67

STANDING COMMITTEE ON FINANCE (2007-08)

FOURTEENTH LOK SABHA

MINISTRY OF FINANCE

(DEPARTMENTS OF ECONOMIC AFFAIRS, EXPENDITURE, FINANCIAL SERVICES AND DISINVESTMENT)

DEMANDS FOR GRANTS (2008-09)

SIXTY-SEVENTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

April, 2008/*Chaitra*, 1930 (*Saka*)

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(2008-09)

Presented to Lok Sabha on 16.4.2008
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LOK SABHA SECRETARIAT
NEW DELHI

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4. Shri Shyama Charan Gupta
5. Shri Vijoy Krishna
6. Shri A. Krishnaswamy
7. Dr. Rajesh Kumar Mishra
8. Shri Bhartruhari Mahtab
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19. Shri Suresh Prabhakar Prabhu#
20. Vacant
21. Vacant

#Nominated to this Committee *w.e.f.* 24.3.2008.

Rajya Sabha

22. Shri Raashid Alvi
23. Shri M. Venkaiah Naidu
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SECRETARIAT

1. Dr. (Smt.) P.K. Sandhu	—	*Additional Secretary*
2. Shri A. Louis Martin	—	*Joint Secretary*
3. Shri A.K. Singh	—	*Director*
4. Shri Srinivasulu Gunda	—	*Deputy Secretary-II*

*Nominated to this Committee *w.e.f.* 6.9.2007 *vice* Shri Yashwant Sinha.

INTRODUCTION

I, the Chairman, Standing Committee on Finance (2007-08), having been authorised by the Committee to present the Report on their behalf, present this Sixty-Seventh Report of the Standing Committee on Finance (2007-08) on the 'Demands for Grants (2008-09) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment)'.

2. The Committee took oral evidence of the representatives of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) on 26th March and 4th April, 2008.

3. The Committee considered and adopted the Report at their sitting held on 10th April, 2008. Minutes of the related sittings are given in Appendix to the Report.

4. The Committee wish to express their thanks to the representatives of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the Demands for Grants (2008-09).

NEW DELHI;
11 *April,* 2008
22 *Chaitra,* 1930 *(Saka)*

ANANTH KUMAR,
Chairman,
Standing Committee on Finance.

PART I

BACKGROUND ANALYSIS

CHAPTER I

IMPLEMENTATION OF THE COMMITTEE'S RECOMMENDATIONS

The 51st Report of the Standing Committee on Finance (Departments of Economic Affairs, Expenditure and Disinvestment) on 'Demands for Grants – 2008-09' was presented to Lok Sabha on 28th April, 2007 and laid in Rajya Sabha on 3rd May, 2007. The Report contained 13 recommendations/observations.

1.2 In compliance of the Direction 73—A of the Directions by the Speaker, the Minister of Finance made a statement in the House on 4th December, 2007 giving the status of implementation of various recommendations/observations made by the Committee in their 51st Report. An analysis of the Minister's statement showed that 7 recommendations have been accepted by the Government. Out of these, 6 recommendations were found implemented by the Government.

1.3 On the basis of Action Taken Replies received from the Ministry of Finance (Departments of Economic Affairs, Expenditure and Disinvestment) on the above mentioned Report, the Committee presented their 59th Report (Action Taken Report) to the Parliament on 4th December, 2007. The Committee in their 59th Report have commented on the action taken replies furnished by the Ministry in respect of recommendations contained in the 51st Report at Para Nos. 21-23, 47-49, 58-59, 70-73, 98 & 130-131. 7 recommendations/ observations at Para Nos. 21-23, 58-59, 87-89, 96-98, 103-104, 110-111 & 137-138 were accepted by the Ministry. Recommendations/Observations at Para nos. 47-49, 70-73 & 130-131 were reiterated by the Committee as the replies of the Ministry thereon were not found satisfactory by the Committee.

CHAPTER II

BUDGETARY ALLOCATION

2.1 The Ministry of Finance is responsible for the administration of the finances of the Central Government. It is concerned with economic and financial matters affecting the country as a whole, including mobilization of resources for development. It regulates the expenditure of the Central Government, including the transfer of resources to States. This Report deals with four out of five Departments under the Ministry of Finance. Matters relating to one Department *viz*. Department of Revenue and four Demands for Grants concerning the Department are dealt with in a separate report.

2.2 The Ministry of Finance is responsible in all for 14 Demands for Grants, which were laid on the Table of the House on 14 March, 2008. The Outcome Budget of the Ministry for 2008-09 was laid on the Table of the House on 19 March, 2008.

(A) Department of Economic Affairs

2.3 Of the fourteen Demands, the Department of Economic Affairs (DEA) deals with four Demands. These are: (i) Demand No. 31, Department of Economic Affairs, (ii) Demand No. 34, Appropriation—Interest Payments, (iii) Demand No. 36, Loan to Government Servants etc., and (iv) Demand No. 37, Appropriation—Repayment of Debt. The DEA Demands for Grants predominantly cover interest payments and repayment of debt, which in fact comprise 99.7 percent of the total demand.

2.4 The total Budget (Gross) provision projected is Rs. 19,58,123 crore which is 75.5 percent of the total Budget (Gross) of Government of India (Rs. 25,92,391 crore). Out of this, Rs. 2,07,465 crore is provided for interest payments and Rs. 17,45,574.44 crore is for Repayment of Debts. Both these account for 99.7% of the provision for the above Demands. Rs. 1,639.90 crore is provided under Plan and Rs.19,56483.52 crore is provided under Non-Plan, in these four Demands.

(i) Demand No. 31: Department of Economic Affairs

2.5 Total Budget Provision for 2008-09 is Rs. 4,723.96 crore. The break-up is for Plan Rs. 1,639.90 crore and Non-Plan is Rs. 3,084.06 crore.

2.6 The Budget provision caters to the Secretariat expenditure of Department of Economic Affairs, National Savings Institute and its network of regional offices; transfer to Central Road Fund; Contribution to Railway Safety Works; Grants to economic research oriented Institutes; Subsidy to Railways towards dividend reliefs and other concessions; reimbursement of losses on operating strategic Railway lines; Interest equalization support to EXIM Bank of India under the Indian Development & Economic Assistance Scheme. The provision also includes purchase of coins from Security, Printing and Minting Corporation of India Ltd. This Demands also provides for viability gap funding (VGF) to infrastructure projects.

(ii) Appropriation No. 34 (covers interest payments):

2.7 Interest Payments cover payment of interest on government securities and securities issued to RBI, other internal debt, external debt of Government of India, State Provident Funds, Insurance and Pension Funds, Special Deposits with the Government and payments on account of other obligations.

(iii) Demand No. 36 (loans to government servants):

2.8 Loans to Government Servants etc. provide for grant of loans and advances to Government Servants for House Building, Purchase of Motor Vehicles, Conveyances Computers etc. A provision of Rs. 360 crore has been made under non-Plan.

(iv) Appropriation No. 37 (Repayment of debt):

2.9 Repayment of Debts is a charged expenditure. This caters to the repayment of borrowings of the Central Government both internal and external as well as for discharge of government securities of different maturities, ways and means advances, etc.

(b) Department of Expenditure

2.10 The Department of Expenditure oversees the expenditure management in the Central Ministries and Departments through the interface with the Financial Advisors. The overall coordination of the Outcome Budget of different Ministries/Departments, release of funds to State Governments for implementing developmental works and matters relating to Central Plan are the important activities of the Department which provide the entire canvass of developmental activity of the Central Government.

2.11 One of the main functions of the Department of Expenditure is to appraise projects which come before the Expenditure Finance Committee and the Public Investment Board.

2.12 There are three Demands directly administered by the Department of Expenditure. The most important Demand is Demand No. 35 which is about transfers to States and Union Territories. The other Demand is Demand No. 38 about administrative expenditure of the Department of Expenditure and Demand No. 39 which relates to pensions. Demand No. 35 which is the most important Demand of the Department of Expenditure relates to the two main transfers. One is the Central Assitance to States for Plans and the other one is the Grants to States under the proviso of Article 275 (1) of the Constitution on the recommendations of the Finance Commission. These are known as the Finance Commission Grants. The BE of 2007-08 for State Plan Grants and Finance Commission Grants which are the two main items in the Department of Expenditure, was Rs. 63,961 crore.

2.13 Demand No. 38 deals with the administrative expenditure of the Department of Expenditure which comprises the Department of Expenditure, Central Pension Accounting Office, Controller General of Accounts, Pay and Accounts Office.

2.14 Demand No. 39 is about pension which is payment of pension and gratuity to civilian pensioners.

(c) Department of Financial Services

2.15 With effect from 28.6.2007 the erstwhile Banking and Insurance Division of the Department of Economic Affairs, Ministry of Finance has become a separate Department namely, the Department of Financial Services (DFS).

2.16 In respect of the demands of the Department, there are two Demands, Demand nos. 32 and 33. In Demand no. 32, the total provision is Rs. 10072.87 crores. Of this, Rs. 7263.64 crores is under revenue and the rest is under capital. The main provisions under revenue section are Rs. 640 crores of Government's contribution which goes towards debt ridden farmer States of Andhra Pradesh, Karnataka, Kerala and Maharashtra.

2.17 Under the capital head, Rs. 594.87 crores is for recapitalisation of 87 regional rural banks and Rs. 200 crores for equity support in the infrastructure financial companies. Rs. 1400 crores have been provided for acquisition of RBI stake by NABARD. A sum of Rs. 10 thousand crores is being transferred to a fund called the Debt Farmers Debt Relief Fund, in 2007-08, for the implementation of debt relief scheme for the farmers as per the Budget announcement.

2.18 A sum of Rs. 100 crores is being released in 2007-08 as equity capital of Irrigation and Water Resources Finance Corporation (IWRFC), a new initiative announced in the Budget. In respect of Demand No. 33, most of the provision made is for secretarial assistance.

(d) Department of Disinvestment:

2.19 Demand No. 44 pertains to the Department of Disinvestment. This demand is for provision for the establishment related expenditure of the Secretariat and meeting the expenditure of consultancy fees etc.

2.20 In the year 2007-08, the estimated Capital Receipts on account of disinvestment of Government CPSEs was projected as Rs. 1651 crore in the Budget. As against this, the Government realized a sum of Rs. 994.82 crore from the sale of 10% equity of Power Grid Corporation of India Ltd. (PGCIL) and this amount has already been channelised into the National Investment Fund (NIF). The Initial Public Offering plus Offer for Sale of 10% of equity of Rural Electrification Corporation of India Ltd. (REC) has yielded Rs. 819.63 crore.

2.21 The proposed budgetary allocations for the year 2008-09 for all these Demands for Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment are as under:—

Budgetary allocations for the year 2008-09

(In crores of Rs.)

	Total (Revenue & Capital)			Charged			Voted		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Demand No.31	1639.90	3084.06	4723.96	—	—	—	1639.90	3084.06	4723.96
Demand No.32	1900.00	8172.87	10072.87	—	—	—	1900.00	8172.87	10072.87
Demand No.33	—	60.00	60.00	—	—	—	—	60.00	60.00
Demand No.34	—	207465.02	207465.02	—	207465.02	207465.02	—	—	—
Demand No.35	46413.34	44929.92	91343.26	3867.50	35392.42	39259.92	42545.84	9537.50	52083.34
Demand No.36	—	360.00	360.00	—	—	—	—	360.00	360.00
Demand No.37	—	1745574.44	1745574.44	—	1745574.44	1745574.44	—	—	—
Demand No.38	10.00	37.86	47.86	—	—	—	10.00	37.86	47.86
Demand No.39	—	7966.14	7966.14	—	35.38	35.38	—	7930.76	7930.76
Demand No.44	—	2351.00	2351.00	—	—	—	—	2351.00	2351.00

CHAPTER III

DEPARTMENT OF ECONOMIC AFFAIRS

A. Under utilization of funds

(i) Grants-in-Aid

3.1 The expenditure under this head is mainly meant for various economic research oriented institutions and to support overall general and imaginative promotion of India, its trade, and faster techno-economic and intellectual cooperation with other countries, World Bank grant to improve preparation and appraisal of Public Private Partnership and the operation of Viability Gap Fund – External Aided component, Development Assistance, Grants-in-Aid to Pension Fund Regulatory and Development Authority, creating Institutional Strengthening and Capacity Building of Aid, Accounts and Audit Division, creating Institutional Capacity for Reforming India's Pension System.

3.2 The budgetary allocations (Non-plan) and actual expenditure under this Head during the last three years are as shown below:—

(Rupees in crores)

Year	BE	Actual	Shortfall	Shortfall in Percentage terms
2005-06	109.70	55.11	54.59	50%
2006-07	223.17	11.70	211.47	95%
2007-08	47.36	3.92	43.44	92%
2008-09	8.41			

3.3 Asked about the reasons for wide variation in BE, RE and actuals during the last three years, the Ministry of Finance furnished following reply:—

"At RE stage the provision made for Technical and Economic Cooperation with other countries, Development Assistance was reduced to Rs. 71.70 crore, from 100.00 crore at BE, due to less requirement indicated in respect of interest equalization support to EXIM Bank/other concessional lines. Thus the Actual is also less, as less number of claims were received from EXIM Bank in respect of interest equalization support etc.

The reason for decrease in RE and actual was that the original provision was meant for various activities to be undertaken envisaged under the newly launched India Development Initiative (IDI) scheme. However, this scheme could not take off in a full-fledged manner. It also includes less number of receipts of claims from EXIM Bank of India in connection with payment of interest equalization support for concessional lines of credit extended to foreign Government by the Bank and transfer of fund as subsidy under Major Head-3475.00.800.73 – Interest equalization support to EXIM Bank of India."

3.4 While furnishing reasons for drastic cut in allocations, the Ministry of Finance submitted the following in their written reply:—

"The reasons for drastic cut in revised allocation in 2007-08 is due to revision of the budget provision in accordance with the expenditure incurred up to September, 2007. The Indian Development and Economic Assistance Scheme (IDEAS) could not be carried out in full fledged manner as approvals of CNE was not obtained. Moreover, for Research Institution the less provision was required.

The reason for showing drastic cut in budgetary allocation 2008-09 is due to funds allocated to Pension Fund Regulatory and Development Authority and creating Institutional Capacity for Reforming India's Pension System (Externally Aided Component) is being shown under Demand No. 33 – Department of Financial Services."

(ii) Investment Commission – Office Expenses

3.5 This head includes expenses like Office Furniture, Post and Telephone, Courier Services, Maintenance of office equipments/ furniture, stationery and meeting day-to-day expenses etc. Investment Commission, initially constituted by the Department of Economic Affairs, was placed to work under the Department of Disinvestment. No budgetary provision, in respect of Investment Commission, was made either in the Department's budget at budgetary stage during the year 2005-06. Therefore, provision for funds for this purpose was made in the RE 2005-06.

3.6 The budgetary provision (Non-plan) made for this Head and actual expenditure during the last three years is as follows:—

(Rupees in crores)

Year	BE	RE	Actual	Shortfall	Shortfall in terms of percentage
2005-06	—	0.20	0.06	0.14	75%
2006-07	0.20	0.12	0.01	0.19	95%
2007-08	0.15	0.15	0.05	0.10	67%
2008-09	0.15				

3.7 On being asked about the reasons for unutilisation of funds during the year 2005-06 and 2006-07, the Ministry furnished following reply:—

> "The budget provision for funds for Investment Commission was made in at the RE 2005-06 stage and funds were received in the last quarter of the financial year, hence, it remained unutilized. Allocation for BE 2006-07 was based on RE 2005-06. As there was no claim, the provision was reduced at RE stage."

3.8 Explaining further the reasons for lower utilization of funds in the year 2007-08, the Ministry stated as under:—

> "This is attributable to the Investment Commission operating out of Shri Ratan Tata's Office in Mumbai and utilizing the services of outsourced professional consultants. The Investment Commission has not claimed any bills for the administrative expenses."

3.9 Asked about the reasons for hike in budgetary allocations by about four times during the year 2007-08, the Ministry furnished following reply:—

> "The budgetary allocation for the year 2007-08 has been done on the request of Investment Commission."

B. Transparency in Revenue and Fiscal deficits

3.10 The data regarding subsidies given by the Central Government for food, fertilizer and petroleum during the last five years are as under:—

Subsidies of the Central Government

(Rs. in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07 (R.E.)
1. Food subsidy	**24176**	**25181**	**25798**	**23077**	**24204**
2 . Fertilizers subsidy	**11015**	**11847**	**15879**	**18460**	**22452**
(i) Indigenous (Urea) fertilisers	7790	8521	10243	10653	11400
(ii) Imported (Urea) fertilisers	-	-	494	1211	2704
(iii) Sale of decontrolled fertilizers with concession to farmers	3225	3326	5142	6596	8348
3. Petroleum subsidy	5225	**6351**	**2956**	**2683**	**2785**

Source: Expenditure Budget Volume 1, 2007-08 (Union Budget)

3.11 To a specific query as to whether the bonds issued to finance the subsidies on fertilizer, food and petroleum are accounted for in the Budget, the Ministry of Finance stated in a written reply as under:—

(i) Bonds issued to fertilizer, food and fuel form part of the budget in both Annual Financial Statement and Demands for Grants/Supplementary Demands for Grants presented to Parliament. However, these transactions do not impact the Fiscal and Revenue deficits, since there is no cash outgo due to matching receipts taken in lieu of issue of securities/bonds. The securities/bonds, however, form a part of the liabilities of the Government and are serviced through approved rates of interest, till they are discharged in the year of redemption. With the Government accounts following cash basis of accounting, the transactions on account of securities/bonds issue do not cause cash outgo in the year of issue of these bonds/securities. The interest liabilities arising out of such liabilities on bonds/securities impact the Revenue/Fiscal deficits of the years, till they are discharged in the year of redemption. The liabilities of Government are reflected in Statement 12 of the Union Government Finance Accounts (Statement of Debt and Other interest bearing Obligations of Government).

(ii) The details of such bonds issued for food, fertilizer and fuel during the last five years are indicated in the Table below:

(Rs. in crore)

Year	Fertilizer	Food	Fuel
2007-08	7500.00	—	20553.84
2006-07	—	16200.00	24122.28
2005-06	—	—	17262.85
2004-05	—	—	—
2003-04	—	—	348.63

Source: Union Government Finance Accounts for the respective years.

3.12 Explaining further efforts to incorporate the liabilities in the Budget in transparent manner, the Ministry submitted *inter-alia* as under:—

(i) Year-wise details of bonds/securities issued in the last five years as appearing in the Union Government Finance Accounts, GDP in absolute and percentage terms are brought out in the following Table:—

(Rs. in crore)

Year	Total Amount of Bonds/Securities issued	#GDP for the year	Bonds/Securities as percentage of GDP
2007-08	38,049.85	46,93,602	0.81
2006-07	40,361.85	41,45,810	0.97
2005-06	18,357.86	35,80,344	0.51
2004-05	10,038.45	31,49,412	0.32
2003-04	3,875.52	27,54,621	0.14

GDP numbers from 2004-05 onwards are from latest CSO press release as it is Union Government Finance Accounts 2007-08 is still under compilation.

3.13 The Finance Secretary while deposing before the Committee in connection with the examination of Demands for Grants (2008-09) of the Ministry of Finance (Departments of Economic Affairs, Financial Services, Expenditure and Disinvestment) stated on 26th March, 2008, *inter-alia,* as follows:—

> "Our estimate at this moment is that this can be financed as a part of the regular Budget. The larger question is a very valid question, why we are not showing it above the line, or why we are not being transparent. I have no credible answer for that. I must say that there is no credible answer. We started showing that below the line some time ago and that practice is continuing. This year because this is a close Committee, I want to tell the hon. Members that the Finance Minister did consider putting these above the line. But then the question came up that suddenly if we make an abrupt transition from what is below the line to above the line, in comparison when people make an analysis, they would not do a correlation. The standard thing would have been to show this as revenue expenditure, whatever is the oil subsidy or the food subsidy or fertilizer subsidy financed by bonds, which is debt. That would have shown both revenue and fiscal deficits as going up. We are not doing that. However, as a beginning, we have shown this liability in the Budget at a Glance for the first time. I think as you have suggested, we will get on to a path of transparency."

C. Appointment of independent directors of PSUs

3.14 Clause 49 of the Listing Agreement relates to corporate governance norms. Clause 49(1)(A) which deals with composition of Board of Directors, has following provisions with regard to composition of Board:—

(i) The Board of Directors of the company shall have an optimum combination of executive and non-executive directors with not less than fifty per cent of the Board of Directors comprising of non-executive directors.

(ii) Where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise of independent directors and in case he is an executive director, at least half of the Board should comprise of independent directors.

(iii) For the purpose of the sub-clause (ii), the expression 'independent director' shall mean a non-executive director of the company who:

(a) apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the director;

(b) is not related to promoters or persons occupying management positions at the board level or at one level below the board;

(c) has not been an executive of the company in the immediately preceding three financial years;

(d) is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:

    (i) the statutory audit firm or the internal audit firm that is associated with the company, and

    (ii) the legal firm(s) and consulting firm(s) that have a material association with the company.

(e) is not a material supplier, service provider or customer or a lessor or lessee of the company, which may affect independence of the director; and

(f) is not a substantial shareholder of the company *i.e.* owning two percent or more of the block of voting shares.

Explanation

For the purposes of the sub-clause (iii):

(a) Associate shall mean a company which is an "associate" as defined in Accounting Standard (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India.

(b) "Senior management" shall mean personnel of the company who are members of its core management team excluding Board of Directors. Normally, this would comprise all members of management one level below the executive directors, including all functional heads.

(c) "Relative" shall mean "relative" as defined in section 2(41) and section 6 read with Schedule IA of the Companies Act, 1956.

(iv) Nominee directors appointed by an institution which has invested in or lent to the company shall be deemed to be independent directors.

Explanation:

"Institution' for this purpose means a public financial institution as defined in Section 4A of the Companies Act, 1956 or a "corresponding new bank" as defined in section 2(d) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 or the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 [both Acts]."

3.15 It is reported that 22 listed public sector undertakings have failed to comply with the requirement of the Clause 49(1)(A) of the Listing Agreement which requires listed companies to appoint the required number of independent directors on their Boards.

3.16 The revised Clause 49 of the Listing Agreement on Corporate Governance came into effect on 1st January, 2006. According to the Annual Report of the Ministry of Finance, the first compliance reports which were due for quarter ended March 31, 2006 have since been received from the Stock Exchanges. Of the number of companies to whom corporate governance is applicable, 93 per cent listed on NSE and 62 per cent on BSE has reportedly submitted their reports for the quarter ended June 30, 2006 and 84 per cent on NSE and 68 per cent on BSE have complied with most of the provisions of Clause 49.

3.17 In reply to a query on compliance of corporate governance norms by companies, the Department of Economic Affairs (DEA) has furnished following reply:—

> "SEBI has informed that it has initiated adjudication proceedings against 20 companies for non-compliance with corporate governance norms prescribed in the listing agreement."

3.18 Regarding details of non-compliant PSUs and action taken against them, the DEA informed as under:—

> "As per information received from the National Stock Exchange of India Limited (NSE), based on the reports submitted by the companies for the quarter ended December 31, 2007, 22 listed

Public Sector Undertakings (PSUs) are non-compliant with the provisions of Clause 49 1(A) of the listing agreement, which deals with composition of the Board of Directors of a company.

The Stock Exchanges submit a consolidated compliance report to SEBI on the individual reports received from respective companies listed with them. From the reports submitted by the major Stock Exchanges (BSE and NSE), it was proposed that at the end of quarter ended March 31, 2007, a comprehensive review of the compliance level might be undertaken and action initiated only against some companies who are repeatedly non-compliant with the provisions of Clause 49 of the listing agreement, selected on the basis of market capitalization. It was felt that this approach, while giving the companies sufficient awareness and time to comply with the listing requirements, would also have demonstrative effect.

Accordingly, after analyzing the compliance reports received from the Stock Exchanges, and applying the selection criteria of market capitalization, adjudication proceedings were initiated against 5 PSUs."

3.19 When asked about the reasons for non-compliance and for how long, the Ministry furnished following written reply:—

"Most of the non-compliant companies are Public Sector Undertakings where the Board is constituted by the Government. The respective companies have taken up with the respective departments of the Government for constitution of the Board, in compliance with Clause 49(A) of the Listing Agreement. These companies would remain non-compliant till the respective departments of the Government constituted the Board accordingly."

3.20 Responding to a query as to whether the SEBI has extended time for compliance of Clause 49A, the DEA stated as follows:—

"No SEBI has not extended time for compliance with Clause 49 1(A). The revised Clause 49 of the listing agreement came into effect from January, 2006."

CHAPTER IV

DEPARTMENT OF FINANCIAL SERVICES

A. Credit Flow to Priority Sector

(i) Credit Flow to Agriculture

4.1 Domestic scheduled commercial banks both in public and private sector as mandated by RBI are required to lend 18% of Adjusted Net Bank Credit (ANBC) to agriculture.

4.2 The data on direct and indirect advances to agricultural sector by public and private sector banks as reported in various issues of Trend and Progress of Banking in India, published by RBI is as below:

(in percentage of net bank credit)

	Public Sector Banks			Private Sector Banks		
Year	Direct	Indirect	Total	Direct	Indirect	Total
March, 2003	10.84	4.54	15.34	6.28	8.06	10.78
March, 2004	11.08	4.33	15.41	7.81	8.00	15.81
March, 2005	11.52	4.16	15.68	7.59	5.82	12.09
March, 2006	11.00	4.30	15.20	9.00	5.60	13.50
March, 2007*	11.2	4.40	15.60	8.32	7.14	12.82

*Provisional

4.3 In response to a query as to the reasons for lower credit disbursements by banks to agriculture *vis-a-vis* stipulated targets, the Ministry of Finance (Department of Financial Services) in a written reply stated *inter-alia* as under:—

1. Non–completion of formalities by the borrowers due to lack of literacy;
2. Lack of coordination between banks and Government Sponsoring Agencies;
3. Lack of awareness of the guidelines of the scheme among the officials of both banks and Government Sponsoring Agencies;

4. Bunching of applications and their submission by the Sponsoring Agencies at the fag end of the year;
5. Non-receipt of subsidy/delay in receipt of subsidy;
6. Lack of forward and backward linkages;
7. Absence of fixed place of business/address of the applicant;
8. Poor recovery under the schemes;
9. Poor sponsoring of applications; and
10. Diversion of funds by the borrowers for their high consumption needs.

4.4 In written reply to a query as to the status on the achievement or otherwise of the target for lending to priority sector in general and agriculture in particular by public and private sector banks, the Ministry furnished the data at the end of March, 2007, as shown below:—

Sl.No.	Name of bank	Overall	Agriculture
1	2	3	4
	Public Sector Banks Nationalised Banks*		
1.	Allahabad Bank		√
2.	Andhra Bank	√	√
3.	Bank of Baroda	√	
4.	Bank of India	√	√
5.	Bank of Maharashtra	√	
6.	Canara Bank	√	
7.	Central Bank of India	√	
8.	Corporation Bank	√	
9.	Dena Bank	√	
10.	Indian Bank	√	√
11.	Indian Overseas Bank	√	√
12.	Oriental Bank of Commerce		
13.	Punjab National Bank	√	√

1	2	3	4
14.	Punjab & Sind Bank	√	
15.	Syndicate Bank		
16.	Union Bank of India	√	
17.	United Bank of India	√	
18.	UCO Bank	√	
19.	Vijaya Bank	√	
20.	IDBI Bank Ltd.		
	State Bank Group		
21.	State Bank of India		
22.	State Bank of Bikaner & Jaipur	√	√
23.	State Bank of Patiala		
24.	State Bank of Hyderabad	√	
25.	State Bank of Mysore		
26.	State Bank of Saurashtra	√	√
27.	State Bank of Travancore	√	
28.	State Bank of Indore	√	

* : Includes data for IDBI Ltd.
√ : Includes meeting the respective norm for priority sector.

Sl. No.	Name of Bank	Overall	Agriculture
1	2	3	4
	Private Sector Banks		
1.	Axis Bank	√	
2.	Bank of Rajasthan	√	
3.	Bharat Overseas Bank		
4.	Catholic Syrian Bank	√	
5.	Centurion Bank of Punjab	√	

1	2	3	4
6.	City Union Bank		
7.	Development Credit Bank	√	
8.	Dhanalakshmi Bank	√	
9.	Federal Bank	√	
10.	Yes Bank	√	
11.	HDFC Bank	√	
12.	ICICI Bank	√	
13.	Indusind Bank	√	
14.	ING Vysya Bank	√	
15.	Jammu & Kashmir Bank	√	
16.	Karnataka Bank		
17.	Karur Vysya Bank		
18.	Kotak Mahindra Bank	√	
19.	Lakshmi Vilash Bank	√	
20.	Lord Krishna Bank	√	√
21.	Nainital Bank	√	
22.	Ratnakar Bank	√	
23.	Sangli Bank	√	
24.	SBI Commercial & International Bank	√	√
25.	South Indian Bank	√	
26.	Tamilnadu Mercantile Bank	√	

4.5 On the measures taken by the Government/RBI to increase/achieve the targeted level of credit flow to agriculture, the Ministry in a written reply furnished *inter-alia* as follows:—

"(a) As recommended by the Advisory Committee on Flow of Credit to Agriculture and Related Activities from the Banking System (Vyas Committee), in order to improve the flow of credit to small and marginal farmers (which form part of the weaker sections), the public sector banks were advised in 2004 to make efforts to increase their disbursements to small and marginal farmers to 40% of their direct disbursements under the Special Agricultural Credit Plan(SACP) by March, 2007. The PSBs have disbursed Rs. 40,965 crores during 2006-07, which works out to 44.68% of direct credit under SACP.

(b) With a view to bringing distressed persons into the fold of formal financial system, banks have been advised that they may grant loans to distressed persons to prepay their debt to non-institutional lenders, against appropriate collateral or group security. Such loans are eligible to be classified under Weaker Section category within the priority sector.

(c) One Time Settlement (OTS) Scheme for Small and Marginal Farmers: Banks were advised to 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 and have become ineligible for fresh credit. On settlement, these farmers would become eligible for fresh finance."

4.6 In written response to a query as to why most of the private sector banks were unable to achieve agricultural lending targets, the Ministry stated as under:—

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

(b) inadequate rural branch network of some of the banks;

(c) write-off of non-performing loans leading to reduction in the outstanding advances in the case of some banks;"

4.7 The Ministry (Department of Financial Services) has informed that the commercial banks are encouraged to lend to agriculture as the shortfall in their agriculture lending is required to be compensated by a proportional funding to the Rural Infrastructure Development Fund (RIDF) where the rate of interest is comparatively very low. The rate of interest payable on the deposits under RIDF had been made inversely proportional to their shortfall in agriculture lending from RIDF VIII (2003-04) onwards. In other words, higher the shortfall, lower the rate of interest on the deposits under RIDF. Presently, the rate of interest payable to banks is ranging from 3 to 6%. In case banks are able to lend to agriculture directly, they can earn higher interest. It is, therefore, a **loss making proposition** for banks rather than an incentive to contribute money as RIDF deposits.

4.8 In written reply to a query as to whether the banks are asked to contribute entire shortfall in lending to agriculture to RIDF and the total amount of such contribution to RIDF by these banks for the last three years, the Ministry in a written reply stated as follows:—

> "The bank-wise allocation of contribution under RIDF is decided by RBI based on the shortfall in the lending to the priority sector and/or agriculture sector by the Domestic Scheduled Commercial Banks, in the public as well as private sector, as on the last reporting Friday of March, of the preceding year. The percentage of shortfall to be contributed to RIDF is distributed amongst Banks by RBI as per the corpus of RIDF announced by the Government. Banks deposit funds as per the demands made by NABARD based on the utilisation by State Governments under RIDF."

4.9 Regarding the basis of allocation to RIDF, the Government in their written reply stated *inter-alia* as under:—

> "50% of the corpus shall be allocated among the domestic commercial banks having shortfall in lending to priority sector target of 40% of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever, is higher, on a *pro-rata* basis. The balance 50% of the corpus shall be allocated among the banks having shortfall in lending to agriculture target of 18% of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever, is higher, on a *pro-rata* basis. The amount of contribution by banks to a particular tranche of RIDF will be decided in the beginning of the financial year.
>
> …The corpus is allocated amongst the banks in proportion to their shortfall in priority sector targets and agriculture lending targets. The actual contribution to the corpus is made by the banks as and when the demand is placed on the banks depending upon the utilisation of the funds by the State Governments. Since the State Governments are normally allowed up to 6 years to implement a project under RIDF, the banks are called upon to contribute to the RIDF over a period of 6 years."

4.10 Details of year-wise and tranche-wise amount contributed to RIDF by public and private sector banks during the years 2004-05 to 2007-08 (up to 31.01.2008) are given in the table below:—

(Rs. Crore)

Year	Tranche	Corpus	Amount Sanctioned upto 31.1.08	Amount deposited by banks upto 31.1.08	Gap in Utilisation
2004-05	X	8,000	8,075.80	5,318.29	2,681.71
2005-06	XI	8,000	8,424.09	3,916.67	4,083.33
2006-07	XII	10,000	10,458.85	2,685.14	7,314.86
	Bharat Nirman	4,000	4,000	1,548.08	2,451.92
	Sub-Total	14,000	14,458.85	4,233.22	9,766.78
2007-08	XIII	12,000	10,562.01	428.51	11,571.49
	Bharat Nirman	4,000	4,000	0.00	4,000
	Sub-Total	16,000	14,562.01	428.51	15,571.49

The validity of sanctioned project in RIDF is normally three years. However, due to slow progress of the schemes and drawal by the States the implementation is normally delayed and sometimes even extends beyond six years. Hence, in the first two years, the utilisation is slow, picking up only during the third and subsequent years of the project. Due to this reason the contribution from banks seem less for RIDF XIII than RIDF XI.

4.11 The details of shortfall in lending to agriculture and contribution to RIDF by public and private sector banks (group-wise) for the last three years (year-wise), both in absolute terms as well as percentage of total shortfall in lending to agriculture, are as follows:

(Rs. Crore)

Year	Tranche	Corpus	Public Sector Banks				Private Sector Banks			
			Shortfall in Agriculture lending	Contri-bution to RIDF	Difference	% age	Shortfall in Agriculture lending	Contri-bution to RIDF	Difference	%
1	2	3	4	5	6	7	8	9	10	11
2004-05	X	8,000	17,411.53	4,262.86	13,148.67	24.48	6,752.99	1,055.43	5,697.56	15.63
2005-06	XI	8,000	21,967.01	3,153.29	18,813.72	14.35	9,792.10	763.38	9,028.72	7.80

1	2	3	4	5	6	7	8	9	10	11
2006-07	XII	10,000	25,199.13	2,046.63	-	-	11,428.68	638.51	-	-
	Bharat Nirman	4,000	-	1,122.36	-	-	-	425.72	-	-
	Sub-Total	14,000	-	3,168.99	22,030.14	12.58	-	1,064.23	10,364.45	9.31
2007-08	XIII	12,000	31,336.39	226.22	-	-	17,968.31	202.29	-	-
	Bharat Nirman	4,000	-	0.00	-	-	-	0.00	-	-
	Sub-Total	16,000	-	226.22	31,110.17	0.72	-	202.29	17,766.02	1.13

As the contribution to the corpus is made by the Banks over a period of 6 years depending on the utilisation of funds by the State Governments for implementation of their RIDF scheme, the experience has been that the contributions pick up substantially in the last 3 years. In RIDF VIII & IX, the contribution has been almost 91.45% & 79.95% of the corpus so far. These tranches are still not closed."

4.12 In written reply to a query as to why there is a difference between the shortfall in priority sector and agriculture lending, targets of domestic commercial banks and allocations under RIDF on the one hand and allocation and actual disbursement made by the banks to RIDF and other, the Ministry stated as under:—

"RBI allocates the amount of contribution to be made by a bank keeping in mind the corpus announced for RIDF. The corpus, which was Rs. 2,000 crore for RIDF I (1995-96) has gradually increased over the years to Rs. 12,000 crore for RIDF (XIII) during the year 2007-08. Besides, during the year 2007-08, Rs. 4,000 crore has also been allocated for Bharat Nirman taking the total allocation to Rs. 16,000 crore (eight times that of the year 1995-96). RBI allocates this corpus amongst the banks in proportion to their shortfall in priority sector targets and agriculture lending targets. Banks are required to contribute from their total shortfall to RIDF up to the corpus fixed each year. The corpus of RIDF is related to:—

(i) Annual borrowing ceiling of the State.

(ii) State Governments usually first borrow from collections under National Small Saving Schemes. Many of the State Governments resorted to prepayment of RIDF loan aggregating Rs. 7710 crore during the period February 2004-June 2005 since the prevailing market rates for borrowing were cheaper.

(iii) Actual contribution to the corpus by the banks happens when the demand is placed on the banks depending upon the utilisation of the funds by the State Governments. The routine in this regards is:

(a) After the announcement of the Corpus, State Governments prepare the projects and send to NABARD for sanction. So, in the first year, sanction related activities occur throughout the year with some minimal disbursement for pre-operation expenses only. In the subsequent years, drawal from the banks is dependent upon the progress and phasing of the implementation of the project by the State Governments.

(b) State Governments are normally allowed up to 6 years to implement a project under RIDF, the banks are called upon to contribute to the RIDF over a period of 6 years. This is why it has been observed that for the older tranches of RIDF, utilisation has been over 80% whereas in the newer tranches of RIDF, utilisation so far is lower since disbursements are still continuing based on the utilisation of funds by the States. The experience is that contributions of banks to RIDF corpus picks up substantially in the last three years of the six years' project cycle. The tranche-wise details of corpus, sanctions and disbursements under RIDF (as on 15 February 2008) are given in following table:—

(Amount Rs. crore)

Year	Tranche	Corpus	Sanctions	Deposits by Domestic Commercial Banks	Col. 5/3 x 100
1	2	3	4	5	6
1995-96	I	2,000	1,906.21	1760.87	88%
1996-97	II	2,500	2,636.08	2397.95	96%
1997-98	III	2,500	2,732.69	2453.53	98%
1998-99	IV	3,000	2,902.55	2482.00	83%
1999-00	V	3,500	3,434.52	3054.96	87%

1	2	3	4	5	6
2000-01	VI	4,500	4,488.51	4072.91	91%
2001-02	VII	5,000	4,582.32	4012.10	80%
2002-03	VIII	5,500	5,996.97	4948.72	90%
2003-04	IX	5,500	5,653.77	4408.28	80%
2004-05	X	8,000	8,075.80	5444.11	68%
2005-06	XI	8,000	8,424.09	3864.21	48%
2006-07	XII	10,000@	10,458.85	2844.77	28%
2007-08	XIII	12,000@	10,562.01	686.61	6%
Total		72,000	71,854.37	42431.02	59%

@ Excluding Rs. 4000 crore each for funding Bharat Nirman under RIDF XII & RIDF XIII.

The tranches upto VII have already been closed. However, State Governments can draw funds under RIDF VII upto 31 March 2008."

4.13 On the issue of interest rates payable to commercial banks on their deposits in RIDF, the Government/RBI in a written reply stated as follows:—

"With a view to encouraging the banks to enhance flow of credit to agriculture, interest rate on deposits with NABARD was linked to the percentage shortfall in agricultural lending. The interest rates on these deposits are linked to Bank Rate. The inversely proportional rates of interest to be paid to commercial banks at present are as under.

Shortfall in lending to agriculture in terms of percentage to Net Bank Credit (*i.e.* Target minus Achievement)	Rate of interest payable on the deposits to be made for RIDF (%)
Less than 2 percentage points	6 (Prevailing Bank Rate)
2 percent to 4.99 percentage points	5 (Prevailing Bank Rate minus 1%)
5 percent to 8.99 percentage points	4 (Prevailing Bank Rate minus 2%)
Above 9 percentage points	3 (Prevailing Bank Rate minus 3%)

4.14 When asked as to why the data on bank-wise allocations and deposits placed with RIDF is not included in the Trend and Progress of Banking in India, in a written reply furnished, the Ministry responded as under:—

"Inclusion of detailed statement on bank-wise allocations, demands raised by NABARD and deposits placed by banks with NABARD under various tranches of RIDF, in the Trend and Progress of Banking in India may be very cumbersome and unwieldy."

(ii) Commercial banks' lending to Weaker Sections

4.15 Domestic commercial banks as mandated by Reserve Bank of India are required to lend 10% of adjusted net bank credit to weaker sections.

4.16 The exposure of the private and public sector commercial banks to the weaker sections for the last five years is as under:—

(Rs. in crore)

Year	Public Sector Banks		Private Sector Banks	
	Outstanding Advances to Weaker Sections	% to Net Bank Credit (NBC)	Outstanding Advances to Weaker Sections	% to NBC
2002-03	32,703	6.74	1,380	1.7
2003-04	38,769	6.91	1,509	1.5
2004-05	55,016	7.67	1,938	1.2
2005-06	78,158	7.70	4,174	1.7
2006-07	94,285	7.16	5,229	1.6

Source: Public and Private Sector Banks

4.17 Asked about the reasons for lower credit disbursement by private sector banks to weaker section, the Ministry stated as below:—

"The reasons for not achieving the targets for lending to Agriculture and Weaker Sections by the public and private sector banks may be attributed to the following:

1. Non-completion of formalities by the borrowers due to lack of literacy;

2. Lack of coordination between banks and Government Sponsoring Agencies;

3. Lack of awareness of the guidelines of the scheme among the officials of both banks and Government Sponsoring Agencies;

4. Bunching of applications and their submission by the Sponsoring Agencies at the fag end of the year;

5. Non-receipt of subsidy/delay in receipt of subsidy;

6. Lack of forward and backward linkages;

7. Absence of fixed place of business/address of the applicant;

8. Poor recovery under the schemes;

9. Poor sponsoring of applications;

10. Diversion of funds by the borrowers for their high consumption needs; and

11. Non-achievement of agriculture lending target by many public and private sector banks is due to low capital formation in agriculture resulting in poor credit absorption and write-off of non-performing loans leading to reduction in the outstanding advances in the case of some banks".

4.18 Asked about the measures taken by RBI/Government to achieve fulfilment of target lendings by private sector banks, the Ministry *inter-alia* furnished following reply:

"The following measures have been taken by Government/Reserve Bank of India to increase and achieve the targeted level of lending to agriculture and weaker sections with the overall Priority Sector Lending by scheduled commercial banks:

(a) The Reserve Bank has been making concerted efforts to facilitate hassle-free credit delivery, improve customer service and reach banking services to all segments of the population. The Reserve Bank's broad approach to financial inclusion aims at 'connecting people' with the banking system for a range of services including savings, credit, money transfer and insurance. Financial inclusion is increasingly seen as a viable business model and opportunity, not just a social cause. In consonance with the above belief, the Reserve Bank has introduced a number of measures for helping banks to attract the financially excluded population to the structured financial system. In addition to the measures such as introduction of ‘no-frills’ accounts either with nil or very low minimum balances as well as charges; General Credit Cards (GCC) scheme; simplification of Know Your Customer procedure for opening accounts by low-income group; enhancing banks’ outreach by utilizing the services of civil society organizations, farmers’ clubs, NGOs, post offices etc., as business facilitators and business correspondents; etc. taken earlier, banks have been advised to set up financial literacy-cum-counselling centres, and extensively use ICT solutions for extending their outreach.

(b) Banks have been increasingly resorting to financing through SHGs, who form a part of Weaker Sections for increasing their micro finance portfolio. For the year 2007-08, the Union Budget envisaged to credit link a total number of 3,85,000 SHGs. As at the end of March 2007, cumulatively 29.25 lakh SHGs have been linked to banks and the total flow of credit to these SHGs was over Rs. 18,040.74 crore. Total bank loan during the year stood at Rs. 6643.2 crore, of which repeat loans to SHGs amounted to Rs. 3599.46 crore. Banks have provided loans to 6,86,408 new SHGs during the year 2006-07. (Source : NABARD)

(c) Further, Government of India, in the Union Budget 2007-08, has raised the limit of the loan under Differential Rate of Interest scheme from Rs. 6,500 to Rs. 15,000 and the limit of the housing loan under the scheme from Rs. 5,000 to Rs. 20,000 per beneficiary”.

4.19 In response to a query as to why the private sector banks whose exposure to lending to agriculture and weaker sections has been no way near the targets be denied the facility of collecting taxes on behalf of the Government, the Ministry (Department of Financial Services) in a written reply stated as under:—

“Priority Sector Lending targets are set to ensure channelizing the flow of credit to desired sectors of the economy through assistance from the banking system for the overall interest of the economy. Since economic situation in any particular time is dynamic in nature, target for actual achievement of the targeted credit by individual banks vary, given their own constrains and confronting economic and other situations. As a regulator of the overall monetary and fiscal policies, the RBI regulates the flow of sectoral deployment of credit under priority sector through Rural Infrastructure Development Fund (RIDF). Due to non-achievement of such stipulated target, banks are required to deposit a portion of their funds with the NABARD at a relatively lower interest proportionate to their shortfall in achieving the target.

Any administrative embargo on banks like debarring them from collecting taxes for non-achievement of target in a dynamic economic scenario would not be desirable and the present policy of deposit to the RIDF followed by the RBI as a regulator appears adequate."

4.20 Elaborating further on this point, the Ministry stated as below:—

"RBI had authorized four financial institution-promoted private sector banks *viz*., HDFC Bank Ltd., ICICI Bank Ltd., IDBI Bank Ltd.(now a public sector bank) and UTI Bank Ltd. as its agents for conduct of Government Business. While authorising these banks to handle Government business, in addition to financial parameters such as Profitability, CRAR, Net NPAs and Net Worth, the following eligibility norms were also taken into consideration:—

(i) The bank should be promoted by a Financial Institution,

(ii) Priority Sector lending to be fulfilled as prescribed by RBI from time to time (presently 40%). However, reaching a sub-target set for agricultural lending by RBI was not insisted upon as none of them had achieved the target for agricultural lending, and

(iii) Satisfactory implementation of Government schemes.

2. The private sector banks were authorized to conduct Government business envisaging the following benefits:—

- With their higher level of technology and fully computerized network, these banks would be able to provide better services with regard to collection of direct and indirect taxes;
- To bring about an element of competition in agency business;
- Better customer service;
- Faster settlement of funds and uploading of data;
- Quick remittances, etc.

3. RBI, after reviewing the performance of these banks in respect of providing assistance to weaker sections of society, participation in the Government sponsored schemes (*i.e.* SGSY, SJSRY etc.), has kept further authorisations for conducting Government business to these banks on hold from November, 2004. However, on the request of Ministry of Corporate Affairs, RBI had, *vide* its letter

dated 7th December, 2005, accorded approval to ICICI Bank Ltd. and HDFC Bank Ltd. to participate in the MCA 21 Project (of the Ministry of Corporate Affairs), subject to obtaining an undertaking from these banks that RBI may revoke the said authorisation in case they fail to improve their performance in respect of Government sponsored schemes and that they will not be entitled to any commission for this business in such an eventuality. "

B. Real Time Gross Settlement (RTGS) Facility in Banks

4.21 The Real Time Gross Settlement (RTGS) was operationalised in March, 2004. At present, 100 participants (banks, primary dealers and the Reserve Bank) are members of the RTGS system. The RTGS system facilitates customer transactions, apart from inter-bank funds transfer. From January, 2007, the system has been made a purely high value system and transactions above Rs. 1 lakh only can now be put through this system.

4.22 The Reserve Bank of India has put in place three systems to enable Payment and Settlement Systems through electronic mode.

Sl. No.	Name of the Transfer	Type of payment	Time taken for settlement	Remarks
1.	Real Time Gross Settlement (RTGS)	Real time	Real time within minutes of keying in details	Minimum payment Rs. 1.00 lac. Facility available at about 40,600+branches.
2.	National Electronic Fund Transfer (NEFT)	One to one retail payment. Batch process but on the same day.	Multiple Settlements (six times on weekdays and three times on Saturday) during the day – credit on the same day/next working day.	Facility available at 40,100+branches.
3.	Electronic Funds Transfer (EFT)	One to one retail payments	One Settlement during the day– credit on the same day.	Available at 15 RBI centres.

4.23 These three electronic payment systems are open to all individuals/firms/companies etc. Even with the best of technology and innovations brought about, paper based cheques take between 1 and 3 days for local cheques (*i.e.* cheques drawn payable at branches within a clearing house area). The paper based cheque clearing system in India is comparable to the best of the systems available even in developed countries. It may be noted that in the case of electronic payments, the amounts to be paid have to be deposited upfront and the payment is carried out in a matter of few minutes. In contrast in the case of paper based electronic system most of the customers provide for funds only when the cheques finally reach their accounts for debit.

4.24 However, the electronic modes of payments are slowly becoming popular as can been seen from the following statement:

Sl. No.	System	2006-07		2007-08 (April 2007-Jan. 2008)	
		No. of Transactions (in lakhs)	Amount (Rs. crores)	No. of Transactions (in lakhs)	Amount (Rs. crores)
1.	RTGS	38.76	1,84,81,154.60	44.88	2,19,14,347.04
2.	EFT	27.49	54,972.81	26.17	57,963.44
3.	NEFT	22.10	19,098.49	76.02	50,700.20

4.25 Reforms in Payment and Settlements are closely monitored and the RBI has been following a policy of "encourage, monitor and mandate" to promote electronic payments. Accordingly, intensive efforts are made to popularize the electronic payment and encourage customers to migrate from paper based electronic system to electronic modes of payments. Based on this, it is proposed that all systemically important payments of Rs. 1 crore and above made by:

(1) All entities regulated by RBI *i.e.* banks, NBFCs, PDs etc.

(2) All payments in markets regulated by RBI *i.e.* money market, government securities market and forex market, to be made mandatory through electronic mode so as to reduce risk and ensure quick funds movement. Once RBI is fully satisfied with this experience it will be up to other regulators to issue instructions to entities, markets regulated by them to explore the possibility of mandating payments on the same lines.

4.26 When asked whether the failure of synchronization between banking payment system and settlement cycle in stock exchanges was one of the factors for recent volatility in stock market in January, the Ministry in their written submission stated as below:

"Department of Financial Services has clarified that there was no failure on the part of the banking system to move funds through electronic payment systems. SEBI is of the view that constraints in the movement of funds between different bank branches and across various locations may result in failure to pay margin calls on time and consequent squaring up of open positions intra-day. This could have been one of the contributing factors for the recent volatility in the stock markets".

4.27 While deposing before the Committee regarding issues relating to recent volatility in stock market, the SEBI, Chairman stated as below:

"The problem in the market has been one of the money reaching the right place at the right time. The banking payment system has, I would submit, failed to keep pace with the pace at which the transactions are completed in the market. Therefore, even local cheques take longer to get into the account than they should ordinarily in an electronic system. We have brought this to the notice of the Reserve Bank. They are working on it. But until that problem which has been described as a plumbing problem with obstructions in the free movement of money from bank on which the cheque is issued to the place where the money is to be received, if that is not speeded up, we will see on days when there is significant outward pressure on the markets and the need for more people to push in more money as margins, we are seeing some kind of problem."

4.28 The representative of National Stock Exchange also stated following in this regard:—

"While the facilities of RTGS have been strengthened to extend to, perhaps, nearly 3000 branches all across the country, but what happens is still the common man is not always able to utilize the RTGS facility specially at the branch level. Still there is a lacuna in terms of good knowledge at the branch level, good knowledge at the investor level that they should go to a branch and insist on RTGS transfer of funds, on electronic transfer of funds rather than give a cheque to their brokers. Of course, even today all said and done, every branch does not have RTGS facility. So, there will be many investors and brokers in the system who may not have immediate and easy access to RTGS facility. This adds to the strain in the system."

4.29 Further the representatives of the Association of National Exchanges Members of India, stated as below:

"In regard to the RTGS and NEFT payment mechanism I would like to submit that though it is there as per the central Bank and that it is available in more than 30,000 branches across India, but the ground reality is that practically it is not available in most of the branches and sometimes it is not working at the ground because the person concerned at the branch level is unaware and that creates a problem for the investor. If this is made available practically at all the branches, then it certainly helps at such times of crisis."

4.30 Questioned about RTGS system, to speed up the process of settlement, the RBI in their written reply stated following:—

"The Reserve Bank of India has put in place five systems to enable Payment and Settlement Systems through electronic mode.

Sr. No.	Name of the System	Type of payment	Time taken for	Remarks
1.	RTGS	Real time	Real time within minutes of keying in details	Minimum payment Rs. 1.00 lac. Facility available at about 40000 branches.
2.	NEFT	One to one retail payment. Batch process but on the same day	Multiple Settlements during the day—credit on the same day/next working day	Facility available at 39,000 branches.
3.	EFT	One to one retail payments	One Settlement during the day	Available at 15 RBI centres.
4.	Electronic Clearing Service (ECS)—Credit Clearing	Bulk payments like salary, dividend, refund etc.	Three day cycle—credit effected on value date as indicated by Corporate customer	Available at all bank branches at 70 centres.
5.	ECS—Debit Clearing	Repetitive debits like utility bills, premia payment etc.	Three day cycle—debit effected on value date as indicated by user customer	Available at all bank branches at 70 centres.

These five electronic payment systems are open to all individuals/firms/companies etc. Simultaneously, individuals/firms/companies can also choose paper based cheque system for effecting any payments. Whether the customer of a bank wants to make payment through electronic system or through paper based cheque system is entirely at the option of the customer depending upon his needs".

4.31 In their written reply, the Ministry further informed the Committee following:—

"SEBI has observed that for funds transfer to go through RTGS, both the sending bank branch and the receiving bank branch would have to be RTGS enabled. Increasing the coverage of RTGS and reducing cost of usage would be helpful for ensuring faster transfer of funds between clients, brokers and exchanges.

Currently, the service window of RTGS for customer transactions is between 9 a.m. to 4 p.m. Extension of this window would be helpful to clients for making timely funds pay-in. Further, the facility is currently available only to Banks. If Exchange Clearing Corporation/Clearing House is also allowed to have a RTGS facility, brokers can directly transfer funds to clearing accounts with clearing corporation/clearing house, thereby reducing the time of payment of funds".

C. Scheme of debt waiver and debt relief

4.32 While presenting Budget for the year 2008-09, the Finance Minister has announced a scheme of debt waiver and debt relief for farmers as under:

"(i) All agricultural loans disbursed by scheduled commercial banks, regional rural banks and cooperative credit institutions up to March 31, 2007 and overdue as on December 31, 2007 will be covered under the scheme.

(ii) For marginal farmers (*i.e.,* holding upto 1 hectare) and small farmers (1-2 hectare), there will be a complete waiver of all loans that were overdue on December 31, 2007 and which remained unpaid until February 29, 2008. In respect of other farmers, there will be a One Time Settlement (OTS) scheme for all loans that were overdue on December 31, 2007 and which remained unpaid until February 29, 2008. Under the OTS, a rebate of 25 per cent will be given against payment of the balance of 75 per cent.

(iii) Agricultural loans were restructured and rescheduled by banks in 2004 and 2006 through special packages. These rescheduled loans, and other loans rescheduled in the normal course as per RBI guidelines, will also be eligible either for a waiver or an OTS on the same pattern.

(iv) The implementation of the debt waiver and debt relief scheme will be completed by June 30, 2008. Upon being granted debt waiver or signing an agreement for debt relief under the OTS, the farmer would be entitled to fresh agricultural loans from the banks in accordance with normal rules.

(v) Government estimates that about three crore small and marginal farmers and about one crore other farmers will benefit from the scheme. The total value of overdue loans being waived is estimated at Rs. 50,000 crore and the OTS relief on the overdue loans is estimated at Rs. 10,000 crore.

4.33 When asked as to whether any budgetary provisions has been made for meeting expenses for implementing this scheme, the Finance Secretary stated as below:

> "As regards the financing for the loan waiver package, the Finance Minister has made a detailed statement in his response. He has said that the loan waiver package is spread over three agricultural years starting from 01.07.2008 and ending with 30.06.2011. However, resources for this will be raised over five fiscal years including the current fiscal year. We have made a provision of Rs. 10,000 crore in the Supplementary Budget of 2007-08 itself. The burden in the first agricultural year between 01.07.2008 and 30.06.2009 is Rs. 25,000 crore; the burden in the second agricultural year between 01.07.2009 and 30.06.2010 is Rs. 20,000 crore; and the burden in the third agricultural year between 01.07.2010 and 30.06.2011 is Rs. 15,000 crore, which adds up to Rs. 60,000 crore.
>
> The Finance Minister has also said that the financing of this package is not going to be a big burden considering the overall size of the Budget. For example, the total expenditure for 2008-09 fiscal year is Rs. 7,50,884 crore and the average annual debt relief burden is Rs. 15,000 crore, which is just 2 per cent of it. Hence, as he has indicated in his reply, it would be possible to finance this sort of expenditure without any special recourse."

4.34 Asked about the current status of debt relief scheme in the 31 distressed districts of Andhra Pradesh, Karnataka, Kerala and Maharashtra, the Ministry in their written reply stated as below:

"Considering the agrarian crisis in the States of Maharashtra, Andhra Pradesh, Karnataka and Kerala, Ministry of Agriculture, Govt. of India came up with a comprehensive rehabilitation package for these States. The main components of this package are as follows:

I. Complete credit cover through institutional credit sources;

II. Debt relief to farmers by restructuring overdue loans and interest waiver;

III. Provision of assured irrigation facilities;

IV. Watershed management;

V. Seed replacement programme;

VI. Diversification into horticulture, livestock, dairying and fisheries etc; and

VII. Extension support and marketing.

Department of Financial Service, Ministry of Finance, Government of India is implementing the first two aspects of this package in 31 districts, identified in these four States of Maharashtra (06), Andhra Pradesh (16), Karnataka (06) and Kerala (03) where it was reported that a large number of farmers have committed suicides.

The entire interest on overdue loans as on 01.07.2006 was waived in the 31 affected districts such that all farmers will have no past interest burden as on that date. This made them eligible for fresh loan from the banking system. As part of the package, additional institutional credit was made available for these districts along with interest waiver and restructuring of loans to ameliorate the conditions of farmers in these areas."

4.35 Regarding a query as to whether the Government is proposing to form Debt Redemption Fund for giving relief to farmers in respect of loans availed from moneylenders, the Ministry stated as below:

"There is, as of now, no proposal in the Department of Financial Services to constitute a Debt Redemption Fund for the above purpose."

4.36 Replying further to a query on the basis for arriving at the figure of Rs. 60,000 crore for agricultural debt waiver scheme, the Secretary, Financial Services stated as under during the course of his evidence:

"Published figures are available up to 31st March, 2006 and provisional figures up to 31st March, 2007 of the outstanding. We know the trend of repayments and we know the trend of outstanding dues. So, based on that this projection has been made.

We are recently shown that the projections are based on published figures and provisional estimates. Estimates are judgement estimates which are within reasonable limits of accuracy. Budget announcement says that all loans recovered which are overdue and disbursed before 31.3.2007, overdue as on 31.12.2007 and remaining unpaid as on 29.2.2008. So, it was necessary for us to get the figures from the various institutions. So we did request RBI and NABARD to get the figures from the various field level institutions and they are in the process of getting the same.

So, the estimates were based on provisional figures and trends and then the Budget announcement also says about whatever is unpaid up to 29.2.2008. So, we have asked the field agencies for details and the details are awaited. Some of them have already come. Then we have to do some reconciliation. We have also planned for a random audit so that we know whatever is done is based on the scheme guidelines, which are formulated once the details come. Our Finance Minister has also announced in his reply that a number of suggestions have come and that he would consider all these suggestions. We will have to see how the things move."

4.37 When asked about debt swap scheme of 2004, he further stated following:

"The debt swap facility is an advice to the banks that they can take over the loans from moneylenders and advance money to the farmers and they can repay to the moneylenders. In other words, it is a facility for the farmer to get a lower cost loan to repay the loan. Now, the loan from the moneylender is not exclusively for agriculture, it is for a host of purposes."

4.38 On the issue of money lending legislation in some of the States, the Secretary, Financial Services stated following:

"The Money Lending Act is a State enactment and the Gupta Committee went into this in details and found that only five States, that is, Gujarat, Uttar Pradesh, Karnataka, Kerala and Maharashtra could give the details of the total quantity of money that has been borrowed from the moneylenders and the total figure comes to Rs. 629.55 crore."

CHAPTER V

DEPARTMENT OF EXPENDITURE

A. Outstanding Utilization Certificates (UCs)

5.1 As a result of a special drive launched in September, 2007 to obtain outstanding Utilization Certificates (UCs) from grantee institutions, a total of 67,414 UCs have been received by Ministries/ Departments involving an amount of Rs. 71,946.76 crore. The overall position as on 31.1.2008 is that 54.66% of outstanding UCs have been received, corresponding to 87.90% in terms of amount.

5.2 In respect of grants released upto March, 2006, following was the position of outstanding UCs:—

(Rs. in crore)

Sl. No.	Description	No. of UCs as on		Amount involved in UCs as on	
		01.01.07	01.01.08	01.01.07	01.01.08
1.	Total grant cases for which UCs have become due	126,844	123,339	54,345.37	81,851
2.	Cases for which UCs have been received	70,713	67,414 (54.66%)	38,501 (70.85%)	71,946.76 (87.90%)
3.	Cases for which UCs are still outstanding	56,131	55,925 (45.34%)	15,841.67 (29.15%)	9,904.24 (12.10%)

5.3 Responding to a query on total number of utilization certificates obtained from various Ministries and amounts involved, the Ministry of Finance in their written submission stated as below:

> "At the end of January 2008 a total of 67414 UCs have been received involving an amount of Rs. 71946.76 crore. The net result shows 54.66% of outstanding UCs has been received corresponding to 87.90% in terms of amount. Ministry/Department-wise clearance of UC can be summed up as follows:
>
> 9 Ministries/Departments *viz*. Agriculture Research & Education, Parliamentary Affairs, Posts, Telecom, Steel, Economic Affairs, Road

Transport & Highways, Expenditure and Disinvestment have no outstanding in obtaining UCs for grants released up to 31st March, 2006.

5 Ministries/Departments *viz.* Coal, Railways, Shipping, Civil Aviation and Tribal Affairs have reported 100% clearance of grants released up to March, 2006.

In total out of 123339 UCs for grants released up to March, 2006, a total of 67414 UCs have been obtained as on 28.1.2008. These represent 45.34% outstanding UCs involving 12.10% of the total amount involved in all UCs.

Information from Ministry of Rural Development, Tourism, DONER, Information Technology, Statistics & PI, Drinking Water Supply, Land Resources, Defence Production, Science & Technology, Bio-Technology, Company Affairs is still awaited.

On 1.1.2007 following was the status of outstanding UCs for grants released up to March, 2005:

A total of 70713 UCs have been received by Ministries/Departments involving an amount of Rs. 38501 crore. The net result shows 55.76% of outstanding UCs have been received corresponding to 70.85% in terms of amount. Ministry/Department-wise clearance of UC can be summed up as follows:

12 Ministries/Departments (Petroleum & Natural Gas, Agriculture Research & Education, Parliamentary Affairs, MHA (OL), Revenue (IFU), Posts, Telecommunications, Steel, Cabinet Secretariat, Defence Production, Inter State Council Sectt. and Animal Husbandry, Dairy & Fisheries) have no outstanding in obtaining UCs for grants released up to 31st March, 2005. 2 Ministries *viz*. Tribal Affairs & Coal have reported 100% clearance for grants released up to March, 2005.

8 Ministries *viz*. Environment & Forests (7546 UCs involving an amount of Rs. 922 crore), Health & Family Welfare (3384 UCs involving an amount of Rs. 2990 crore), Higher Education (2641 UCs involving an amount of Rs. 344 crores), Elementary Education (1501 UCs involving Rs. 2322 crores), Women & Child Development (5823 UCs involving an amount of Rs. 328 crores), Youth Affairs & Sports (8305 UCs involving Rs. 273 crores), Social Justice & Empowerment (1262 UCs involving Rs. 850 crores), Culture (9295 UCs involving Rs. 273 crores) were having substantial

amount of outstanding UCs to be obtained from grantee institutions despite substantial progress made by these Ministries.

In total out of 126844 UCs for grants released up to March 2005 a total of 70713 UCs have been obtained as on 1.1.2007. This represents 55.67% of outstanding UCs involving 70.85% of the total amount involved in all UCs."

5.4 Asked to furnish reasons for delay in obtaining UCs, the Ministry stated as below:

"It is the primary responsibility of Grant releasing Ministries to obtain UCs from the grantee institution, within 12 months of the closure of the financial year. The obtaining of UCs is delayed presumably due to various implementation problems faced by the beneficiary institutions and time taken in Audit of Accounts etc. Sometimes the Grants are released for ongoing programmes spread over a number of years, and furnishing of UCs become possible only after the entire programme is completed. Further time is taken in correspondence by the Ministries with the beneficiary institutions."

5.5 Asked about measures taken to obtain outstanding UCs, the Ministry of Finance furnished following reply:

"As per Rule 212 (1) of GFR, 2005, in respect of non-recurring grants, it is mandatory that an institute/organization receiving such grants should submit Utilisation Certificates within 12 months of the closure of the financial year, failing which the Ministry/ Department is at liberty to black-list such institution or organization from any future grant from the Government. Also in respect of recurring grants, Ministries/Departments should release any amount sanctioned for the subsequent financial year, only after utilisation certificates on provisional basis in respect of grants for preceding financial year is submitted. Release of grants-in-aid in excess of 75% of the total amount sanctioned for the subsequent financial year shall be done only after the Utilisation Certificate and the Annual Audited Statement relating to grants-in-aid released in the preceding year are submitted to the satisfaction of the Ministry/ Department concerned.

It is for the concerned Ministries/Departments to ensure that the provisions of the GFR are strictly complied with, before releasing grant to organization/statutory bodies/institutions. Ministry of Finance have been advising the administrative Ministries/

Departments from time to time, to ensure that fresh grants are not released, unless Utilisation Certificates in respect of previous grants have been obtained .Monitoring Cell has been taking follow up actions with the Ministries for obtaining UCs from the grantee institutions/organizations.

Monitoring cell of Department of expenditure regularly reminds Ministries/Departments to obtain the outstanding UCs from the grantee institutions. Office of the CGA has also written letters to the Secretaries of Ministries/Departments, requesting them to make concerted efforts to clear the backlog of outstanding UCs. Reminders at regular interval are sent at senior level to clear the backlog. Besides Ministries/Departments are at liberty to black list the defaulter organizations and stop further grant."

B. Under-utilisation of grants/funds in the Ministries

5.6 Following is the data on grants to Ministries, their expenditure and amounts not spent during the last three years:

Statement showing the unspent amount for the year 2004-05

(Rs in crores)

Sl.No.	Name of grant (Ministry/Department)	Net Grants	Total Expenditure	Unspent Amount
1	2	3	4	5
1.	Ministry of Agriculture	5498.29	5375.14	123.15
2.	Ministry of Agro and Rural Industries	784.64	782.56	2.08
3.	Department of Atomic Energy	6113.23	6046.11	67.12
4.	Ministry of Chemicals and Fertilisers	16469.51	16469.28	0.23
5.	Ministry of Civil Aviation	363.39	362.68	0.71
6.	Ministry of Coal and Mines	868.41	836.93	31.48
7.	Ministry of Commerce and Industry	2752.43	2733.37	19.06
8.	Ministry of Communications and Information Technology	8052.59	8006.26	46.34
9.	Ministry of Company Affairs	49.36	46.29	3.07

1	2	3	4	5
10.	Ministry of Consumer Affairs, Food and Public Distribution	26732.24	26679.58	52.66
11.	Ministry of Culture	624.16	604.89	19.27
12.	Ministry of Defence	18864.98	18532.58	332.41
13.	Ministry of Development of North Eastern Region	1191.16	1188.99	2.17
14.	Ministry of Environment and Forests	1162.87	1154.09	8.78
15.	Ministry of External Affairs	3767.84	3756.15	11.68
16.	Ministry of Finance	737871.35	778978.63	*
17.	Ministry of Food Processing Industries	87.13	85.61	1.52
18.	Ministry of Health and Family Welfare	9931.13	9305.31	625.82
19.	Ministry of Heavy Industries and Public Enterprises	744.99	742.90	2.10
20.	Ministry of Home Affairs	15630.65	15563.94	66.72
21.	Ministry of Human Resource Development	15575.31	15561.11	14.20
22.	Ministry of Information and Broadcasting	1350.29	1344.43	5.86
23.	Ministry of Labour and Employment	1113.12	1095.92	17.21
24.	Ministry of Law and Justice	1384.11	1371.78	12.33
25.	Ministry of Non-Conventional Energy Sources	239.64	240.33	*
26.	Ministry of Overseas Indians Affairs	6.23	6.16	0.07
27.	Ministry of Panchayati Raj	8.63	8.90	*
28.	Department of Ocean Development	229.18	227.62	1.55
29.	Ministry of Parliamentary Affairs	3.99	3.79	0.20
30.	Ministry of Personnel, Public Grievances and Pensions	242.03	240.40	1.63
31.	Ministry of Petroleum and Natural Gas	2967.95	2967.83	0.12
32.	Ministry of Planning	77.35	73.86	3.50
33.	Ministry of Power	4374.69	4367.21	7.48

1	2	3	4	5
34.	The President, Parliament, Union Public Service Commission and The Secretariat of the Vice-President	325.72	309.19	16.53
35.	Ministry of Road Transport and Highways	11491.17	10424.47	1066.70
36.	Department of Rural Development	20338.24	20317.62	20.62
37.	Ministry of Science and Technology	2932.73	2901.20	31.53
38.	Ministry of Shipping	668.88	582.05	86.82
39.	Ministry of Small Scale Industries	402.98	398.36	4.62
40.	Ministry of Social Justice and Empowerment	1408.90	1404.96	3.95
41.	Department of Space	2540.79	2534.35	6.44
42.	Ministry of Statistics and Programme Implementation	1539.82	1538.27	1.55
43.	Ministry of Steel	204.44	203.98	0.46
44.	Ministry of Textiles	1535.29	1490.31	44.98
45.	Ministry of Tourism	501.54	499.12	2.41
46.	Ministry of Tribal Affairs	1063.89	1062.73	1.16
47.	Ministry of Home Affairs Union Territories (without Legislature)	3413.10	3389.11	23.99
48.	Ministry of Urban Development	3653.66	3641.77	11.89
49.	Ministry of Urban Employment and Poverty Alleviation	628.01	627.66	0.35
50.	Ministry of Water Resources	700.16	677.23	22.92
51.	Ministry of Youth Affairs and Sports	438.26	432.56	5.70

Statement showing the unspent amount for the year 2005-06

(Rs. in crores)

Sl.No.	Name of the Grant (Ministry/Department)	Net Grants (excluding surrender)	Total Expenditure	Unspent Amount
1	2	3	4	5
1.	Ministry of Agriculture	7021.08	6942.56	78.52
2.	Ministry of Agro and Rural Industries	955.46	955.41	0.05

1	2	3	4	5
3.	Department of Atomic Energy	5593.04	5544.93	48.11
4.	Ministry of Chemicals and Fertilisers	20174.54	20325.21	*
5.	Ministry of Civil Aviation	758.04	757.32	0.72
6.	Ministry of Coal	346.39	330.99	15.40
7.	Ministry of Mines	404.72	397.11	7.61
8.	Ministry of Commerce and Industry	3155.49	3055.00	100.49
9.	Ministry of Communications and Information Technology	6586.89	6641.86	*
10.	Ministry of Company Affairs	79.68	75.18	4.50
11.	Ministry of Consumer Affairs, Food and Public Distribution	23936.32	23771.70	164.62
12.	Ministry of Culture	695.60	670.90	24.70
13.	Ministry of Defence	18599.28	18540.82	58.46
14.	Ministry of Development of North Eastern Region	1187.93	1185.67	2.26
15.	Ministry of Environment and Forests	1278.40	1254.52	23.88
16.	Ministry of External Affairs	4208.33	4089.67	118.66
17.	Ministry of Finance	1244423.62	1341153.24	*
18.	Ministry of Food Processing Industries	126.31	121.39	4.92
19.	Ministry of Health and Family Welfare	11296.67	10899.07	397.60
20.	Ministry of Heavy Industries and Public Enterprises	1583.46	1582.80	0.66
21.	Ministry of Home Affairs	17812.64	17685.93	126.71
22.	Ministry of Human Resource Development	21809.09	21788.50	20.59
23.	Ministry of Information and Broadcasting	1554.42	1543.54	10.88
24.	Ministry of Labour and Employment	1379.20	1401.21	*
25.	Ministry of Law and Justice	431.59	430.24	1.35
26.	Ministry of Non-Conventional Energy Sources	306.51	303.89	2.62
27.	Ministry of Overseas Indians Affairs	17.34	17.46	*

1	2	3	4	5
28.	Ministry of Panchayati Raj	49.05	49.02	0.03
29.	Department of Ocean Development	272.96	270.77	2.19
30.	Ministry of Parliamentary Affairs	4.92	4.90	0.02
31.	Ministry of Personnel, Public Grievances and Pensions	259.10	253.13	5.97
32.	Ministry of Petroleum and Natural Gas	19957.90	19958.22	*
33.	Ministry of Planning	106.90	104.54	2.36
34.	Ministry of Power	4015.93	4011.84	4.09
35.	The President, Parliament, Union Public Service Commission and The Secretariat of the Vice-President	384.38	376.87	7.51
36.	Ministry of Rural Development	31323.19	31294.48	28.71
37.	Ministry of Science and Technology	3353.60	3285.91	67.69
38.	Ministry of Shipping, Road Transport and Highways	18538.24	18200.64	337.60
39.	Ministry of Small Scale Industries	458.15	453.44	4.71
40.	Ministry of Social Justice and Empowerment	1665.73	1657.12	8.61
41.	Department of Space	2675.52	2667.60	7.92
42.	Ministry of Statistics and Programme Implementation	1740.24	1671.21	69.03
43.	Ministry of Steel	92.74	92.15	0.59
44.	Ministry of Textiles	2229.04	2177.66	51.38
45.	Ministry of Tourism	822.59	800.27	22.32
46.	Ministry of Tribal Affairs	1400.14	1399.93	0.21
47.	Ministry of Home Affairs Union Territories (without Legislature)	4149.31	4119.03	30.28
48.	Ministry of Urban Development	4215.87	4144.07	71.80
49.	Minsitry of Urban Employment and Poverty Alleviation	399.95	394.14	5.81
50.	Ministry of Water Resources	805.81	781.78	24.03
51.	Ministry of Youth Affairs and Sports	456.52	450.59	5.93

Note: *There was no unspent amount.

Statement showing the Unspent Amount for the year 2006-07

(In crores of rupees)

Sl.No.	Name of the Grant (Ministry/Department)	Net Grants excluding surrender	Total Expenditure	Unspent Amount
1	2	3	4	5
1.	Ministry of Agriculture	8670.56	8616.77	53.79
2.	Ministry of Agro and Rural Industries	972.37	972.35	0.02
3.	Department of Atomic Energy	8154.53	8057.96	96.57
4.	Ministry of Chemicals and Fertilisers	30139.50	30138.39	1.11
5.	Ministry of Civil Aviation	481.86	481.51	0.35
6.	Ministry of Coal	362.21	331.99	30.22
7.	Ministry of Commerce	3331.46	3296.37	35.09
8.	Ministry of Communications and Information Technology	5808.49	5722.72	85.77
9.	Ministry of Company Affairs	125.36	122.58	2.78
10.	Ministry of Consumer Affairs, Food and PD	25011.10	24827.31	182.84
11.	Ministry of Culture	750.32	715.58	34.74
12.	Ministry of Defence	20261.76	20018.53	243.23
13.	Ministry of Development of North Eastern Region	1364.34	1349.22	15.12
14.	Ministry of Environment and Forests	1391.29	1371.31	19.98
15.	Ministry of External Affairs	4021.19	3949.69	71.50
16.	Ministry of Finance	1712390.79	1752690.60	*
17.	Ministry of Food Processing Industries	167.88	166.19	1.69
18.	Ministry of Health and Family Welfare	12659.72	12346.06	313.66
19.	Ministry of Heavy Industries and Public Enterprises	3485.84	3485.77	0.07
20.	Ministry of Home Affairs	19605.08	19331.78	273.30
21.	Ministry of Human Resource Development	32653.80	32618.49	35.31

1	2	3	4	5
22.	Ministry of Women and Child Development	4774.33	4770.40	3.93
23.	Ministry of Information and Broadcasting	1468.07	1462.45	5.62
24.	Ministry of Labour and Employment	2052.53	2038.17	14.36
25.	Ministry of Law and Justice	780.50	735.67	44.83
26.	Ministry of Mines	560.64	545.26	15.38
27.	Ministry of New and Renewable Energy	390.73	385.59	5.14
28.	Ministry of Overseas Indian Affairs	24.92	22.01	2.91
29.	Ministry of Earth Sciences	533.84	510.85	22.99
30.	Ministry of Panchayati Raj	1999.79	1999.67	0.12
31.	Ministry of Parliamentary Affairs	4.72	4.70	0.02
32.	M/o Personnel, Public Grievances and Pensions	292.57	283.17	9.40
33.	Ministry of Petroleum and Natural Gas	27753.03	27416.98	336.05
34.	Ministry of Planning	95.70	85.86	9.84
35.	Ministry of Power	5696.41	5692.08	4.33
36.	The President, Parliament, Union Public Service Commission and The Secretariat of the Vice-President	387.17	380.36	6.81
37.	Ministry of Rural Development	62234.72	59612.64	2622.08
38.	Ministry of Science and Technology	3258.74	3151.76	106.98
39.	Ministry of Shipping, Road Transport and Highways	24403.48	24266.01	137.47
40.	Ministry of Small Scale Industries	453.12	446.55	6.57
41.	Ministry of Social Justice and Empowerment	1812.80	1726.72	86.08
42.	Department of Space	2997.29	2988.67	8.62
43.	M/o Statistics and Programme Implementation	1729.51	1673.04	56.47
44.	Ministry of Steel	410.49	405.58	4.91
45.	Ministry of Textiles	3307.72	2667.51	640.21
46.	Ministry of Tourism	836.95	834.32	2.63
47.	Ministry of Tribal Affairs	1656.52	1655.91	0.61

1	2	3	4	5
48.	Ministry of Home Affairs Union Territories (without Legislature)	4917.04	4863.65	53.39
49.	Ministry of Urban Development	3287.30	3147.16	140.14
50.	Minsitry of Housing and Urban Poverty Alleviation	384.05	372.79	11.26
51.	Ministry of Water Resources	832.77	782.62	50.15
52.	Ministry of Youth Affairs and Sports	534.15	526.80	7.35
53.	Ministry of Minority Affairs	131.90	132.03	*

Note: * There was no unspent amount.

5.7 When asked about the existing monitoring method to see that resources are spent by the Ministries as allocated in the budget, the Ministry furnished following reply:—

"The primary mechanism available to see that resources are spent by Ministries as allocated in the Budget, is exchequer control. This function is performed by the Pay & Accounts Offices, where all withdrawals and payments from the Consolidated Fund of India (CFI) are subjected to a pre-audit. This ensures that no payment beyond the available funds in the grant can be made. The Pay & Accounts Offices and their supervising Controllers of Account work under the Chief Controllers of Account (CCA)/Financial Advisers of the Ministries who also review the pace of utilisation of financial resources available to see that expenditure is incurred judiciously and to bring about greater financial discipline. These are monitored on a regular basis at the level of Secretary, Department of Expenditure and the Finance Minister."

CHAPTER VI

DEPARTMENT OF DISINVESTMENT

A. Professional Services

6.1 The data on Budgetary Allocation, RE and Actuals incurred on Professional Services by the Department of Disinvestment since 2004-05 is as under:—

(In crores of rupees)

Year	BE	Actual	Shortfall	Shortfall in Percentage terms
2004-05	51.90	27.34	24.56	47%
2005-06	5.00	4.48	0.52	10%
2006-07	8.00	1.61	6.39	80%
2007-08	2.00	-	-	-
2008-09	18.45	-	-	-

6.2 Under this head, the expenditure booked is on account of payment of professional fees to the Financial Advisors and Legal advisors, the Asset Valuers and other Intermediary Advisers like accounting firms, printers, advertising firms, Stock Exchange Fees for using their Book-Building software in case of 'Offers for Sale', Securities and Exchange Board of India Fees, reimbursement of expenditure to CPSUs concerned on account of apportionable expenditure on Initial Public Offerings wherein Government disinvests through 'Offer for Sale' riding piggy-back the Initial Public Offerings, payment to Government Advocates for handling various litigations, specialized agencies engaged for environmental due diligence etc.

6.3 In response to a query as to why huge allocation of budgetary provisions were made and only 60% of those provisions made at RE stage could be utilized during 2004-05, the Ministry in a written reply stated as follows:—

The Budget Estimates for the year 2004-05 were prepared in September, 2003 when the actual expenditure already incurred till

August, 2003 was Rs. 16.90 crore and there was a large number of disinvestment transactions of strategic sale/sale of residual equity, at different stages of implementation and, were expected to be completed in the year 2003-04.

> …However, in view of the developments arising out of the Supreme Court judgement on 16.9.2003 in the case of disinvestment in HPCL/BPCL as also the declaration of general elections, the process of disinvestment in these companies were not taken up further. The activities of the Department in the later half of 2003-04 and in the year 2004-05 were confined mainly to disinvestment through 'Offer for Sale' in CMC Limited, IBP Limited, IPCL and sale of minority shares in Dredging Corporation of India Limited, ONGC Limited and GAIL India Limited, which were completed in February-March, 2004, besides 'Offer for Sale' of 5.25% equity in NTPC Limited, riding piggy-back the fresh issue, concluded in October, 2004. In these circumstances, the expenditure under this head did not reach the projected levels.

6.4 On being asked as to why there was sharp downward revision of budgetary allocations at RE stage and under-utilisation *vis-a-vis* RE during 2006-07, the Ministry furnished as under:—

> "The provisions of Rs. 8 crore under the head Professional Services for 2006-07 was projected in October, 2005. The estimate was based on the expectation that the proposal of disinvestment of Government's equity would get approved and there would be greater requirement for payment for professional services… On 6th July, 2006, Government decided to keep all disinvestment decisions and proposals on hold, pending further review, which is yet to be completed. Hence, the requirements for 2006-07 were scaled down to Rs. 2 crore in RE 2006-07."

6.5 For the year 2007-08 an amount of Rs. 2 crore was made at BE stage which was subsequently enhanced to Rs. 6.01 crore at RE stage. However, the actual expenditure incurred as on 19th March, 2008 stood at Rs. 1.16 crore.

PART II

RECOMMENDATIONS/OBSERVATIONS OF THE COMMITTEE

1. There has been huge shortfall year after year in utilization of budgetary allocation made by the Ministry of Finance to certain items of expenditure. For instance, the shortfall in utilization of funds under the head 'Grants-in-aid' was as much as Rs. 54.59 crore (50%) in 2005-06, Rs. 211.47 crore (95%) in 2006-07 and Rs. 43.44 crore (92%) in 2007-08. Similarly, under the head "Investment Commission – Office expenses", the under-utilization of funds was to the tune of Rs. 0.15 crore (75%) in 2005-06, Rs. 0.19 crore (95%) in 2006-07 and Rs. 0.10 crore (67%) in 2007-08. One of the criteria for determining allocations is the extent of utilization in the preceding year. The fact that there has been huge shortfall in expenditure year after year raises doubt whether this criterion was applied at all in determining the budget figures. The Committee hope that corrective steps will be taken to ensure that budget estimates are realistic and on sound basis in future.

2. It transpired during the examination of Demands for Grants of the Ministry of Finance that transactions on account of bonds/securities issued by the Government each year to finance subsidies on food, fertilizer and petroleum are not usually reflected in the Fiscal and Revenue deficits since there is no cash outgo due to matching receipts taken in lieu of issue of securities/bonds. The Finance Secretary was candid enough to admit to this lack of transparency and has promised to get on to a path of transparency. The Committee hope that steps will be taken in consultation with the Comptroller and Auditor General of India to reflect the above transactions appropriately in the Fiscal and Revenue deficits in future.

3. There were five public sector undertakings (PSUs) against which adjudication proceedings had reportedly been initiated by the Securities Exchange Board of India for non-compliance of the provisions of Clause 49 1(A) of the Listing Agreement as at the end of quarter ended 31st March, 2007. Non-compliance is on account of delay in appointment of independent directors by the Government. It is strange that PSUs have to face adjudication proceedings on a matter on which they have no control. It is the responsibility of the Government to be alive to the changed realities owing to shared ownership of listed PSUs and ensure timely appointment of independent directors so that the PSUs could comply with the

requirements of regulatory authorities. The Committee desire that the matter should be referred to the Department of Public Enterprises for a critical review of existing procedures and issue of appropriate guidelines to address these problems.

4. The Committee find that the shortfall in lending to agriculture as at the end of March, 2007 (provisional) was 2.40 per cent in the case of public sector banks and 5.18 per cent in the case of private sector banks as against the target of 18% prescribed by RBI. Similarly, the shortfall in lending to weaker sections was 2.80 per cent in the case of public sector banks and 8.45 per cent in the case of private sector banks as against the target of 10 per cent of net bank credit. Shortfall in lending to agriculture and priority sector is required to be compensated by a proportional funding to the Rural Infrastructure Development Fund (RIDF) where the rate of interest is comparatively very low. That despite this disincentive, there has been considerable shortfall in lending to agriculture every year, warrants an effective mechanism to ensure that the targeted percentage of credit is lent to agriculture and priority sector. The Committee would await the Ministry's response in this regard.

5. The scheme of debt waiver and debt relief for farmers announced in the Budget proposals 2008-09 involving Rs. 60,000 crore is estimated to benefit 4 crore farmers who had availed institutional loans. The estimates were reportedly based on provisional figures and trends. Doubts have, however, been raised as to how in the absence of exact data, which are presently being collected, the quantum of fund and the number of beneficiaries were estimated. Further the Scheme was announced without making adequate budgetary provisions. Therefore, the Committee recommend that adequate provisions be provided for implementation of this scheme in the Budget itself.

6. The Committee are of the view that farming community is grappling with several constraints *viz*. imperfect market conditions, lack of backward and forward linkages, lack of assured and remunerative marketing opportunities, lack of remunerative prices and stagnating productivity resulting in declining profitability and lower income for farmers. The National Commission on Farmers seems to have addressed all these issues, however, no effective steps have so far been taken to remove these constraints which has ultimately perpetuated the indebtedness of farmers. Therefore, farmers are forced to take extreme measures as suicides.

7. The Committee are of the view that the loan waiver scheme appears to address the symptoms and not the root cause of the

malady as rural indebtedness is deep rooted in the Indian agrarian society requiring concerted efforts and multipronged approach. Therefore, the Committee feel that a holistic approach need to be taken to resolve all the problems confronted by farmers. Besides, the rate of interest for agricultural credit needs to be brought down further and a mechanism be evolved to facilitate swapping of non-institutional credit with institutional credit. Further, there should not be any categorization/segregation of farmers and debt waiver scheme may be made applicable to all the farmers uniformly. The Committee also urge that there should be a long term comprehensive plan of action, on the basis of available inputs/studies for mitigating the hardships of the agriculture sector in general and farmers in particular for implementation over a specific period of time.

8. In view of recent globalization and consequential changes in Government policy, the Committee are of the view that the operations of a number of medium, small and tiny enterprises have become unviable. The Committee, therefore, recommend that these entities should be extended the facility of One Time Settlement Scheme for further five years to reduce their burden and enable them to be competitive in the changed circumstances.

9. Real Time Gross Settlement System (RTGS), operationalised in March, 2004 for facilitating inter bank funds transfer and customer transactions on real time basis is currently available in 40,600 branches of commercial banks for transaction of minimum Rs. 1 lakh and above. The Committee learn that one of the reasons for recent volatility in the stock market is the failure of the banking payment system to synchronise with the payment requirements of stock exchanges as the existing facility of RTGS is only for high value transactions and the absence of RTGS in large number of branches. The Committee recommend that measures be taken to extend RTGS facility to the entire branch network within a specified timeframe. The question of bringing down the threshold limit to enable large number of users to avail the facility should also be examined. The Committee also feel that there is a need for launching an awareness programme to educate people about benefits of this system for facilitating speedy transactions.

10. The Committee regret to note that even after two years, Utilization Certificates (UCs) in respect of over 45 percent cases involving an amount of Rs. 9904 crore were yet to be received as on 1.1.08 in respect of grants released upto March, 2006. As per Rule 212(1) of GFR, 2005, Utilisation Certificates for grants released have to be submitted within 12 months of the closure of the financial year. Majority of these outstanding UCs fall in the jurisdiction of eight Ministries *viz*. Ministry of Environment and Forest (7546 UCs

involving an amount of Rs. 922 crore), Health and Family Welfare (3384 UCs involving an amount of Rs. 2990 crore), Higher Education (2641 UCs involving an amount of Rs. 344 crore), Elementary Education (1501 UCs involving Rs. 2322 crore), Women & Child Development (5823 UCs involving an amount of Rs. 328 crore), Youth Affairs & Sports (8305 UCs involving Rs. 273 crore), Social Justice and Empowerment (1262 UCs involving Rs. 850 crore), Culture (9295 UCs involving Rs. 273 crores). It is the responsibility of the Department of Expenditure to ensure that financial rules are strictly complied with and financial discipline is maintained. The Committee hope that the Department of Expenditure will not be found wanting in this respect in future.

11. The Committee are concerned to note that a number of Ministries have surrendered considerable amount of allotted funds thereby depriving funds for a score of approved developmental programmes. For instance, during 2006-07, the Ministry of Rural Development had unspent amount of as much as over Rs. 2,622 crore and the Ministry of Textiles over Rs. 640 crore. There were eight other Ministries which had surrendered more than Rs. 100 crore each during that year. Scrutiny of figures in this regard during two previous years also reflect the same phenomenon. All this calls for closer scrutiny by the Department of Expenditure before approval of projected expenditure by the Ministries. The Committee hope that concerted efforts will be made to ensure that resources are allocated judiciously among Ministries so that such underutilization do not recur in future.

12. The Committee note that under the head 'Professional Services' in Department of Disinvestment, budgetary allocation was revised upwards by more than two times from Rs. 2 crore to Rs. 6.1 crore during the year 2007-08. However, the actual expenditure at the end of March, 2008 was about Rs. 1.16 crore, a little more than one sixth of the revised allocation. It is seen in this connection that 80% of the funds under this head had been surrendered during 2006-07. The Committee would like to know what was the justification for revising the allocation so steeply during 2007-08 and the reasons for failure to achieve the objective. The Committee hope that due care will be exercised in future to avoid recurrence of such instances.

NEW DELHI;
11 *April,* 2008
22 *Chaitra,* 1930 *(Saka)*

ANANTH KUMAR,
Chairman,
Standing Committee on Finance.

MINUTES OF THE TWENTY-SECOND SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Wednesday, the 26th March, 2008 from 1100 hours to 1635 hours in Committee Room 'E', Parliament House Annexe, New Delhi

PRESENT

Shri Ananth Kumar — *Chairman*

MEMBERS

Lok Sabha

2. Shri Jaswant Singh Bishnoi
3. Shri Vijoy Krishna
4. Shri Bhartruhari Mahtab
5. Shri Rupchand Pal
6. Shri P.S. Gadhavi
7. Shri R. Prabhu
8. Shri A.R. Shaheen
9. Shri M.A. Kharabela Swain

Rajya Sabha

10. Shri Venkaiah Naidu
11. Shri S.S. Ahluwalia
12. Shri Mangani Lal Mandal
13. Shri Raashid Alvi
14. Shri Moinul Hassan

SECRETARIAT

1. Shri A. Louis Martin — *Joint Secretary*
2. Shri A.K. Singh — *Director*
3. Shri T.G. Chandrasekhar — *Deputy Secretary*
4. Shri Srinivasulu Gunda — *Deputy Secretary-II*

Pre-Lunch Session
(1100 to 1350 Hours)

WITNESSES

Department of Economic Affairs

1. Dr. D. Subba Rao, Finance Secretary
2. Mrs. L.M. Vas, Additional Secretary, Budget
3. Mrs. Sindhushree Khullar, Additional Secretary
4. Shri R.C. Srinivasan, Senior Economic Advisor
5. Dr. K.P. Krishnan, Joint Secretary, CM & CVO
6. Shri Arvind Mayaram, Joint Secretary, Infra & IT Manager
7. Shri M. Prasad, Joint Secretary (FB & A)
8. Shri Anoop K. Poojari, Joint Secretary (FT)
9. Shri Shankar Banerjee, CAA & A
10. Mrs. Meena Aggarwal, Joint Secretary (Per.)

Department of Expenditure

1. Dr. Sanjeev Mishra, Secretary
2. Smt. Rita Menon, Additional Secretary
3. Shri V.S. Senthil, Joint Secretary (PF-I)
4. Shri B.S. Bhullar, Joint Secretary (PF-II)

Department of Financial Services

1. Shri Arun Ramnathan, Secretary
2. Shri Amitabh Verma, Joint Secretary
3. Shri Rakesh Singh, Joint Secretary
4. Shri Tarun Bajaj, Joint Secretary

RBI

Shri V. Srinivasan, CGM

LIC

Shri T.S. Vijayan, Chairman

NABARD

Shri U.C. Sarangi, Chairman

SIDBI

Shri R.M. Malla, Chairman

Department of Disinvestment

1. Dr. D. Subba Rao, Secretary
2. Shri Saurabh Chandra, Joint Secretary

Integrated Finance Unit

Shri M. Deenadayalan, Financial Advisor

2. At the outset, the Chairman welcomed the representatives of the Ministry of Finance (Departments of Economic Affairs, Financial Services, 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, Financial Services, Expenditure and Disinvestment) on Demands for Grants (2008-09) and other related matters. The points discussed during the meeting broadly related to transparency in budget, Sovereign Wealth Fund, lending to agriculture and weaker sections, lending by public and private sector banks, loan waiver for farmers, banks' exposure to capital market and real estate sector, Janashree Bima Yojana, fall in market share of LIC, administration of National Investment Fund created out of disinvestment proceeds etc.

4. Thereafter, the Chairman directed the representatives of Ministry of Finance to furnish written replies/notes on points raised by the Members during the discussion within two days.

5. A verbatim record of proceedings has been kept.

The witnesses then withdrew.

Post-Lunch Session
(1430 To 1635 Hours)

WITNESSES

6. ** ** **

7. ** ** **

8. ** ** **

9. ** ** **

10. A verbatim record of proceedings has been kept.

The witnesses then withdrew.

The Committee then adjourned.

MINUTES OF THE TWENTY-FOURTH SITTING OF THE STANDING COMMITTEE ON FINANCE

The Committee sat on Friday, the 4th April, 2008 from 1100 hrs. to 1310 hrs.

PRESENT

Shri Bhartruhari Mahtab—*Acting Chairman*

MEMBERS

Lok Sabha

2. Shri Gurudas Dasgupta
3. Shri A. Krishnaswamy
4. Dr. Rajesh Kumar Mishra
5. Shri Rupchand Pal
6. Shri P.S. Gadhavi
7. Shri A.R. Shaheen
8. Shri M.A. Kharabela Swain

Rajya Sabha

9. Shri Santosh Bagrodia
10. Shri Raashid Alvi
11. Shri Mangani Lal Mandal
12. Shri S. Anbalagan

SECRETARIAT

1. Shri A. Louis Martin — *Joint Secretary*
2. Shri G. Srinivasulu — *Deputy Secretary-II*

WITNESSES

Ministry of Finance (Department of Economic Affairs)

1. Dr. D. Subba Rao, Finance Secretary
2. Shri M.C. Singhi, Economic Advisor
3. Shri M. Deena Dayalan, JS & FA (Finance)

Department of Financial Services

1. Shri Arun Ramanathan, Secretary
2. Shri Amitabh Verma, Joint Secretary

NABARD

Shri Umesh C. Sarangi, Chairman

In the absence of Chairman, the Committee chose Shri Bhartruhari Mahtab, Member of Standing Committee on Finance as Acting Chairman.

2. At the outset, the Chairman welcomed the witnesses 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 the representatives of the Ministry of Finance (Departments of Economic Affairs and Financial Services) and NABARD on Agrarian crisis and the role of rural credit facility. The major issues discussed relate to direct and indirect agricultural lending from commercial banks, farmers' suicide, quantum of money lent through money lenders, Debt waiver scheme, monitoring mechanism for expenditure through such scheme, collateral and group security etc.

4. The Chairman then requested the representatives to furnish written replies/information to/on the points raised by the Members within two days.

5. A verbatim record of proceedings has been kept.

The Committee then adjourned.

MINUTES OF THE TWENTY-FIFTH SITTING OF THE STANDING COMMITTEE ON FINANCE

The Committee sat on Thursday, the 10th April, 2008 from 1100 hrs. to 1215 hrs.

PRESENT

Shri Ananth Kumar—*Chairman*

MEMBERS

Lok Sabha

2. Shri Gurudas Dasgupta
3. Shri Rupchand Pal
4. Shri P.S. Gadhavi
5. Shri M.A. Kharabela Swain
6. Shri Suresh Prabhakar Prabhu

Rajya Sabha

7. Shri Raashid Alvi
8. Shri M. Venkaiah Naidu
9. Shri S.S. Ahluwalia
10. Shri Mahendra Mohan
11. Shri Vijay J. Darda

SECRETARIAT

1. Shri A. Louis Martin	—	*Joint Secretary*
2. Shri A.K. Singh	—	*Director*
3. Shri T.G. Chandrasekhar	—	*Deputy Secretary*
4. Shri G. Srinivasulu	—	*Deputy Secretary-II*

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

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

(i) Draft Report on Demands for Grants (2008-09) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment).

(ii) Draft Report on Demands for Grants (2008-09) of the Ministry of Finance (Department of Revenue);

(iii) Draft Report on Demands for Grants (2008-09) of the Ministry of Planning;

(iv) Draft Report on Demands for Grants (2008-09) of the Ministry of Statistics and Programme Implementation; and

(v) Draft Report on Demands for Grants (2008-09) of the Ministry of Corporate Affairs.

4. The Committee adopted the above reports with modifications as shown in Annexures (i) to (v) respectively.

5. The Committee then authorized the Chairman to finalise the Reports in the light of the modifications made and present the same to Parliament.

6. The Committee also decided to take up for examination the issues of Omnibus Regulator for the Financial Sector and Adequacy of the current price indices in measuring prices.

The Committee then adjourned.

ANNEXURE I

[MODIFICATIONS/AMENDMENTS MADE BY STANDING COMMITTEE ON FINANCE IN THEIR DRAFT REPORT ON THE DEMANDS FOR GRANTS (2008-09) OF MINISTRY OF FINANCE (DEPARTMENTS OF ECONOMIC AFFAIRS, EXPENDITURE, FINANCIAL SERVICES AND DISINVESTMENT)]

Page No.	Para No.	Line	
1	2	3	
59	5	7	After 'estimated' Add:— Further the Scheme was announced without making adequate budgetary provisions. Therefore, the Committee recommend that adequate provisions be provided for implementation of this scheme in the Budget itself. The Committee are of the view that farming community is grappling with several constraints *viz*. imperfect market conditions, lack of backward and forward linkages, lack of assured and remunerative marketing opportunities, lack of remunerative prices and stagnating productivity resulting in declining profitability and lower income for farmers. The National Commission on Farmers seems to have addressed all these issues, however, no effective steps have so far been taken to remove these constraints which has ultimately perpetuated the indebtedness of farmers. Therefore, farmers are forced to take extreme measures as suicides.

1	2	3	
		10	After 'multipronged approach' Delete: "It is common knowledge that the plight of farmers is largely due to non-institutional loans particularly those from private money lenders. The Committee feel that a mechanism should be evolved to regulate such non-institutional lenders."
60	5	10	After 'multipronged approach' Add:— Therefore, the Committee feel that a holistic approach need to be taken to resolve all the problems confronted by farmers. Besides, the rate of interest for agricultural credit needs to be brought down further and a mechanism be evolved to facilitate swapping of non-institutional credit with institutional credit. Further, there should not be any categorization/segregation of farmers and debt waiver scheme may be made applicable to all the farmers uniformly.
	6	17	After 'period of time' Add:— In view of recent globalization and consequential changes in Government policy, the Committee are of the view that the operations of a number of medium, small and tiny enterprises have become unviable. The Committee, therefore, recommend that these entities

1	2	3	
			should be extended the facility of One Time Settlement Scheme for further five years to reduce their burden and enable them to be competitive in the changed circumstances.
		7	After 'stock exchanges' Add:— Inclusive of opening and closing time of stock exchanges and banks.

(b) Modifications/amendments made in the draft Report on the 68th Report on Demands for Grants (2008-09) of Ministry of Finance (Department of Revenue).

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(c) Modifications/amendments made in the draft Report on the 69th Report on Demands for Grants (2008-09) of Ministry of Planning.

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** ** **

(d) Modifications/amendments made in the draft Report on the 70th Report on Demands for Grants (2008-09) of Ministry of Statistics and Programme Implementation.

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** ** **

(e) Modifications/amendments made in the draft Report on the 71st Report on Demands for Grants (2008-09) of Ministry of Corporate Affairs.

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