159.49	11.00	288.70	19.91	625.22	43.11	14.57	1.00	810.57	55.89	1,450.36
17.	Union Bank of India	290.91	12.40	483.40	20.60	398.17	16.97	1,172.48	49.96	1.25	0.05	1173.10	49.99	2,346.83
18.	United Bank of India	139.48	18.25	155.57	20.36	224.08	29.32	519.13	67.93	48.19	6.31	196.86	25.76	764.18
19.	Vijaya Bank	91.45	23.46	60.21	15.45	75.42	19.35	227.07	58.27	1.70	0.44	160.94	41.30	389.71
20.	State Bank Group	2,500.59	16.50	2,280.54	15.04	2,354.42	15.53	7,135.55	47.07	220.09	1.45	7,802.97	51.48	15,158.61
21.	State Bank of India	2,124.26	17.95	1,741.07	14.71	1,899.50	16.05	5,764.83	48.70	109.06	0.92	5,963.02	50.38	11,836.91
22.	State Bank of Bikaner & Jaipur	60.14	12.43	97.45	20.15	79.83	16.51	237.42	49.09	8.36	1.73	237.88	49.18	483.66
23.	State Bank of Hyderabad	26.85	3.88	73.22	10.59	58.56	8.47	158.63	22.94	33.54	4.85	499.18	72.20	691.35
24.	State Bank of Indore	49.70	18.66	35.41	13.29	61.02	22.91	146.13	54.86	4.59	1.72	115.64	43.41	266.36

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
25.	State Bank of Mysore	61.66	11.98	100.32	19.50	54.96	10.68	216.94	42.16	4.27	0.83	293.32	57.01	514.53
26.	State Bank of Patiala	72.53	14.40	81.38	16.16	80.21	15.93	234.12	46.49	40.17	7.98	229.32	45.54	503.61
27.	State Bank of Saurashtra	39.96	19.94	33.75	16.84	26.00	12.97	99.71	49.75	18.08	9.02	82.64	41.23	200.43
28.	State Bank of Travancore	65.49	9.90	117.94	17.82	94.34	14.26	277.77	41.97	2.02	0.31	381.97	57.72	661.76
	Public Sector Bank	7,240.30	14.44	8,837.92	17.62	7,762.11	15.48	23,840.33	47.54	610.23	1.22	25,697.75	51.24	50,148.31

Note: Data is based on domestic operations of respective banks.
Source: Based on off-site returns.

Sl.No.	Name of the Bank	Agriculture		Small Scale Industries		Others		Priority Sector		Public Sector		Non-Priority Sector		Total
		Amount	Per cent to total	Amount	Per cent to total	Amount	Per cent to total	Amount	Per cent to total	Amount	Per cent to total	Amount	Per cent to total	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
								(3+5+7)				(15–9–11)		(9+11+13)
	Old Private Sector Bank	288.43	6.55	858.89	19.52	654.57	14.87	1,801.90	40.94	8.32	0.19	2,590.90	58.87	4,401.12
1.	Bank of Rajasthan	16.64	7.01	22.63	9.54	26.40	11.12	65.67	27.67	0.00	0.00	171.64	72.33	237.32
2.	Bharat Overseas Bank Ltd.	6.73	9.48	13.27	18.69	10.90	15.36	30.90	43.53	0.00	0.00	40.10	56.47	71.00
3.	Catholic Syrian Bank Ltd.	3.52	2.01	39.07	22.29	47.22	26.94	89.80	51.24	0.00	0.00	85.44	48.76	175.24
4.	City Union Bank Ltd.	5.58	3.33	46.74	27.92	16.50	9.86	68.82	41.11	0.00	0.00	98.60	58.89	167.42
5.	Dhanalakshmi Bank Ltd.	1.04	0.76	28.58	20.93	55.17	40.40	84.79	62.09	0.00	0.00	51.76	37.91	136.55
6.	Federal Bank Ltd.	45.82	7.63	83.93	13.97	126.17	21.00	255.92	42.60	8.27	1.38	336.56	56.02	600.75
7.	Ganesh Bank of Kurundwad Ltd.	1.11	7.22	1.88	6.82	2.72	9.87	6.60	23.95	0.00	0.00	20.96	76.05	27.56
8.	ING Vysya Bank Ltd.	39.36	21.09	30.69	16.45	25.11	13.46	95.16	51.00	0.0	00.00	91.43	49.00	186.59
9.	Jammu & Kashmir Bank Ltd.	6.81	2.38	50.68	17.69	52.93	18.47	110.42	38.54	0.00	0.00	176.09	61.46	286.51
10.	Karnataka Bank Ltd.	40.20	6.72	107.55	17.97	36.13	6.04	183.87	30.72	0.00	0.00	414.59	69.28	598.47

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
11.	Karur Vysya Bank Ltd.	4.49	1.88	67.88	28.37	15.05	6.29	87.42	36.54	0.00	0.00	151.81	63.46	239.23
12.	Lakshmi Vilas Bank Ltd.	9.76	4.50	45.91	21.17	43.80	20.20	99.46	45.87	0.00	0.00	117.37	54.13	216.83
13.	Lord Krishna Bank Ltd.	0.96	1.01	9.02	9.47	3.45	3.62	13.43	14.09	0.00	0.00	81.86	85.91	95.29
14.	Nainital Bank Ltd.	1.47	15.19	1.39	14.42	3.91	40.54	6.77	70.15	0.00	0.00	2.88	29.85	9.65
15.	Ratnakar Bank Ltd.	3.37	8.67	8.55	22.02	7.95	20.48	19.87	51.17	0.00	0.00	18.96	48.83	38.84
16.	Sangli Bank Ltd.	20.08	24.90	14.48	17.96	5.09	6.31	39.65	49.16	0.05	0.06	40.95	50.77	80.66
17.	SBI Commercial & International Bank Ltd.	0.00	0.00	0.57	0.83	0.00	0.00	0.57	0.83	0.00	0.00	68.68	99.17	69.25
18.	South Indian Bank Ltd.	23.60	7.19	126.58	38.56	62.10	18.92	212.29	64.67	0.00	0.00	115.96	35.33	328.25
19.	Tamilnad Mercantile Bank Ltd.	19.07	5.97	87.86	27.51	42.99	13.46	149.92	46.94	0.00	0.00	169.46	53.06	319.38
20.	United Western Bank Ltd.	37.95	7.35	71.63	13.87	70.97	13.75	180.55	34.97	0.00	0.00	335.79	65.03	516.34
	New Private Sector Bank	170.69	2.87	403.52	6.78	105.82	1.78	680.03	11.43	66.26	1.11	5,204.90	87.46	5,951.19
21.	Bank of Punjab Ltd.	0.61	0.41	11.40	7.69	4.10	2.76	16.11	10.86	0.00	0.00	132.19	89.14	148.30
22.	Centurion Bank Ltd.	0.00	0.00	0.00	0.00	8.43	3.81	8.43	3.81	0.00	0.00	212.98	96.19	221.41
23.	Development Credit Bank Ltd.	0.73	0.34	53.66	25.36	24.06	11.37	78.45	37.07	0.00	0.00	133.16	62.93	211.61

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
24.	Global Trust Bank Ltd.	45.69	3.47	155.18	11.79	0.00	0.00	200.87	15.26	0.00	0.00	1,115.83	84.74	1,316.70
25.	HDFC Bank Ltd.	0.00	0.00	24.60	7.59	0.00	0.00	24.60	7.59	0.00	0.00	299.40	92.41	324.00
26.	ICICI Bank Ltd.	78.30	2.57	99.53	3.27	1.46	0.05	179.28	5.88	66.26	2.17	2802.05	91.94	3,047.59
27.	IDBI Bank Ltd.	11.81	9.26	10.02	7.86	30.39	23.83	52.22	40.94	0.00	0.00	75.32	59.06	127.54
28.	IndusInd Bank Ltd.	28.72	11.07	19.07	7.35	32.58	12.56	80.37	30.99	0.00	0.00	178.99	69.01	259.36
29.	Kotak Mahindra Bank Ltd	0.13	0.64	0.00	0.00	4.80	24.07	4.93	24.72	0.00	0.00	15.02	75.28	19.96
30.	UTI Bank Ltd.	4.71	1.71	30.06	10.94	0.00	0.00	34.77	12.66	0.00	0.00	239.95	87.34	274.72
	Private Sector Bank	459.12	4.43	1,262.41	12.19	760.39	7.35	2,481.93	23.97	74.58	0.72	7,795.81	75.30	10,352.32

Note: Data is based on domestic operations of respective banks.
Source: Based on off-site returns.

51. On being asked about the measures taken by the Government/ RBI to fulfill the targets in respect of advances to weaker sections and agriculture both by public and private sector banks, the Ministry in their written reply stated as under:

"Several steps have been taken by the Reserve Bank to increase institutional finance to agriculture. These include:

(a) Formulation of Special Agricultural Credit Plan (SACP) by public sector banks since 1994. As recommended by the Advisory Committee on Flow of Credit to Agriculture and Related Activities from the Banking System (Vyas Committee) and announced in the RBI's Mid Term Review of Annual Policy for 2004-05, the SACP mechanism has been made applicable to private sector banks from the year 2005-06.

(b) The Kisan Credit Card Scheme (KCC) was introduced by NABARD in August 1998 with major share of crop loans being routed through it. Since inception of the scheme, public sector banks have issued 1.56 crore KCCs up to September 2004. Apart from public sector banks KCCs are issued by RRBs and Co-operatives. NABARD has since revised the scheme. More than 4.79 crore Kisan Credit Cards have been issued by January, 2005 by the banks.

(c) Several recommendations of the Vyas Committee have been accepted and communicated to banks for implementation. These include: waiver of margin/security norms for agricultural loans up to Rs. 50,000 and in case of agri-clinics, up to Rs. 5 lakh; inclusion of investment in securitized agricultural loans under priority sector review of NPA norms in agriculture lending; bringing about procedural simplifications; financing of oral lessees through the SHG and Joint liability Group (JLG) approach; appointment of direct selling agents by banks; involvement in contract farming where legal issues have been addressed, etc.

(d) The Service Area Approach (SAA) has been reviewed and, as announced in the mid-term review of Annual Policy Statement for the year 2004-05, the restrictive provision of the scheme Service Area Approach (SAA) have been dispensed with.

(e) In order to encourage banks to lend **directly** to the priority sector borrowers, the facility of treating the investment made by banks in special bonds issued by specified institutions (NABARD, SIDBI, REC, NSIC, NHB, HUDCO) as their indirect lending to the priority sector is being phased out.

(f) The Government announced in June 2004 certain measures for improving flow of credit to agriculture.

The debts as on March 31, 2004 of farmers, who have suffered production and income losses on account of successive natural calamities, *i.e.* drought, flood or other calamities which might have occurred in the districts for two or more successive years during the past five years may be rescheduled/restructured by the banks, provided the State Government concerned has declared such districts as calamity affected. Accordingly, the interest outstanding/ accrued in the accounts of such borrowers crop loans and agriculture term loans up to March 31, 2004 may be clubbed with the principal outstanding therein as on March 31 2004, and the amount thus arrived at shall be repayable over a period of five years. at current interest rates, including an initial moratorium of two years.

On restructuring as above the farmers concerned will become eligible for fresh loans. The rescheduled/restructured loans as also the fresh loans to be issued to the farmers may be treated as current dues and need not be classified as NPA.

(ii) One Time Settlement (OTS) Scheme for Small and Marginal Farmers: The banks may formulate guidelines, with the approval of their Boards of Directors, on one-time settlement for small and marginal farmers. who have been declared as defaulters till the date of the circular (June 24, 2004) and have become ineligible for fresh credit.

(iii) Fresh finance to farmers whose earlier debts have been settled: Banks may review all cases of small and marginal farmers where credit has been denied on the sole ground that a loan account was settled through compromise or write-offs.

(iv) Relief measures of farmers indebted to non-institutional lenders: In order to mitigate the acute distress that farmers might be facing due to the heavy burden of debt from non-institutional lenders (*e.g.* moneylenders) and to provide them relief from such indebtedness. Banks may, subject to the guidelines to be approved by their Boards of Directors, advance loans to such farmers, against appropriate collateral or group security.

Several steps have also been taken by the Reserve Bank to increase institutional finance to weaker sections. As recommended by the Advisory Committee on Flow of Credit to Agriculture and Related Activities (Vyas Committee), in order to improve the flow of credit to small and marginal farmers (which form a part of the weaker sections), the public sector banks have been advised to make efforts to increase their disbursements to small and marginal farmers to 40 per cent of their direct disbursements under the Special Agricultural Credit Plan (SACP) by March 2007. Further, with a view to bringing in urban poor into formal financial system, banks have been advised to advance loans to distressed urban poor to prepay their debt to non-institutional lenders, against appropriate collateral or group security, subject to the guidelines to be approved by their Boards of Directors.

RBI monitors the performance of banks under Government Sponsored Schemes through the receipt of monthly/quarterly progress reports. Progress under these scheme forms part of the agenda for discussion at various fore, from grass root level BLBC to DCC/DLRC, SLRC and finally at the High level Monitoring Committees. As a part of monitoring/review machanism RBI issues instruction to all SCBs to implement the scheme in its true spirit and achieve the targets set under the scheme Loans granted under the schemes are treated as advances under priority sector and accordingly the loan applications are to be disposed of expeditiously within the prescribed time limit in this regard, *i.e.* applications for loans up to Rs. 25000/- should be disposed of within a fortnight and those for loans above the credit limit of Rs. 25000/- should be disposed of within eight to nine weeks. Under SGSY banks have been advised to dispose of the applications within the prescribed time limit of 15 days, so as to avoid hardship to the beneficiaries and also keep the documentation process simple. Besides issuing circulars to the banks advising them to avoid under-financing at any cost, at the instance of Ministry of Finance, the Bank also conducted a quick study on the inordinate delay between sanction and disbursement of loans under SGSY and a sample study on Recovery Trends under SGSY. The findings of the study have been communicated to the banks, for necessary redressal action."

RBI has further reported that it had issued suitable instructions to all the Commercial Banks for effective implementation of the Government sponsored schemes as detailed below:

Swarnajayanti Gram Swarojgar Yojana (SGSY):

- Suitable instructions should be issued to their controlling offices to ensure smooth implementation of the scheme.
- The field level functionaries should be advised to ensure that there is no inordinate gap/delay between the sanction of applications and disbursement of loans, which causes unnecessary hardship to the BPL borrower.
- SGSY loan applications should be disposed of within the prescribed time limit of 15 days and at any rate not later than one month.
- The Branch managers should be vested with adequate discretionary powers to sanction proposals under the SGSY scheme. The exercise of these powers should not require reference to any higher authority.
- Steps have to be initiated to ensure that documentation process is kept simple to avoid hardship to the beneficiaries and consequent delay in disposal of applications under the SGSY scheme.

Prime Minister Rozgar Yojana (PMRY)

(1) Time frames have been laid down for receipt of applications from DIC to banks and for sanction and disbursements of PMRY loans. Further, the banks have been advised to carry out scrutiny of rejected applications by the higher authority from their Controlling/Head Office.

(2) Banks have been instructed to dispose applications for loans up to Rs. 25000/- within 2 weeks and up to Rs. 2 lakh (limit under the scheme), within 4 weeks provided the loan applications are complete in all respect and accompanied by a ‘check list’.

(3) To avoid unnecessary delay and harassment of the applicants in trying to obtain ‘No Dues Certificate’ from other banks in the area, it has now been decided that in the event of non-receipt of the same from the referred bank within a

period of 15 days, it may be deemed that the applicant is not having any dues with the concerned bank.

(4) State Governments have been requested to identify viable activities jointly by banks and DICs.

Banks have been advised to set up training institutes on the lines of "RUDSETI jointly with State Governments by utilizing the existing infrastructures of ITIs, SISIs."

52. It is seen that till March, 2004, both public and private sector banks have attained only 15.41 and 15.81 percent of net bank credit as advances to agriculture. The Committee are perplexed to find that still the target of 18 percent seems to be out of reach of the banks. The same is the case with advances to weaker sections. The lending to weaker sections by banks (in public and private sector) is only 7.44 and 1.34 percent of net bank credit as on March, 2004 as against the target of 10 percent. This leads to the conclusion that both public and private sector banks still feel shy to lend to these sectors. Only six banks viz. Allahabad Bank, Indian Bank, Indian Overseas Bank, Punjab National Bank, Syndicate Bank and State Bank of Patiala have been able to achieve the targets in respect of agriculture and weaker section lending out of 27 public sector banks. Among private sector banks, only Jammu and Kashmir Bank Ltd., Karnataka Bank Ltd., United Western Bank Ltd., Bank of Punjab Ltd., Centurian Bank Ltd. and IDBI Bank Ltd. are above the target. Further it is seen that the NPAs in agriculture advances by both public and private sector banks are lower vis-a-vis other sectors. Thus it shows that despite lower NPAs banks have not fulfilled their obligation in respect of targeted credit disbursement to agriculture.

53. The Committee take note of the measures taken by the Government/RBI to address this issue. However, they feel that firm implementation of these measures is very important to achieve the goal of smooth flow of credit to these sectors along with change in the mindset of bankers. They desire that the Government/RBI should ensure that the banks are able to achieve the targets in a specified time frame. Besides Government/RBI should see that the credit to these sectors increase in harmony with credit growth in other sectors. For this there is a need to change the attitude of bankers as far as lendings to these sectors are concerned. The Government should evolve an effective mechanism to ensure that RBI's guidelines are strictly adhered to and banks do not deviate from the mandatory level of disbursement of credit to agriculture and weaker sections.

7. Credit Deposit Ratio of Scheduled Commercial Banks

54. The Trend and Progress in Banking in India 2003-04 states that according to the data available from the Basic Statistical Returns (BSR), the CD ratio (as per sanctions) of SCBs at end-March of 2004 was 58.7 percent as against 59.2 percent at the end of March, 2003.

55. The data on credit deposit ratio of scheduled commercial banks, both public and private individually for the last three years is as follows:

Bank-Wise CD-Ratio of all Scheduled Commercial Banks

(Percent)
(As on March 31)

Bank Name	2002	2003	2004
1	2	3	4
All Scheduled Commercial Banks	62.3	59.4	58.5
Public Sector Banks	58.5	56.5	55.6
Allahabad Bank	53.8	54.5	52.7
Andhra Bank	54.5	55.7	59.8
Bank of Baroda	57.9	55.4	49.7
Bank of India	63.6	63.9	63.1
Bank of Maharashtra	47.1	46.9	48.8
Canara Bank	53.5	57.5	57.6
Central Bank of India	51.8	51.2	46.2
Corporation Bank	59.6	55.3	62.0
Dena Bank	56.5	57.2	56.7
Indian Bank	51.6	51.2	53.7
Indian Overseas Bank	47.7	48.3	50.1

1	2	3	4
Oriental Bank of Commerce	53.2	57.3	58.6
Punjab and Sind Bank	47.6	49.9	48.9
Punjab National Bank	57.5	56.6	57.0
State Bank of Bikaner and Jaipur	54.8	55.5	59.3
State Bank of Hyderabad	52.6	50.3	52.2
State Bank of India	71.4	60.6	57.8
State Bank of Indore	58.0	58.2	66.0
State Bank of Mysore	63.0	63.2	61.1
State Bank of Patiala	69.3	62.5	60.0
State Bank of Saurashtra	60.3	54.5	52.7
State Bank of Travancore	57.3	60.9	58.4
Syndicate Bank	52.7	50.8	46.7
UCO Bank	51.1	55.9	56.2
Union Bank of India	56.9	60.9	62.3
United Bank of India	41.3	39.6	38.8
Vijaya Bank	44.3	48.6	53.9
Private Sector Banks	79.9	66.9	65.6
Bank of Punjab Limited	59.9	51.9	66.6
Bank of Rajasthan Ltd.	55.9	50.2	44.3
Bharat Overseas Bank Ltd.	47.6	55.3	59.4
Catholic Syrian Bank Ltd.	45.0	49.8	57.1
Centurion Bank Ltd.	66.3	60.0	62.7
City Union Bank Ltd.	53.0	56.0	57.8
Development Credit Bank Ltd.	82.0	95.7	77.6
Dhanalakshmi Bank Ltd.	60.1	56.0	57.9
Federal Bank Ltd.	66.6	63.5	64.5

1	2	3	4
Ganesh Bank of Kurundwad Ltd.	57.2	64.6	59.9
Global Trust Bank Limited	67.4	61.2	54.9
HDFC Bank Ltd.	40.6	53.8	57.6
ICICI Bank Limited	202.7	80.4	74.7
IDBI Bank Limited	77.2	79.5	74.7
IndusInd Bank Ltd.	86.8	65.3	63.5
ING Vysya Bank Ltd.	62.4	70.6	77.2
Jammu & Kashmir Bank Ltd.	63.9	71.4	67.6
Karnataka Bank Ltd.	53.0	52.5	55.7
Karur Vysya Bank Ltd.	67.1	72.2	77.3
Kotak Mahindra Bank Ltd.			48.7
Lakshmi Vilas Bank Ltd.	68.3	69.2	66.8
Lord Krishna Bank Ltd.	62.1	60.9	54.3
Nainital Bank Ltd.	23.2	26.8	31.8
Ratnakar Bank Ltd.	49.2	51.3	51.8
Sangli Bank Ltd.	43.6	41.4	44.4
SBI Commercial & International Bank Ltd.	56.4	50.9	48.6
South Indian Bank Ltd.	59.8	57.2	58.0
Tamilnad Mercantile Bank Ltd.	50.9	51.4	52.9
United Western Bank Ltd.	67.0	68.9	70.9
UTI Bank Ltd.	58.4	51.4	55.1

56. In reply to a query on declining percentage of all India CD ratio and regional variations, the Deputy Governor, RBI stated following before the Committee.

"The CD ratio is around 59.92 percent as we ourselves have said in our replies. The hon. Member mentioned that the CD ratio for the Eastern region has not been supplied. We would furnish that information. As on 31st March, 2004, the CD ratio of the Eastern region was around 42.1 percent which went up from 39.6 percent in 2003. He also mentioned that the State level banking committees were not functioning effectively to ensure that the CD ratios in the State could go up and that they are really bereft of new ideas to improve the CD ratio. An expert group had been set up to examine the various aspects of CD ratio under the Managing Director of NABARD and the report has been submitted. We do hope that we will come out with some ways to ensure that the CD ratio goes up. There are several reasons as to why the CD ratio has remained low in certain areas. We are striving to see that regional imbalances do reduce.

57. When asked about measures for increasing credit deposit ratio the Ministry in their written replies stated as below:

"The All-India CD ratio of Scheduled Commercial Banks has remained around 58 to 59% during last five years and there is not much variation except during the year 2001-2002 when the all-India CD ratio was at 62.31%, higher by around 3% . Region-Wise analysis shows that there is some decline in the CD ratio in Northern Region as well as in Western Region over the last two years. In Northern Region, it has come down to 57% in 2003 and 2004, from 66% in 2002 and in Western Region, it has come down to 81% and 72% in 2003 and 2004, respectively from 89% in 2002. The CD ratio in Southern Region has gradually gone up from 63% in 2002 to 65% and 68% in 2003 and 2004 respectively. The CD ratio in other regions has remained more or less constant.

RBI had advised all banks that the banking system should help towards removing the regional imbalances in economic development by arranging their lending portfolio so that more credit could be deployed in the backward States and districts of the country and the banks may achieve a credit deposit ratio of 60% in respect of their rural and semi-urban branches separately on all-India basis. The banks may ensure that wide disparity in the ratio between different States/regions is avoided in order to minimize regional imbalances in credit deployment. RBI has also advised the convenor banks to take up the issue of CD ratio in SLBC meetings for identifying the measures for enhancing the CD ratio.

The Government of India had recently appointed an Expert Group under the chairmanship of Shri Y.S.P. Thorat, Managing Director, NABARD to examine the various aspects of CD ratio on All-India basis. The Committee has submitted its report to Government of India on February 23, 2005 which is being examined by the Government."

58. The Committee are distressed to find that all India Credit-deposit (CD) ratio of Scheduled Commercial Banks has gone down from 62.3% to 58.3% as at end-March, 2004 vis-a-vis end March, 2003 and 2002. Moreover both the public and private sector banks have registered decline with much rapid fall seen in case of private sector banks.

59. They also observe that there is a lot of regional variation in CD ratio of banks. It varies from as low as 42.1 percent in Eastern region to 89 percent in Western region. This shows that credit disbursement in less developed States is far lower as against the advanced States. Another unwelcome development, as seen in the region-wise analysis, is that there has been a decline in this ratio in two major regions of the country, viz. Northern region and Western region whereas Southern region has registered only a marginal improvement of 2 to 3 percent.

60. In this regard, the Committee observe that the RBI has advised banks to arrange their lending portfolio in such a way that more credit could be deployed in the backward States and districts of the country. Also, it has advised the convenor banks to take up the issue of CD ratio in SLBC meetings for identifying the measures for enhancing the CD ratio. They further observe that Expert Group appointed by the Government of India under the Chairmanship of Managing Director, NABARD to examine the various aspects of CD ratio on All-India basis, has submitted its report on February 23, 2005.

61. In view of all this, the Committee desire that the stepping up of credit deposit ratio should be taken up on priority basis and measures should be taken to reduce regional imbalances. They would further like to be apprised of the major recommendations of the Expert Group and Action Taken by the Government thereon. The Government should also consider making public the report of the Expert Group.

DEPARTMENT OF EXPENDITURE

8. Implementation of Twelfth Finance Commission recommendations and FRBM Act.

62. Section 7 (3) of the Fiscal Responsibility and Budget Management Act, 2003 (FRBM Act) mandates that no deviation is permissible in meeting and obligations cast on the Central Government under the Act, without the approval of Parliament. The Budget Estimates 2005-06 do not comply with the stipulations regarding minimum annual reductions in the Revenue Deficit and the Fiscal Deficit prescribed in the Rules framed under the Act. Hence, this Statement is placed before both the Houses of Parliament explaining the circumstances that have led to such deviation; explaining whether such deviation is substantial and relates to actual or potential budgetary outcomes; and detailing the remedial measures the Government proposes to take.

63. On being asked as to what extent the Government may deviate from the targets for reduction in fiscal and revenue deficit during the year 2005-06 as specified by the FRBM Act, as a result of implementation of Twelfth Finance Commission the Ministry furnished following reply:

> "Under the provision of the Fiscal Responsibility and Budget Management Act, 2003 and the Fiscal Responsibility and Budget Management Rules, 2004, and the National Common Minimum Programme, the Government is committed to eliminate the revenue deficit by the financial year 2008-09. The minimum annual reduction in the revenue deficit is by 0.5 percent of GDP and minimum annual reduction in the fiscal deficit is by 0.3 percent of GDP. The Revenue Deficit is projected at 2.7 percent of GDP in the revised Estimates 2004-05 as well as in the Budget Estimates 2005-06. The Fiscal Deficit is projected at 4.5 percent of GDP in the Revised Estimates 2004-05 and 4.3 percent of GDP in the Budget Estimates 2005-06."

64. During the course of oral evidence the Secretary, Economic Affairs, submitted following *inter-alia* before the Committee with regard to implications of recommendations of Twelfth Finance Commission on Central Governments deficits:

> "If I can just focus on the revenue deficit, the highest revenue deficit that we had was 4.4 percent of GDP in 2001-02.... But as

the growth has improved over the last few years the deficit has been brought down to 2.7 percent of GDP in 2004-05…. The projection for the next year, 2005-06, is at the same level as the past year, that is at 2.7 percent. It is because, as Finance Minister has mentioned, of the extra resources that have to be given arising out of the Twelfth Finance Commission recommendation. On the Fiscal deficit, the highest in recent years, we had was in 2001-02. It was 6.2 percent. Since then, that has come down to 4.5 percent in 2004-05. The objective is to bring it down to 4.3 per cent in 2005-06. It is only 0.1 per cent short of what we should have done through the FRBM Act. We should have had a correction of 0.3 percent from 4.5 percent to 4.2 percent. We have targeted 4.3 percent. This, however, implies that adjustments in the coming years will have to be larger."

65. Further the Secretary, Expenditure stated following on this issue:

"The single most significant development this year is the Award of the Twelfth Finance Commission which has since been accepted by the Government. According to its recommendations, Action Taken Report on the recommendations of the TFC has already been tabled in the House on 26th February, 2005. The Finance Commission has substantially stepped up the grant package to the States. As against the RE of Rs. 12250 crore in the last year, the Budget Estimates for the new year are Rs. 25,874 crore signifying an increase of 112 percent. As per the TFC's recommendations, provision has also been made for the Non-Plan revenue deficit grants of Rs. 15,091 crore, also for Central contribution to States' Calamity Relief Fund amounting to Rs. 2,958 crore, local body's grants of Rs. 5000 crore, and special additional grant for education amounting to Rs. 1686 crore, health sector grants of Rs. 938 crore.

A major change that has been suggested by the TFC and since accepted by the Government is in the pattern of Central Plan Assistance to the States. Now, all Central Assistance to the States Plan from the Centre is to be in the form of grants only. Accordingly no provision has been made for providing loans to the States in this demand whereas block loans of Rs. 24.757 crore were provided for in the Budget Estimates for the previous year. The States would be getting substantially higher loan flows against Small Savings next year as there would be no pre-emption of 40 per cent of Small Savings flow for the debt swap Scheme. On an estimated Small Savings flow of Rs. 90,000 crore, the States would be getting an additional sum of Rs. 36,000 crore in this form. We

> expect, therefore, that the States would not be required to borrow against the loan portion substantially. However, if the States so wish within their overall borrowing ceilings, set in terms of article 293 of the Constitution of India they would be enabled by the Central Government to borrow against the loan component of their Central Assistance in any form they want."

66. When the Committee pointed out that what was new with the Twelfth Finance Commission, when Eleven Finance Commissions have been formed and each of them has dealt with the federal financing structure and systems, the representative from the Ministry of Finance deposed before the Committee as follows:

> "Sir, correct me if I am wrong. I think that, in the history of all the Finance Commissions it is for the first time that such a large increase in blocked grants is taking place. This is a large increase. That is a model change, this is a paradigm shift. My reading of the Twelfth Finance Commission is that they are for increasing market discipline, reducing moral hazards, cleaning up the books. writing off State debts and restructuring the liabilities of the Central Government. They are saying that the Centre will carry on the burden of shifting from loans to grants. So, it is almost deficit neutral for the Central Government. The entire operation is beneficial for the States. That is my reading."

67. In response to a query that whether the recommendations of Twelfth Finance Commission was an excuse for not abiding by the FRBM Act in 2005-06, the Ministry in their written submission stated as below:

> "In a significant policy change, it has been decided that with effect from Budget 2005-06, the sale proceeds of Government equity in Public Sector Enterprises will not be reckoned as a resource for financing the Fiscal Deficit. Had the disinvestment proceeds not been taken as a resource for financing the Fiscal Deficit, the Fiscal Deficit in the Revised Estimates 2004-05 would have been 4.6 percent of GDP. In that eventuality, Budget 2005-06 projection would have been in compliance with the 0.3 per cent minimum reduction required under the Rules, if a comparison is made on like-to-like basis."

68. The Committee observe that Section 7(3) of the Fiscal Responsibility and Budget Management Act, (FRBM) 2003 mandates that no deviation is permissible in meeting and obligations cast on the Central Government under the Act, without the approval of Parliament. They note that minimum annual reduction in the revenue deficit should be by 0.5 percent of the GDP and in fiscal deficit should be by 0.3 percent of GDP.

69. However on account of extra resources that have to be shelled out as a result of implementation of recommendations of Twelfth Finance Commission (TFC), the targeted reduction in fiscal deficit would be by 0.2 per cent while Revenue Deficit has been kept at the same level in Budget estimates 2005-06 as in Revised Estimates 2004-05 i.e. 2.7 percent of GDP.

70. The Committee express concern over the fact that the Government has postponed the fiscal correction programme as envisaged by the FRBM Act. The Committee note the Government's explanation and are not inclined to accept the plea given that the targeted reductions in deficits could not be adhered to because of the implementation of TFC award. In their opinion, the additional expenditure on account of this should have been anticipated by the Government in advance and management of finances should have been done accordingly. The Committee, therefore, recommend that the Government should strictly adhere to the targets envisaged under FRBM Act, except under extraordinary circumstances and avoid deviation now and then.

DEPARTMENT OF DISINVESTMENT

9. Policy on Disinvestment

71. The Ministry of Finance, Department of Disinvestment were asked in detail how the Government policy on disinvestment as envisaged in the Common Minimum Programme would enable in rapid economic growth by speeding up healthy industrial growth, creation of more employment opportunities, channeling and utilising resources locked up in non-viable PSUs for re-deployment in social priority sector. The Ministry of Finance, Department of Disinvesment in their reply stated as below:

> "There are three ways in which implementation of the policies for the Public Sector Enterprises (PSEs) as laid down in the National Common Minimum Programme (NCMP) will contribute to economic growth. Firstly, the NCMP envisages greater commercial autonomy to profitable PSEs, functioning in a competitive environment, which will also access the capital markets to raise resources. Commercial autonomy along with the ability to enrage their resource base will remove the existing constraints on the growth of profitable PSEs. Since the growth of these companies will be market determined, it will add to the competitive strengths of the economy thereby accelerating economic growth.
>
> Secondly, the NCMP also envisages that sick but revivable public sector enterprises will be modernized and restructured. These assets which are currently being under utilized would thereby become more productive and add to economic growth and development.
>
> Thirdly, the NCMP also envisages that chronically loss-making PSEs, which have no potential for revival, would be closed or sold off. The assets which would sold off would be productively used elsewhere, thereby contributing to economic growth.
>
> Growth in economic output and the expansion of the economy is only sustainable way of creating employment. Growth of profitable PSEs, which function in competitive environment will create further employment opportunities. Restructuring and modernization of revivable PSEs and sale of loss making or sick PSEs will similarly, either preserve jobs, which would otherwise have been lost, or add to employment, both directly in the PSEs and indirectly in services and ancillary industries.

To the extent sick PSEs are revived and show sustained growth and profitability the drain of budgetary resources to finance the loss of PSEs will be stemmed making available additional resources for use elsewhere, including in the social sectors. The Government has decided to channelise the disinvestment proceeds into a National Investment Fund which will have a permanent corpus and the income from the Fund will be used for investment in specified social sector projects and for providing capital resources to profitable and revivable Public Sector Enterprises that yield adequate returns, in order to enlarge their capital base to finance expansion/diversification."

72. On being asked about the status of preparation of broad base disinvestment policy document, the Committee have been informed by the Ministry of Finance, Department of Disinvestment as stated below:

"...... preparation of White Paper on Disinvestment has already been identified by the Government as one of the thrust areas for implementation by the Department of Disinvestment and the work is under progress."

The Ministry also added:

"The White Paper on Disinvestment is under preparation and is expected to be tabled during the Monsoon Session of Parliament 2005-06".

73. The Government were asked to clarify whether the Government was opting for sale of minority shares or strategic disinvestment of PSUs and also to furnish the names of PSUs that would be covered by this route in the year 2005-2006. The following was the reply submitted in this regard by the Ministry of Finance, Department of Disinvestment:

"As provided in the NCMP, the Government has decided to consider the sale of minority shareholding in profitable PSEs ensuring however that management control and at least 51% shareholding remains with Government so as not to dilute the public sector character of these PSEs. The disinvestment programme will be considered by the Government on case-by-case basis. No specific decisions regarding a particular PSEs have, however, been taken so far nor have any specific targets been determined for proceeds from disinvestment which will depend upon market conditions and other considerations.

Government can also consider the sale of minority shareholding in PSEs. which access the capital markets for the issue of fresh equity, as was done in the case of National Thermal Power Corporation in November, 2004.

Strategic sale of loss making PSEs may also be considered after the BRPSE has studied such PSEs and given its recommendations. No decision has been taken so far for a strategic sale of any particular PSE".

74. In reply to a question on the effect of disinvestment on the employment situation the Ministry replied as under:

"Between 1991-92 to 2000-01, the reduction of around 4.4 lakh PSE's employees is not due to disinvestment. These reductions have happened in Public Sector Enterprises due to the introduction of Voluntary Retirement Schemes to reduce excess manpower in these PSEs as indicated in the Department of Public Enterprises Survey 2002-03. It is true that there has been rationalisation of labour even in disinvested PSEs. However the magnitude of such rationalization is not inconsistent with what is being done even within PSEs. During the period 2000-01 to 2002-03, there has been a reduction of around 1.84 lakh employees in PSEs as worked out from the data given in DPE Public Enterprises Survey 2002-03. In comparison in 10 privatised PSEs and 11 privatised hotel properties, there was a net reduction of only 10,455 employees from a level of 46,500 employees at the time of disinvestment to 35,945 employees as on September 2004. These statistics indicate that rationalization of labour is not linked to disinvestment but is driven by the compulsion of any company to remain competitive. As stated earlier in reply to Para 1, the only sustainable way to add to employment is through economic growth and productivity enhancement of industry. As explained earlier disinvistment does not impede these objectives.

According to the data provided by privatised PSEs there has been an increase in employment in the following PSEs post privatisation:

Name	No. of Employees at the time of desinvestment	Current number of employees	Date of report
CMC	3119	3544	31.10.2002
Jessop & Co.	1423	1445	31.3.2004
Hotel Ashok Aurangabad	10	37	1.4.2003

> Disinvestment cannot be associated with unemployment. Disinvestment primarily involves the transfer of a running business from public ownership to private ownership or the sale of minority shares in a PSE without affecting the public sector nature of the company. In both the cases, these companies function as previously. In select cases, privatised PSEs are expanding their capacity, which will have a beneficial effect on employment in the future both directly as well as through indirect unemployment generation in the service sector and in ancillary industries".

75. The Committee desired to know the Government's view on strategic sale. The Government submitted as follows in reply:

> "Strategic Sale involves the transfer of majority shareholding along with management control to a private sector investor. It is an effective instrument for improving the efficiency of those PSEs, which cannot be revived in the public sector or where despite significant amounts of Government Support in the past the unit has remained loss making and chronically sick in the past. The Board for Reconstruction of Public Sector Enterprises is now charged with the responsibility of considering all the cases of sick and loss making Public Sector Enterprises and to recommend the strategy for their restructuring/disinvestment/closure. Government would take into consideration the recommendations of the BRPSE on a case by case basis".

76. During oral evidence on Demands for Grants 2005-06, Secretary, Ministry of Finance stated as below:

> "The key point on disinvestment is that instead of strategic sale which had been emphasized earlier, the dominant mode of disinvestment of profitable PSUs would be the sale of minority shareholdings. Loss-making PSUs, however, may be sold or closed or revived through joint ventures with vibrant investors after consideration by the Board for Reconstruction of Public Sector Enterprises (BRPSE), and whose Chairman is Mr. Basu. This is in accordance with NCMP principles."

77. When asked to furnish the reasons for giving up strategic sale as the preferred mode of disinvesting Government stake in PSEs and on being asked whether the C&AG had looked into and reported on the disinvestment of PSEs (undertaken through strategic sale), the Ministry of Finance, Department of Disinvestment stated as below:

> "The National Common Minimum Programme (NCMP) does not envisage privatisation, in general, of profitable Public Sector

Enterprises. Strategic Sale is method of privatisation in which alongwith the sale of majority shareholding, management control is also transferred by the Government to a Strategic Partner. Accordingly, Strategic Sale will be used for the revival of sick and loss making but revivable Public Sector Enterprises on the basis of the recommendations of the Board for Reconstruction of Public Sector Enterprises (BRPSE). The NCMP envisages strengthening profitable public sector enterprises, working in a competitive environment by giving them commercial autonomy. Disinvestment of minority shareholding of the Government ensuring that atleast 51% shareholding is retained so as not to alter the public sector character of these PSEs, will deepen the capital market, provide an opportunity specially to retail investor to invest in these blue chip public sector companies and also facilitate the access of these PSEs to the capital markets for meeting their own capital requirements.

C&AG has audited the disinvestment cases of MFIL, BALCO, CMC, HTL, Centaur Hotel Airport Mumbai, Centaur Hotel Juhu, Mumbai and Indo Hokke Hotel, Rajgir for which preliminary inspection report was received and the reply of the Government has also been sent. No final report has so far been submitted by C & AG. C & AG has also commenced audit of disinvestment transactions of VSNL, IBP, PPL and Hotel Bangalore Ashok, Hotel Agra Ashok, Hotel Bodygaya Ashok Temple bay Ashok Beach Report. Mamallapuram Hotel Madurai Ashok and Hotel Hassan Ashok of ITDC."

78. The Committee are informed that the Government have decided to consider the sale of minority share holding in profitable PSEs, modernize and restructure sick but potentially viable PSEs and sell chronically and terminally sick PSEs. In view of the Committees repeated recommendations for preparation of disinvestment policy document to be discussed in Parliament, the Committee are given to understand that white paper on Disinvestment is under preparation and is expected to be tabled during the Monsoon Session of Parliament, 2005-06. The Committee recommend that the preparation of white paper on Disinvestment may be expedited so that it is laid before Parliament during the monsoon session, 2005.

DEPARTMENT OF DISINVESTMENT

10. National Investment Fund

79. The Disinvestment Commission in its First Report submitted in February, 1997 recommended that the proceeds of disinvestments be placed separately in a Disinvestment Fund (DF) and not be fungible with other Government receipts. Hon'ble Minister of Disinvetment, in his *Suo Moto* statement made in both Houses of Parliament on 9 December, 2002 has stated that in order to provide complete visibility to the Government's continued commitment of utilization of disinvestment proceeds for social and infrastructure sectors, the Government would set up a Disinvestment Proceeds Fund which would be used for financing fresh employment opportunities and investment, and for retirement of public debt. The Committee also made repeated recommendation for creation of a fund to channelise and manage disinvestment proceeds objectively. The Committee in their report on Demands for Grants (2004-05), Ministry of Finance (Department of Economic Affairs, Expenditure and Desinvestment) reiterated their earlier recommendations and urged upon the Government to keep the objectives of disinvestment clearly in mind and create a non lapsable dedicated disinvestment fund without further delay.

80. Replying to a query on creation of Disinvestment/Investment Fund during examination of Demands for Grants (2005-06), the Ministry of Finance, Department of Disinvestment furnished the following details:

> "Government decided on 27th January, 2005 to constitute a Fund into which the realisation from sale of minority shareholding of the Government in profitable PSEs would be channelised. The Fund would be maintained outside the Consolidated Fund of India and would be professionally managed by selected Public Sector Financial entities, which have the requisite experience to provide sustainable returns to the Government without affecting the corpus.
>
> This Fund would be called "National Investment Fund" to denote the permanent nature of the corpus and the objectives to which its income is to be applied. A detailed plan for the

constitution of the Fund and the specific schemes to be financed from its income would be prepared separately. The broad investment objectives will be:

(i) Investment in social sector projects which promote education, health care and employment;

(ii) Capital investment in selected profitable and reviveable Public Sector Enterprises that yield adequate returns, in order to enlarge their capital base to finance expansion/ diversification."

81. The Committee further asked the Ministry to specify/state:

(a) The time frame for the preparation of detailed plan for the constitution of the Fund and Scheme to be financed from its income.

(b) When this fund would be functional.

(c) How the Public Sector Financial entities which will manage the Investment Fund are to be appointed/selected.

(d) Details of how returns would be derived without affecting the corpus fund that would give impetus to social sector projects and revival of sick but viable PSEs.

82. The Ministry stated as follows in reply:

"The National Investment Fund will be constituted during 2005-06 and the schemes to be financed from its income will accordingly be identified.

Government has decided that the disinvestment proceeds w.e.f. 1st April 2005 will be channelised into the National Investment Fund.

The modalities for appointment of the Public Sector Financial Entities, who will manage the National Investment Fund, are being considered and will be decided shortly.

The Investment strategy of the Fund would be decided in consultation with the Public Sector Financial Entities selected to manage the Fund. The corpus of the Fund would be a permanent corpus and only the income from the fund would be used for specified purposes. The investment strategy of the fund will be appropriately framed so as to provide a source of income, on a sustainable basis, for financing these specified schemes".

83. During evidence on Demands for Grants (2005-06), in reply to a query on National Investment Fund, Secretary, Ministry of Finance, stated as below:

> "The National Investment Fund is still to be formed. But, any proceeds of any disinvestment from today onwards will go to that Fund, once we get the Cabinet approval.
>
> The proceeds that will come from disinvestment will be put in this Fund. This Fund will be given to some public sector fund managers who will then invest in the market under certain guidelines. All that has still to be worked out exactly. The returns that will come from those investments will then be available to the budget for allocation, particularly to social sector schemes. That is the scheme."

84. The Committee wanted to know whether the sale proceeds collected from disinvestment PSUs so far have not been utilised to meet budgetary deficits. In their reply the representative of the Ministry of Finance, Department of Disinvestment stated as below:

> "Till now the proceeds from disinvestment were part of the Consolidated Fund of India, and were not earmarked for any specific purpose, though they contributed to the pool of resources available to the Central Government to be utilized through the budgetary process. Accordingly, it is not possible to identify specifically the purposes for which disinvestment proceeds have been used so far".

85. The Committee asked the Ministry to explain why the NIF should be managed by the public sector funds and not the private sector funds, and how much actual amount from the earnings of the fund is anticipated to go to poor for 2005-2006. The Committee also asked the Ministry to state whether the earnings of the fund would be utilized for the welfare of employees of divested PSUs by funding the Voluntary Retirement Scheme (VRS) and to state what percent would be earmarked for expenditure pertaining to VRS, if so. The Ministry *inter-alia* stated in their reply as follows:

> "There are several Public Sector mutual funds, which have substantial funds under management. In addition, the Employees Provident Fund, with a corpus of about Rs. 1,20,000 crore is managed by the State Bank of India, a Public Sector Bank. As the concept of the National Investment Fund is new and would need

to be tested and developed over time, it is felt appropriate to restrict management of these Funds at this stage to Public Sector financial entities from the viewpoint of ensuring adequate oversight and transparency in the functioning of the Fund.

The realisation from disinvestment from 1st April 2005 will be channelised into the fund and therefore, income from the fund would depend on the level of disinvestment. The specific schemes to be financed from the income accruing to the Government from the National Investment Fund are to be identified separately. However, the broad investment objectives will be:

(i) Investment in social sector projects which promote education healthcare and employment.

(ii) Capital investment in selected profitable and revivable Public Sector Enterprises that yields adequate returns, in order to enlarge their capital base to finance expansion/ diversification".

86. During oral evidence in connection with examination of Demands for Grants (2005-06), the Committee asked whether the Disinvestment proceeds should go into the Consolidated Fund of India first of all before being put into the National Investment Fund so as to enable the figures of the proceeds to be reflected in the Budget. The Committee also wanted the Government to clarify whether there is any mechanism to ensure the earnings of the fund are invested on social sector projects and not in stock market. The Committee further wanted to know whether the Government has any parameter to assess how much amount would go into the corpus fund and how much amount of income will be accrued in the first year. The Secretary. Ministry of Finance, Department of Disinvestment submitted his reply as below:

"There were a number of questions on disinvestment. The initial receipts of the National Investment Fund as and when they arise will pass through the Budget. It has to go to the Consolidated Fund and then it will go to investment through the fund managers of the public sector. The income that would come from those funds will go through the fund managers and will go into the Consolidated Fund for use in rural areas. On the question about estimates and receipts from investment, there is indeed no target. It will depend on the Cabinet approvals as we go along. The National Investment Fund will obviously be market determined and will vary from time to time depending on how the fund managers do with the investments."

87. The Committee note that the Government has set up a fund w.e.f. 1st April, 2005, namely the National Investment Fund (NIF) wherein the proceeds of disinvestment would be parked and the accruals of income from the fund would be channelised for use in social sector projects as well as for capital investment in selected profitable Public Sector Enterprise. The fund is to be maintained outside the Consolidated Fund of India and professionally managed by selected Public Sector Financial entities, which have the requisite experience to provide sustainable returns to the Government without affecting the corpus. Though the setting up of the National Investment Fund (NIF) for parking disinvestment proceeds is in tune with the recommendation made by them earlier, the Committee feel that several important issues relating to the management of fund and utilisation of the proceeds of income from the fund need to be addressed in detail and the Government's policy thereon made clear. The Committee also recommend that the accruals of disinvestment proceeds to the National Investment Fund should be utilised in entirety for investment in social sector projects and for meeting the capital expenditure of Public Enterprise.

NEW DELHI;
19 *April,* 2005
29 *Chaitra,* 1927 *(Saka)*

MAJ. GEN. (RETD.) B.C. KHANDURI,
Chairman,
Standing Committee on Finance.

MINUTES OF THE TWENTY SECOND SITTING OF STANDING COMMITTEE ON FINANCE

THE Committee sat on Friday, 1 April, 2005 from 1030 hours to 1500 hours.

PRESENT

Maj. Gen (Retd.) B.C. Khanduri—*Chairman*

MEMBERS

Lok Sabha

2. Shri Jaswant Singh Bishnoi
3. Shri Bhartruhari Mahtab
4. Shri Gurudas Kamat
5. Shri A. Krishnaswamy
6. Shri Madhusudan Mistry
7. Shri Shriniwas D. Patil
8. Shri M. A. Kharabela Swain
9. Shri Vijoy Krishna

Rajya Sabhsa

10. Shri Murli Deora
11. Shri Jairam Ramesh
12. Shri M. Venkaiah Naidu
13. Shri Yashwant Sinha
14. Shri Chittabrata Majumdar
15. Shri C. Ramachandraiah
16. Shri Mangani Lal Mandal

SECRETARIAT

1. Dr. (Smt.) P.K. Sandhu — *Joint Secretary*
2. Shri R.K. Jain — *Deputy Secretary*
3. Shri T.G. Chandrasekhar — *Under Secretary*

WITNESSES

Ministry of Finance (Departments of Economic Affairs, Expenditure and Disinvestment)

1. Dr. Rakesh Mohan, Secretary-Economic Affairs
2. Dr. Adarsh Kishore, Secretary-Expenditure
3. Dr. Ashok Kumar Lahiri, Chief Economic Advisor
4. Shri Vinod Rai, Additional Secretary-Financial Sector
5. Shri Anurag Goel, Additional Secretary
6. Shri Amitabh Verma, JS, Banking operations and Agricultural Credit
7. Shri G.C. Chaturvedi, JS, Banking and Insurance
8. Shri K.V. L. Mathur, Economic Advisor-Banking
9. Shri M. Deena Dayalan, JS&FA
10. Ms. L. M. Vas, JS, Budget
11. Shri M. Prasad, JS, (FRBM)
12. Shri R. Banerji, JS (FB)
13. Shri U.K. Sinha, JS (CM)
14. Shri Vivek Mehrotra, JS (ABC)
15. Shri Pradeep K. Deb, JS (FT)
16. Shri Yogesh Chandra, Sr. Eco. Advisor
17. Dr. H.A.C. Prasad, Sr. Eco. Advisor
18. Shri Shankar Banerjee, Controller of Aid, Accounts and Audit
19. Smt. Sushma Nath, JS (Pers.)
20. Shri S.C. Garg, JS (P.F. I)
21. Shri Vivek Rae, JS (P.F.II)

Department of Disinvestment

1. Shri Sanjeev S. Ahluwali, Joint Secretary
2. Shri P. K. Basu, Joint Secretary

3. Shri Arvind Mehta, Joint Secretary

4. Shri S. Bandyopadhyay, Deputy Secretary

5. Shri T.S. Krishnamachari, Deputy Secretary

Reserve Bank of India

1. Smt. Shyamala Gopinath, Deputy Governor

2. Shri C. R. Muralidharan, Chief General Manager

Insurance Regulatory And Development Authority

Shri C. S. Rao, Chairman

National Bank For Agriculture And Rural Development

Smt. Ranjana Kumar, Chairperson And Managing Director

2. At the outset, the Chairman welcomed the representatives of the Ministry of Finance (Departments of Economic Affairs, Expenditure and Disinvestment) to the sitting of the Committee and invited their attention to the provisions contained in direction 55 of the Directions by the Speaker.

3. The Committee then took oral evidence of representatives of the Ministry of Finance (Departments of Economic Affairs, Expenditure and Disinvestment) on Demands for Grants (2005-06) and other related matters.

4. Thereafter, the Chairman requested the representatives of Ministry of Finance (Departments of Economic Affairs, Expenditure and Disinvestment) to furnish notes on certain points raised by the Members to which replies were not readily available with them during the discussion.

5. The evidence was concluded.

6. A verbatim record of proceedings has been kept.

The witnesses then withdrew.

(The Committee then adjourned)

MINUTES OF THE TWENTY THIRD SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Thursday, 07th April, 2005 from 1100 to 1230 hours.

PRESENT

Maj. Gen. (Retd.) B.C. Khanduri—*Chairman*

MEMBERS

Lok Sabha

2. Shri Jaswant Singh Bishnoi
3. Shri Bhartruhari Mahtab
4. Shri Gurudas Kamat
5. Shri Bir Singh Mahato
6. Shri Madhusudan Mistry
7. Shri Rupchand Pal
8. Shri Shriniwas D. Patil
9. Shri Lakshman Seth
10. Shri M. A. Kharabela Swain
11. Shri Magunta Sreenivasulu Reddy

Rajya Sabha

12. Shri Jairam Ramesh
13. Shri M. Venkaiah Naidu
14. Shri Yashwant Sinha
15. Shri S.P.M. Syed Khan
16. Shri Mangani Lal Mandal

SECRETARIAT

1. Dr. (Smt.) P.K. Sandhu — *Joint Secretary*
2. Shri R.K. Jain — *Deputy Secretary*
3. Shri T.G. Chandrasekhar — *Under Secretary*

2. At the outset the Chairman welcomed the members to the sitting of the Committee.

3. The Chairman then requested the Members to give their suggestions on the issues proposed to be taken up for inclusion in the draft reports of the Committee on Demands for Grants (2005-2006) of the Ministries/Departments under their purview.

4. Thereafter, Members expressed their views on the subjects/topics that could be covered in the Reports of the Committee on Demands for Grants (2005-2006) of the Ministries/Departments, which were to be taken up for consideration and adoption at the sittings to be held on 11 and 12 April, 2005

5. A verbatim record of the proceedings has been kept.

The Committee then adjourned.

MINUTES OF THE TWENTY FOURTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Monday, 11 April, 2005 from 1100 to 1315 hours.

PRESENT

Maj. Gen. (Retd.) B.C. Khanduri–*Chairman*

MEMBERS

Lok Sabha

2. Shri Gurudas Dasgupta
3. Shir Bhartruhari Mahtab
4. Shri Bir Singh Mahato
5. Shri madhusudan Mistry
6. Shri Rupchand Pal
7. Shri K.S. Rao
8. Shri Lakshman Seth
9. Shri M.A. Kharabela Swain
10. Shri Vijoy Krishna

Rajya Sabha

11. Shri R.P. Goenka
12. Shri Jairam Ramesh
13. Shri M. Venkaiah Naidu
14. Shri Yashwant Sinha
15. Shri S.P.M. Syed Khan
16. Shri C. Ramachandraiah

SECRETARIAT

1. Shri P.D.T. Achary	—	*Secretary*
2. Shri R.K. Jain	—	*Deputy Secretary*
3. Shri T.G. Chandrasekhar	—	*Under Secretary*

2. At the outset the Chairman welcomed the Members to the sitting of the Committee.

3. The Committee first took up for consideration the draft report on the Demands for Grants (2005-2006) of Ministry of Finance (Departments of Economic Affairs, Expenditure and Desinvestment) The Committee, after deliberation adopted the draft report with modifications/amendments as shown in the Annexure.

4. The Committee then authorised the Chairman to finalise the Report in the light of the amendments suggested and also to make verbal and other consequential changes and present the reports to both the Houses of Parliament.

[The Committee then adjourned to resume their sitting at 1100 hours on 12 April, 2005 to consider and adopt the draft reports on Demands for Grants (2005-2006) of (i) Ministry of Finance (Department of Revenue), (ii) Ministry of Planning, (iii) Ministry of Company Affairs, and (iv) Ministry of Statistics and Programme Implementation.]

ANNEXURE

[MODIFICATIONS/AMENDMENTS MADE BY STANDING COMMITTEE ON FINANCE IN THEIR DRAFT REPORT ON THE DEMANDS FOR GRANTS OF THE MINISTRY OF FINANCE (DEPARTMENTS OF ECONOMIC AFFAIRS, EXPENDITURE AND DISINVESTMENT) AT THEIR SITTING HELD ON 11 APRIL, 2005]

Page No.	Para No.	Line No.	Modifications
1	2	3	4
7	14	1 to 4	*For*:
			The Committee are not able to comprehend that why this issue is still alive when the Ministry of Law has also furnished its opinion in the matter. Despite their earlier recommendation to this effect, the Government and IRDA have failed to resolve this issue.
			Substitute:
			The Committee feel constrained to state that this issue is still alive when the Ministry of Law also has furnished its opinion in the matter.
		5 to 8	*For:*
			Therefore, the Committee recommend that the Fund should be placed in the Public Account of India and IRDA should draw amounts to discharge its functions from this fund. They would like to be informed in this regard within a period of three months.

1	2	3	4
			Substitute:
			Therefore, the Committee Strongly recommend that the fund should be immediately placed in the Public Account of India and IRDA should draw amounts to discharge its functions from this fund. They would like to be informed of the action taken in this regard within a period of three months.
18	35	7 to 8	*For:*
			wherein it has justified this amendment. They recommend the Government to relook into the matter and amend the relevant Act suitably to remove any
			Substitute:
			informing that they (Government) are addressing this issue. They recommend the Government to immediately look into the matter and amend the relevant Acts suitably to remove any
		9	Add: (After "effective manner")
			The Government should take other strong and effective measures to realise NPAs expeditiously.
22	46	6 to 7	*For:*
			Government may go ahead with creation of new DRTs only if the existing DRTs are not capable of speedy disposal of cases
			Substitute:
			Government should undertake a thorough review of the pendency

1	2	3	4
			of cases in DRTs, vacancies in the existing DRTs and go ahead with creation of new DRTs where required.
35	53	5	*For:*
			They Desire that the Government/ RBI should advise banks to
			Substitute:
			They desire that the Government/ RBI should ensure that the banks are able to.
			For:
		9 to 12	The RBI should also ensure strict adherence of its guidelines by banks so that they (banks) do not deviate from the mandatory level of disbursement of credit to agriculture and weaker sections.
			Substitute:
			The Government should evolve an effective mechanism to ensure that RBI's guidelines are strictly adhered to and banks do not deviate from the mandatory level of disbursement of credit to agriculture and weaker sections.
41	61	5	*Add: (After "Government thereon")*
			The Government should also consider making public the report of the Expert Group.
	42 to 52	62 to 76	*Delete:*
			The Para Nos. 62 to 76 on/relating to the Department of Economic

1	2	3	4
			Affairs—External Financial Resource Mobilisation of Indian Companies and Losses of Public Sector General Insurance Companies in Motor Third Party portfolio. Renumber the subsequent paragraphs accordingly.
56	85&86		*Delete and insert the following in the new para 70:*
			The Committee express concern over the fact that the Government has postponed the fiscal correction programme as envisaged by the FRBM Act. The Committee note the Government's explanation and are not inclined to accept the plea given that the targeted reductions in deficits could not be adhered to because of the implementation of TFC award.
63	94	6	*For:*
			(i) laid before Parliament for approval the Committee are given to understand.
			Substitute:
			discussed in Parliament, the Committee are given to understand
			(ii) The following may be added in the end:
			The Committee recommend that the preparation of white paper on Disinvestment may be expedited so that it is laid before Parliament during the Monsoon session, 2005.
	95		*Delete:*

1	2	3	4
68	104	13 to 19	*For:* For instance, since the Government has opted out of strategic sale as the preferred mode of disinvestment, there can be doubt on whether the accruals to the fund and the income thereon would be substantial for funding social welfare programmes and schemes meaningfully. The Committee, therefore, expect the Government to make its policy clear on the means relating to managing the fund and ensuring adequate returns from the fund. *Substitute:* The Committee also recommend that the accruals of disinvestment proceeds to the National Investment Fund should be utilised in entirety for investment in social sector projects and for meeting the capital expenditure of Public Enterprises.