<u>SCTC NO. 716</u>

COMMITTEE ON THE WELFARE OF

SCHEDULED CASTES AND

SCHEDULED TRIBES

(2008-2009)

(FOURTEENTH LOK SABHA)

THIRTY FIFTH REPORT

ON

MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
(BANKING DIVISION)

Action taken by the Government on the recommendations contained in Twenty-second Report (14th Lok Sabha) of the Committee on the Welfare of Scheduled Castes and Scheduled Tribes on the subject – "Reserve Bank of India – Credit Facilities provided by the Nationalised Banks to the Scheduled Castes and Scheduled Tribes".

Presented to Lok Sabha on 16.12.2008

Laid in Rajya Sabha on 16.12.2008

LOK SABHA SECRETARIAT
NEW DELHI

December, 2008 /Pausa, 1930 (Saka)

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Shri Ratilal Kalidas Varma - Chairman

MEMBERS – LOK SABHA

2. Shri Anandrao Vithoba Adsul
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5. Shri S. Ajaya Kumar
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30. Shri Nandi Yellaiah

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1.	Shri P.K. Misra	-	Joint Secretary
2.	Shri Gopal Singh	-	Director
3.	Ms. J.C. Namchyo	-	Deputy Secretary
4.	Shri Joginder Singh	-	Committee Officer

* **Ceased to be a Member of the Committee w.e.f. 11.11.2008 on his resignation from Membership of Lok Sabha.**

\# **Ceased to be a Member of the Committee on his retirement from Rajya Sabha with effect from 25.11.2008**

INTRODUCTION

I, the Chairman, Committee on the Welfare of Scheduled Castes and Scheduled Tribes having been authorised by the Committee to finalise and submit the report on their behalf, present this Thirty-fifth Report (Fourteenth Lok Sabha) on action taken by the Government on the recommendations contained in their Twenty-second Report (Fourteenth Lok Sabha) on the Ministry of Finance, Department of Financial Services (Banking Division) regarding "Reserve Bank of India – Credit Facilities provided by the Nationalised Banks to the Scheduled Castes and Scheduled Tribes".

2. The Report was considered and adopted by the Committee on the 3rd December, 2008 (Appendix I).

3. The Report has been divided into the following chapters: -

I	Report
II	Recommendations/Observations which have been accepted by the Government.
III	Recommendations/Observations which the Committee do not desire to pursue in view of replies of the Government.
IV	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration.
V	Recommendations/Observations in respect of which final replies of the Government have not been received.

4. An analysis of the Action Taken by the Government on the recommendations contained in the Twenty-second Report of the Committee is given in the Appendix-II. It would be observed therefrom that out of 39 recommendations/observations made in the report, 17 recommendations i.e. 44 per cent have been accepted by the Government. The Committee do not desire to pursue 11 recommendations i.e. 28 per cent in view of replies of the Government. There are 11 recommendations i.e. 28 per cent in respect of which replies of the Government have not been accepted by the Committee and which require further reiteration.

NEW DELHI
December, 2008
Pausa, 1930 (Saka)

RATILAL KALIDAS VARMA
Chairman
Committee on the Welfare of Scheduled Castes and Scheduled Tribes

CHAPTER – I

REPORT

This Report of the Committee on the Welfare of Scheduled Castes and Scheduled Tribes deals with the action taken by the Government on the recommendations contained in their Twenty-second Report (Fourteenth Lok Sabha) on the Ministry of Finance (Department of Financial Services) regarding “Reserve Bank of India – Credit Facilities provided by the Nationalised Banks to the Scheduled Castes and Scheduled Tribes”.

1.2 The Twenty-second Report was presented to Lok Sabha on 27th April, 2007. It contained 39 recommendations/observations. Replies of the Government in respect of all these recommendations/observations have been examined and may be categorised as under:-

(i) Recommendations/Observations which have been accepted by the Government (Sl. Nos. 1, 2, 3, 10, 17, 18, 19, 22, 23, 25, 27, 30, 33, 35, 36, 38 and 39).

(ii) Recommendations/Observations which the Committee do not desire to pursue in the light of the replies received from the Government (Sl. Nos. 6, 9, 12, 16, 20, 21, 24, 26, 28, 29 and 37).

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration (Sl. Nos.4, 5, 7, 8, 11, 13, 14, 15, 31, 32 and 34).

(iv) Recommendations/Observations in respect of which final replies of the Government have not been received (Nil).

1.3 The Committee will now deal with the Action Taken by the Government on some of the recommendations which need reiteration or comments.

Recommendation (Sl. No. 1, Para No. 1.18)

1.4 The Committee note that the State is constitutionally liable to promote the educational and economic interests of Scheduled Castes and Scheduled Tribes. These provisions being part of Directive Principles of State Policy, cannot be enforced by courts. The Committee, however, observe that the progress of economic development of SCs/STs has been very slow even after a period of 58 years of independence of the country has gone by. It is painful to note that 38.47% of SCs and 34.75% of ST, are still living below poverty line in urban areas and 36.62% of SCs and 45.86% of STs in the rural areas as per Tenth Five Year Plan Period (2002-07). The Committee, therefore, opine that until and unless the Government seriously decide to set a time frame to fully achieve the objectives, in a phased manner, problem would continue to persist as ever.

Reply of the Government

1.5 The Government is conscious of the need to direct special attention for the economic upliftment of SCs/STs. However, the reasons for a high incidence in poverty among this section of the population is on account of a host of factor which include social, structural, economic and institutional constraints. Provision of credit facilities is just one of many initiatives that have been taken for improvement of the economic condition of the poverty stricken SC/ST population. Under the credit linked employment Scheme of SGSY, 50% reservation is made for SCs/STs. Under the differential rate of interest (DRI) Scheme where credit can be availed at 4%, there is 40% reservation for SCs/STs. Further more, the Government has also been operating certain schemes like providing loans to below poverty line families at very low interest through National Sahakari Finance and Development Corporation/National Safai Karamcharis Finance and Development Corporation (NSFDC)/NSKFDC and Scheduled Castes Development Corporation (SCDCs). NSFDC provides loans up to 90% of unit costs and remaining share is provided by State Channelising Agencies (SCAs) and also in some cases partly by promoters as per policy. In all the schemes, subsidy @ Rs. 10,000/- per unit is provided by SCAs for Below Poverty Line (BPL) beneficiaries.

Comments of the Committee

1.6 Having noted that there are still a good number of SCs and STs living below poverty line the Committee had recommended to set a time frame to fully achieve the objectives in a planned manner. In their reply, the Government have reiterated the facilities presently available to SCs/STs and the measures taken by the Government to improve their socio-economic condition. The Committee note that nothing has been said about setting up of time frame to achieve the desired results without which the Committee view that it would take ages to uplift the large number of SCs and STs living below poverty line and to bring them above Poverty Line. There should be a sense of urgency in achieving this objective. The Committee, therefore, recommend that the Government should commit itself and set a time frame for achieving the target by taking more concrete and credible steps.

Recommendation (Sl. No. 2, Para No. 1.19)

1.7 The Committee note that the coverage of banking system in India seems inadequate as the existing banking institutions have not been able to penetrate the rural areas fully due to various reasons as admitted by Governor, RBI. The development programmes linked with credit to SCs/STs depend much on cooperation between the Government and the Banking system. The Committee, therefore, desire that immediate steps should be taken to improve the flow of credit to SCs/STs with much improved delivery system especially in the rural areas. The Committee, further, desire that a study may be made as to know the reasons for the failure of banking institutions in not being able to fully cover the rural poor for providing credit and to suggest corrective measures thereto.

Reply of the Government

1.8 RBI has already initiated necessary steps to promote financial inclusion with great vigour and the renewed thrust on micro finance that would greatly facilitate the inclusion of the weaker sections especially the SC/STs. Financial Inclusion is not just confined to loans, but encompasses a range of services that banks offer.

1.9 Reserve Bank of India has issued directions to banks specifically to promote financial inclusion. These include:

(i) Opening of 'no frills' accounts with zero balance or very low balances.

(ii) Provision of General Credit Card facility at rural and semi urban areas without linkage to purpose or security to enable borrowers in these areas to draw up to Rs.25,000/- in a hassle free manner, and

(iii) Doorstep banking has also been authorized by RBI vide circular dated April 30, 2005 enabling banks to devise scheme for providing services at the premises of the customer under the purview of Sec 23 of B.R Act, 1949.

(iv) A Study of "Services to Depositors and Small Borrowers in Rural and Semi-Urban Areas" was initiated by RBI which was conducted by NCAER regarding services to depositors and small borrowers in rural and semi-urban areas so as to find out the quality of services rendered by branches of commercial banks. While there were many positive features in the report, the features which required improvement are as under:-

- Prompt service delivery at the counter and professional attitude of the bank staff have emerged as the key determinant for customer satisfaction.
- Further attempts are required on the part of the banks to promote the importance of nomination facility to all customers.
- Regarding the investment decision, more than 50 percent customers opine that the bank has helped them in taking their investment decision.
- More than 50% customers have acknowledged that brochures/pamphlets in local language are made available at the branch for guidance of customers.
- More than 52% of the customers have acknowledged that the branch/bank conveys the reasons for rejection of loan application in writing within the stipulated time.

Comments of the Committee

1.10 The Committee are happy to note that RBI has already initiated steps by issuing directives to Banks to promote financial inclusion with great vigour and renewed thrust on micro finance to facilitate weaker sections especially SCs/STs. The Committee note that as per a study of 'Services to Depositors and Small Borrowers in Rural and Semi Urban Areas", conducted by NCAER on the initiative of RBI, some features required improvement. The Committee may be apprised about the steps taken by the Government so far to bring improvement in the features as pointed out by NCAER in their Report and the time by which this process will be over.

Recommendation (Sl. No. 4, Para No. 1.21)

1.11 The Committee regret to note that there is no separate Cell in the Reserve Bank of India to look after the credit needs of SCs and STs exclusively. The Committee feel that the Rural Planning and Credit Department of Reserve Bank of India should be sensitised to the needs of SCs/STs so that justice can be done to the complex economic problems of these people. The view is further strengthened by the admission made by the Governor, RBI that much depends on the actual cooperation between the Government and the Banking system and that there has been some problem of inadequate flow of credit to SCs/STs. The Committee, therefore, desire that the Rural Planning and Credit Department of the Reserve Bank of India should address the issue properly and more vigorously by making thorough study of the problems faced in extending full credit facilities to SCs/STs.

Reply of the Government

1.12 The special Programme Section in Rural Planning and Credit Department, (RPCD), Central Office, Reserve Bank of India monitors the performance of the scheduled commercial banks through the receipt of monthly/quarterly progress reports and half yearly recovery statements from the banks under the schemes such as SGSY, SJSRY, SLRS, PMRY, etc. The Lead District Officers of the Regional Offices of RBI are members of the District Consultative Committee/District Level Review Committee where the review on the progress of the Government Sponsored Schemes is also undertaken. RBI is represented at the highest level in the quarterly meetings of State level Bankers Committee where the progress of the schemes is reviewed invariably.

1.13 A High Level Committee for monitoring the performance of SGSY was constituted under the Chairmanship of Joint Secretary, Ministry of Rural Development for which RBI is the convenor. The Committee undertakes field visits to various states to understand the practical issues in operationalisation of the SGSY and also to study the successful cases for evolving banking procedure for SGSY.

1.14 Government of India has also constituted a High Level Monitoring Committee under SJSRY in which RBI is also a member, to review the progress on flow of credit by banks under the scheme. The Special Programme section co-ordinates with the Ministry of Finance, Ministry of Urban Employment and Poverty Alleviation and Ministry of Social Justice and Economic Empowerment while evolving policies.

Comments of the Committee

1.15 The Committee note that the special Programme Section in Rural Planning and Credit Department, Central Office, RBI monitors the performance of the Scheduled Commercial Banks through monthly/quarterly progress reports and half yearly status from the Banks under the SGSY, SJSRY, SLRS, PMRY schemes, etc. The Committee also note that lead District Officers of the Regional Offices of RBI

review the progress of the Government sponsored schemes as Members of the District Consultative Committee/District Level Review Committee. The Committee further note that High Level Monitoring Committees have been constituted for SGSY and SJSRY schemes and RBI as a Member, review the performance of banks. The Committee, however, note from the reply of the Government that there is no mention whether the Rural Planning and Credit Department has carried out any thorough study of the problem faced in extending credit to SCs/STs. The Committee feel that had there been a separate cell to monitor the performance of banks in regard to credit needs of SCs and STs, it would have been easier to judge whether their credit needs have actually been met as their socio-economic background and needs are entirely different from that of other strata of the society and are required to be dealt with from a different perspective. The Committee also feel that analysis of data related to credit flow to SCs and STs at a single point would also help the Government to examine their requirements in a more realistic manner. The Committee, therefore, recommend that a thorough study of the problems faced in extending credit to SCs/STs may be taken up and the need for setting up a separate cell in the RBI to look after credit requirements of SCs and STs exclusively be thoroughly examined.

Recommendation (Sl. No. 5, Para No. 1.22)

1.16 The Committee note that there are no provisions for appointment of SC/ST member either on the Board of Reserve Bank of India or on the Board of nationalized banks in the relevant Acts. The Committee note that guidelines framed for selection of part-time non-official Directors have only a reference to giving representation to persons belonging to SC/ST community but wonder whether the banks have taken the guidelines seriously in the absence of specific mention either about the number of them to be placed on the board or a time frame set for such appointments. The Committee while examining various banks during study visits have also noted that these guidelines simply appear to remain on paper. The Committee, therefore, recommend that the Government should devise an effective system to ensure that two Directors from SC community and one Director from ST community are invariably appointed as part-time non-official Directors both on the Board of Reserve Bank of India and on each of the Boards of nationalised banks at the earliest.

Reply of the Government

1.17 As regards the Committee's recommendation to make mandatory provision or appointment of at least two SC and one ST director on the Board of Directors of all nationalized banks and FIs is concerned, it is mentioned that in terms of guidelines for appointment of Non-Official Directors on the board of public sector banks, as approved by ACC as far as possible representation is given to women and the persons belonging to SC/ST communities. However, the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970/1980 does not envisage any such provision for mandatory nomination from these communities.

Comments of the Committee

1.18 The Committee are surprised to note that instead of taking action on the recommendation of the Committee on devising effective system to ensure representation of SC and ST communities on the Board of RBI and each Bank, the Government have reiterated their earlier reply that the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970/1980 does not envisage any provision for mandatory nomination of SCs and STs on the Board of Directors of RBI and other Banks and that in terms of guidelines for appointment of non-official Directors on the Board of Public Sector Banks, as approved by ACC, representation is given to women and the persons belonging to SC/ST

communities, as far as possible. The Committee are of the opinion that so long as there is no mandatory provision in the Act itself this problem will remain for ever. The Committee had, therefore, expected that the Government would take positive steps to amend this act to include mandatory provision for appointment of SC/ST Members on the Board of Directors of RBI and Banks. The Committee, therefore, recommend the Government to get the provisions of aforesaid Act amended so as to ensure proper representation of SCs/STs on the Board of Directors of RBI and other nationalised Banks.

Recommendation (Sl. No. 7, Para No. 2.24)

1.19 The Committee note that banks are required to channelise 10% of their net bank credit to economically weaker sections including SCs/STs from within the overall target of 40% specified for providing credit to the priority sector. The Committee view that the meagre credit target of 4% of the net bank credit does not seem sufficient to cater to the vast population of the economically weaker sections. The Committee note that no separate funds have been earmarked exclusively for the SCs/STs even though there are no constraints in instructing banks in this regard. The Committee, therefore, strongly recommend that the Government/Reserve Bank of India should either increase the share of weaker sections in credit lending target under priority advances considering their vast numbers or earmark separate funds to cater for the credit needs exclusively of the SCs/STs in proportion to their population under lending to priority sector advances since almost 40% of them continue to live below poverty line.

Reply of the Government

1.20 A sub-target of 10 per cent (within the overall target of 40% of Adjusted Net Bank Credit (ANBC) or credit equivalent of Off-Balance Sheet Exposures, whichever is higher, is stipulated for priority section lending) of ANBC or credit equivalent of Off-Balance Sheet Exposures, has been stipulated for lending to Weaker Sections by the domestic scheduled commercial banks. Though the banks have not achieved the target, the outstanding credit to weaker sections by public and private sector Banks has increased in absolute terms from Rs. 22,513 crore as on the last reporting Friday of March 2000 to Rs.82,332 crore as on the last reporting Friday of March 2006 and Rs. 86,336 crore as on the last reporting Friday of September, 2006.

1.21 The outstanding advances to SC/STs by public sector banks has increased in absolute terms from Rs. 7,772.42 crore as on the last reporting Friday of March 2003 to Rs. 19,899.95 crore as on the last reporting Friday of March 2006, showing a growth of approximately 158%. The outstanding advances to SC/STs by private sector banks has also increased in absolute terms from Rs. 156.34 crore as on the last reporting Friday of March, 2003 to Rs. 761.65 crore as on the last reporting Fridays of March, 2006, showing a growth of approximately 387%.

1.22 It may be clarified that as per the guidelines issued by RBI on Priority Sector Advances, domestic banks are required to lend 40% of their Net Bank Credit (NBC) to the Priority Sector. Within the overall target of 40% banks have been advised to channelise 10% of their net bank credit to economically weaker sections, which include inter alia SC/STs.

1.23 In this connection, it may be mentioned that the outstanding advances to weaker sections as a percentage to total priority section advances by the domestic scheduled commercial banks has more or less remained constant at 15.5% over a period of 7 years (i.e. from March 2000 to September, 2006).

Comment of the Committee

1.24 The Committee are not inclined to accept the plea of the Government that although the Banks have not achieved the target, the outstanding credit to weaker sections by public and private sector Banks has increased in absolute terms from Rs. 22,513 crore as on the last reporting Friday of March 2000 to Rs.82,332 crore as on the last reporting Friday of March 2006 and Rs. 86,336 crore as on the last reporting Friday of September, 2006. The Committee observe that it has been specifically stipulated that banks are required to channelise 10% of their net bank credit out of overall 40% of priority sector lending to weaker sections. Therefore , an increase in outstanding credit should not be less than the target fixed for priority sector lending. The Committee, therefore, do not agree with the view of the Government and strongly desire that the share of the weaker sections should either be increased or separate funds should be earmarked to cater to the credit needs exclusively of SCs/STs in proportion to their population since almost 40% of them continue to live below poverty line. The Committee, therefore, reiterate their earlier recommendation.

Recommendation (Sl. No. 8, Para No. 2.25)

1.25 The Committee observe that domestic banks, constituting both public sector and private sector banks, have specified targets for lending under the priority sector advances, agricultural advances and advances to weaker sections etc. whereas foreign banks have specified targets under the priority sector advances but no targets have been fixed for them under agricultural advances and advances to weaker sections. The Committee are unhappy to note that foreign banks which have been allowed to do business in India have not been given specified targets either under the agricultural sector, considered to be the backbone of Indian economy or under advances to weaker sections, as has been done in case of domestic banks. The Committee, therefore, suggest that guidelines should be issued to direct the foreign banks also for lending under agricultural advances and advances to weaker sections.

Reply of the Government

1.26 A target of 32% of Adjusted Net Bank Credit (ANBC) or credit equivalent of Off-Balance Sheet Exposures, whichever is higher has been stipulated by Reserve Bank of India for lending to priority sector by foreign banks. Within the overall target of 32 per cent to be achieved by them, the advances to Small Enterprises sector and export credit should not be less than 10 per cent and 12 per cent of ANBC or credit equivalent of Off-Balance Sheet Exposures, whichever is higher. As the foreign banks do not have rural branches, sub-targets for lending to agriculture and weaker sections have not stipulated for them. However, lending to agriculture sector forms part of the priority sector lending for foreign banks. Accordingly, some of the foreign banks have been lending to agriculture sector as per the data given below:

Amt. in crore

Year March ended	**Total Priority Sector Advances**	**Total Agricultural Advances**
	(A)	(B)
2005	23885.57	45.80
2006	30449.03	39.33
2007	37835.18	31.00

Provisional data as reported by foreign banks.

Comments of the Committee

1.27 Having noted that specified targets have not been given to foreign banks either under the agriculture sector or under advances to weaker sections as has been done in case of domestic banks, the Committee had suggested that these banks should be directed to lend also to those sections. The reply that since the foreign banks do not have rural branches, sub-targets for lending to agriculture and weaker sections have not been stipulated for them does not hold water as in the

absence of specific guidelines, the foreign banks are not working seriously towards lending to agricultural sector and weaker sections although they know fully well that these are part of priority sector advances. The apprehension of the Committee is strengthened by the data of agricultural advances by the foreign banks during the years 2005, 2006 and 2007. The Committee note that there is an increase every year in total priority sector advances but the trend was completely opposite in case of agricultural advances during the same period. The Committee are confident that the day is not far away when most of these foreign banks would gradually penetrate both semi-urban and rural areas. The Committee, therefore, urge the Government that foreign banks should be asked to increase the share of their agricultural advances under priority sector advances and also be given specified targets under the agriculture sector and under advances to weaker sections without further loss of time so that more credit is reached to lower layer of the society.

Recommendation (Sl. No. 9, Para No. 2.26)

1.28 The Committee appreciate the efforts of RBI to have all the current instructions at one place in a master circular incorporating therein all the existing guidelines/instructions to be followed by commercial banks in order to make them effective and less complicated. The Committee also note that any new development that may occur is incorporated on yearly basis in the master circular and efforts are also being made to put them on website. The Committee, while viewing it as a commendable exercise desire that inspection exercise should also be performed periodically to assess whether the existing instructions/guidelines are being applied by the bank officials in reality.

Reply of the Government

1.29 The Lead District Officers of the Regional Offices of RBI are members of the District Consultative Committee/District Level Review Committee, where the review on the progress of the Government Sponsored Schemes is also undertaken. Further, the Lead District Officers have to ascertain the problems faced by SC/ST borrowers in accessing bank credit and the information collected by them are maintained at the Regional Offices of the RBI.

1.30 RBI have also issued a circular ref. RPCD.SP. No. 11055/09.09.01/2006-07 dated May 24, 2007 to ROs thereby advising them to henceforth forward all information collected by them regarding problems faced by SC/ST borrowers in accessing bank credit to Rural Planning and Credit Department, Central Office so as to enable RBI to evolve effective strategy accordingly. RBI is represented at the highest level in the quarterly meetings of State Level Bankers Committee, where the progress of the schemes is reviewed regularly.

Comments of the Committee

1.31 The Committee note that the Government have not mentioned anything about the inspection exercise that was recommended. Instead, the Government in their reply have elaborated upon the role of lead District Officers of RBI in District Consultative Committee/District Level Review Committee, representation of RBI in quarterly meetings of State Level Bankers Committee and issue of circular to forward all information collected by them regarding problems faced by SC/ST borrowers to enable RBI to evolve effective strategy. The Committee are of the view that issuing of instructions is meaningless unless the same is actually followed by the officers concerned. The Committee had, therefore, desired that inspection exercises should also be carried out to see that there is no lapse in following the instructions so that the Government can assess the impact of instructions/guidelines correctly to bring necessary changes in the credit schemes according to needs of the targeted groups. The Committee would like the

Government to conduct inspections periodically to check that instructions of RBI are not being ignored/violated by officials.

Recommendation (Sl. No. 11, Para No. 2.28)

1.32 The Committee note that though public sector banks, have in aggregate surpassed the lending target under the priority sector advances during the year ending March 2003, March 2004 and March 2005, they are yet to achieve the prescribed target of 10% to be channelised to the weaker sections from within their net bank credit of 40% under priority sector advances. The total credit to weaker sections during the above period were 6.84%, 6.94% and 8.72% whereas that of SCs and STs were only 2.70%, 2.57% and 2.50% respectively. The Committee further note that the data in regard to lending under priority sector advances by private sector banks shows that they have not made much progress in this regard even though they have also been given the same targets to achieve under Priority Sector advances and sub-targets under advances to weaker sections as in case of public sector banks. The Committee desire that the Reserve Bank of India should ensure that both the public and private sector banks earnestly strive to achieve the targets stipulated under the priority sector advances to weaker sections in letter and spirit.

Reply of the Government

1.33 Though the banks have not achieved the target, the outstanding credit to weaker sections by public and private sector banks has increased in absolute terms from Rs. 22,513 crore as on the last reporting Friday of March 2000 to Rs. 82,332 crore as on the last reporting Friday of March 2006 and Rs. 86,336 crore as on the last reporting Friday of September, 2006.

1.34 The outstanding advances to SCs/STs by public sector banks has increased in absolute terms from Rs. 7,724.42 crore as on the last reporting Friday of March 2003 to

Rs. 19,899.95 crore as on the last reporting Friday of March 2006, showing a growth of approximately 158%. The outstanding advances to SCs/STs by private sector banks has also increased in absolute terms from Rs. 156.34 crore as on the last reporting Friday of March 2003 to Rs. 761.65 crore as on the last reporting Friday of March 2006, showing a growth of approximately 387%.

1.35 RBI is monitoring flow of credit to weaker sections inclusive of SCs/STs and advising private sector banks also to implement all the Government Sponsored schemes.

Comment of the Committee

1.36 The Committee note from the reply furnished by the Government that they are content with the fact that the outstanding credit to weaker section by public and private sector banks has increased in absolute terms from Rs. 22,513 crore as on the last reporting Friday of March, 2000 to Rs. 86,336 crore as on last reporting Friday of September, 2006. As a result, the Government do not seem inclined to persuade the banks to achieve the prescribed target of 10% of their net bank credit of 40% to weaker sections. The Committee are strongly of the view that increase in outstanding credit to weaker section is no achievement if the banks still miss the target fixed for the purpose. The banks should not be let off on this excuse. The Committee, therefore, reiterate their earlier recommendation that Reserve Bank of India should ensure that both the public and private sector Banks earnestly strive to achieve the targets stipulated under the priority sector advances to weaker sections in letter and spirit.

Recommendation (Sl. No. 13, Para No. 2.30)

1.37 The Committee note that allocation to banks for contribution to Rural Infrastructure Development Fund (RIDF) is made on the basis of their shortfall in priority sector/lending to agriculture. They however, regret to note that shortfall in lending to weaker sections has not yet been considered for making allocation to banks in the RIDF. The Committee feel that in the absence of strict stipulation for banks to contribute to RIDF in case of shortfall in lending to weaker sections, neither the objective of economic upliftment of the weaker sections would be achieved nor the banks could be compelled to fulfill targets. The Committee, therefore, strongly recommend that shortfall in lending to weaker sections may also be taken into consideration for making allocation to banks in RIDF and as and when separate funds under priority sector are earmarked for SCs/STs exclusively, shortfall in lending to these deprived classes, be also reckoned for contribution by banks to the RIDF.

Reply of the Government

1.38 As per the extant guidelines on lending to priority sector, the domestic scheduled commercial banks, unable to achieve the priority sector lending and/or agriculture lending targets are required to deposit in RIDF maintained with NABARD. The overall target for RIDF is set by Finance Minister every year in the Budget and so far, the corpus of various tranches of RIDF have been adequately covered under the aggregate shortfall of public sector/agriculture and the shortfall under lending to weaker sections has, therefore, not been taken into consideration for the purpose.

1.39 The corpus of a particular tranches of RIDF is decided by Government of India every year. Fifty per cent of the corpus shall be allocated among the domestic commercial banks having shortfall in lending to priority sector target of 40 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher, on a pro-rata basis. The balance fifty percent of the coupus shall be allocated among the banks having shortfall in lending to agriculture target of 18 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher, on a pro-rata basis. Non-achievement of priority sector targets and sub-targets is taken into account while granting regulatory clearances/approvals for various purposes.

Comment of the Committee

1.40 The Committee are not satisfied with the reply of the Government. While the domestic scheduled commercials banks that are unable to achieve the priority sector lending and/ or agriculture lending targets, are required to deposit in RIDF, whereas the shortfall under lending to weaker sections, which is also part of priority sector lending, has not been taken into consideration for the purpose. The reason advanced by the Government is that the overall target for RIDF is set up by Finance Minster every year in the Budget and so far, the corpus of various trenches of RIDF have been adequately covered under the aggregate shortfall of public sector/agriculture. Banks are well aware that if they are not able to achieve the prescribed target, their shortfall will go to RIDF. Such a provision has the desired effect of making the Banks more committed towards achievement of their targets. The Committee are of the firm view that due to absence of such penalty, there is slackness in effective implementation of credit policy, and the banks are not able to reach the target fixed for them for reaching SCs/STs. The Committee, therefore, reiterate their earlier recommendation that shortfall in lending to weaker sections may also be taken into consideration for making allocation to banks in RIDF and as and when separate funds under priority sector are earmarked for SCs/STs exclusively.

Recommendation (Sl. No. 14, Para No. 2.31)

1.41 The Committee further note that the rate at which interest is paid to the banks on their contribution to RIDF is inversely proportional to the extent of shortfall. The Committee, feel that this stipulation has not produced the desired pressure on banks so as to propel them to achieve the targets fixed for them. No other strategy also seems to exist for banks which continuously fail to achieve targets. It may perhaps be this reason that the banks are yet to achieve the targets stipulated for weaker sections. The Committee, therefore, recommend that Reserve Bank of India should make stringent guidelines enunciating therein that no interest would be allowed on contribution to RIDF in case the banks fail to achieve the targets stipulated for weaker sections for consecutive years.

Reply of the Government

1.42 The domestic scheduled commercial banks, both in the public and private sector, having shortfall in lending to priority sector and/or agricultural lending target, are required to deposit in Rural Infrastructure Development fund established with NABARD. As a measure of disincentive for non-achievement of agricultural lending target, the rate of interest for the deposits made by the contributing banks in RIDF has been lowered and is charged in inverse proportion to the extent of shortfall in the agricultural lending vis-à-vis the stipulated target of 18 per cent. Accordingly, banks are paid, on their deposits placed under RIDF, at rates of interest ranging between Bank Rate and Bank Rate minus 3 percentage points.

1.43 The revised guidelines on lending to priority sector stipulate that non-achievement of priority sector lending targets/sub-targets would be taken into account while granting regulatory clearances/approvals for various purposes. However, it is felt that non-payment of interest on RIDF deposits may affect the interest of depositors.

Comment of the Committee

1.44 The Committee had observed that the banks were not able to achieve target in lending to priority sector despite having been asked to deposit in Rural Infrastructure Development Fund with lesser amount of interest paid to such deposit. The Committee had strongly recommended that stringent guidelines should be issued enumerating therein that no interest would be allowed on contribution to RIDF in case the Bank fails to achieve the target in lending to

priority sector. The Committee, however, note that no such guidelines have been issued. Instead the Government have stated that revised guidelines on lending to priority sector stipulate that non-achievement of priority sector lending targets/sub-targets would be taken into account while granting regulatory clearance/approvals for various purposes. It has also been stated that non-payment of interest on RIDF deposit may affect the interest of depositors. The Committee are of the firm view that these stipulations are also not likely to provide the desired pressure on banks. The essence of issuing stringent guidelines is to provide strong disincentive for non-achievement of goals and to motivate banks to achieve stipulated targets for weaker sections. The Committee, therefore, reiterate their earlier recommendation.

Recommendation (Sl. No. 15, Para No. 2.32)

1.45 The Committee observe that the Rural Infrastructure Development Fund is utilized in the form of loans to State Governments for development of rural infrastructure such as rural roads, bridges, mines, irrigation projects, soil conservation and flood protection etc. No amount, however, has been earmarked for specific development of SCs/STs. The Committee feel that if some portion of the Rural Infrastructure Development Fund is specifically set aside for the development of areas/villages inhabited by the weaker sections including the SCs/STs, it would perhaps make good the shortfall in achievement of targets under advances to weaker sections to some extent.

Reply of the Government

1.46 Pursuant to the announcement made by Hon'ble Union Finance Minister in the budget speech every year about allocation of funds under RIDF Tranche, a list of eligible activities is approved by Government of India, Ministry of Finance. This list along with allocation of funds is communicated to all the State Governments for posing adequate number of projects for sanction by NABARD. In this connection, it may be mentioned that while funds are allocated by NABARD for each state as a whole, no area specific or sector specific earmarking is done.

1.47 The projects which are posed for sanction under RIDF are selected and prioritized by the respective State Governments. Therefore, the State Governments, while identifying and prioritizing the projects, are required to give special consideration to the projects falling in the areas/blocks inhabited by weaker sections including SCs/STs.

Comment of the Committee

1.48 The Committee had recommended for earmarking of some portion of the Rural Infrastructure Development Fund (RIDF) for the development of areas/villages inhabited by the weaker sections, including SCs/STs. However, the Government in their reply have stated that the role of the Government is to approve the list of eligible activities, to allocate funds under RIDF and to communicate to all the State Governments for posing adequate number of projects for sanction by NABARD. It has further been stated that the responsibility of identification and prioritization of projects has been left on the State Governments and that no earmarking of specific area or section is done. The Committee are of the strong view that even though a free hand to the State Governments to identify and to prioritize projects has been given, the Union Government should insist that a portion of RIDF should be utilized for undertaking developmental projects for the weaker sections, including SCs/STs. The Committee, therefore, reiterate their earlier recommendation that some portion of RIDF is specifically set aside for the development of areas/villages inhabited by the weaker sections, including SCs/STs, which will help to make good the shortfall in achievement of targets under advances to weaker sections.

Recommendation (Sl. No. 17, Para No. 2.34)

1.49 The Committee note that lack of credit delivery network in the rural and semi-urban areas has resulted into exploitation of weaker sections, including SCs/STs, leading to suicide by farmers. The Governor, Reserve Bank of India has also admitted to this fact during the course of his evidence before the Committee. The Committee have further noted that private money lenders have played a big role in exploitation of the weaker sections of the society. The Committee have also been informed that only State Legislatures are empowered to make laws on the subject since it is listed under Entry 30 of the List II, Seventh Schedule of the Constitution and that the Reserve Bank of India has no authority to regulate money lending or issue any guidelines thereto. The Committee, however, note that despite 'Bombay Money Lenders Act, 1946' in force in Maharashtra the law does not seem to be enough to stop the debt related deaths of farmers. The Committee opine that the Constitution of India in the form of Article 252 is perhaps the solution to the problem as this empowers the Union Government to legislate on any item not enumerated in the Union List. The Committee therefore desire that a comprehensive study of the credit delivery system to the weaker sections of the society may be undertaken by Reserve Bank of India and corrective steps should be taken to ensure an efficient and strong credit delivery system.

Reply of the Government

1.50 In this connection, an in–depth study has been undertaken by the "Technical Group to Review Legislations on Money Lending " and report has been submitted in July 2007 wherein all the efforts of the Government and Reserve Bank of India (RBI) to improve financial inclusion along with providing an additional impetus to the flow of credit from the banking sector to the rural areas have been mentioned. The Group has subsequently made some recommendations based on the findings/results of the visits of the sub-groups and the survey conducted by the regional offices of RBI in the interest of the weaker sections. Considering the significance of moneylenders especially in the rural credit delivery system, the need for a suitable and effective legislation in the interest of the borrower has been emphasized and the Group has recommended punishments for specific offences like resorting to force /violence for recovery of the loan, entry of wrong sums in the bonds, promissory notes, etc., for the moneylenders.

1.51 Further, RBI have also issued letter dated Feb 13, 2007 to all the Scheduled Commercial Banks thereby advising them to undertake a study of the reasons for the rejection of loan applications from SC/ST applicants thereby exploring the possibilities for increasing of flow of credit under priority sector for the benefits of SC/STs.

Comments of the Committee

1.52 The Committee note that an in-depth study has been undertaken by the "Technical Group to Review Legislations on Money Lending" and a report has been submitted in July 2007 wherein all the efforts of the Government and Reserve Bank of India (RBI) to improve financial inclusion along with providing an additional impetus to the flow of credit from the banking sector to the rural areas have been mentioned. The Committee also note that the group has made some recommendations. The Committee are happy that it emphasized the need for a suitable and effective legislation in the interest of borrowers and has recommended punishments for specific offences. The Committee further note that RBI has also issued a letter advising all commercial banks to undertake a study of the reasons for the rejection of loan applications from SC/ST applicants thereby exploring the possibilities for increasing of flow of credit under priority sector for the benefit of SCs/STs. The Committee should be apprised of the action taken on the recommendations made by the group. The Committee should also be apprised of the outcome of the study undertaken by all the banks on the direction by RBI <u>vide</u>

their circular dated the 13th February, 2007 and the future course of action that would be initiated in this regard.

Recommendation (Sl. No. 18, Para No. 2.35)

1.53 The Committee are happy to note that the Reserve Bank of India has been providing relief measures through the scheduled banks to the people either affected by natural calamities or indebted to money lenders. The Committee also agree with Governor, RBI that the best solution to the problem of money lending is to increase credit lending through banks and co-operatives. The Committee, therefore, recommend that the Government should ensure that the targets fixed for priority sector lending are fulfilled every year and that the lending targets fixed under advances to agriculture sector are revised to improve and expand the credit delivery network.

Reply of the Government

1.54 As regards lending under priority sector, 21 out of 28 public sector banks had achieved the target as on March end 2007. With regard to target for agriculture sector lending, Reserve Bank of India (RBI) has already issued revised guidelines on April 30, 2007 to all the Scheduled Commercial Banks wherein banks have been advised to ensure that out of the total 18% of Adjusted Net Bank Credit (ANBC) set as target for total agricultural advances under the priority sector lending, indirect lending, in excess of 4.5% of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher, will not be reckoned for computing performance under 18 percent target.

Comments of the Committee

1.55 The Committee are happy to note that under priority sector, 21 out of 28 public sector banks had achieved the target as on March end 2007. The Committee would like to know the position of these banks for the year 2007-08. The Committee should also be apprised of the position in regard to agriculture sector lending after

issue of guidelines by RBI to all commercial banks. The Committee desire that RBI must always maintain adequate pressure on banks to achieve targets fixed for lending under priority sector and agricultural advances so that the most deserving sections of the society are benefitted.

Recommendation (Sl. No. 21, Para No. 2.52)

1.56 The Committee are unhappy to note that the Reserve Bank of India advises the banks to extend assistance to loan seekers free of cost, whereas it appears that under SGSY, some sort of processing fee is being charged from SC/ST borrowers since it has been stated that the Swarojgaris are entitled to a waiver of the 0.5% processing cum-monitoring fee on prompt loan repayments. The Committee, therefore, strongly recommend that the Reserve Bank of India should issue similar instructions that no processing fee should be charged from the SC/ST borrowers.

Reply of the Government

1.57 The Ministry of Rural Development has informed that the Swarnjayanti Gram Swarozgar Yojana (SGSY) guidelines mention monitoring cum processing fee in its para 4.25 and 4.28 which reads as follows:

Measures for Affecting Recovery:

Para 4.25: Constant flow of information about every Sawrozgari is necessary to ensure full recovery. Since the banks are also understaffed, they may engage the services of NGOs or individuals (other than Government servants) as Monitor cum Recovery Facilitators, on a commission basis. A processing cum monitoring fee of 0.5% of the loan amount may be charged to the Swarozgaries to meet this expenditure.

Incentives and Disincentives for Recovery Performance:

Para 4.28: In order to promote credit discipline among Swarozgaries and also to bring about a sense of accountability of the community, the following incentive and disincentive system is introduced:

(i) At the Swarozgari's level, prompt repayment will entitle him/her to waiver of the 0.5% processing cum monitoring fee.

(ii) At the Gram Panchayat level and block level- a minimum of 80% recovery should be ensured by Panchayats and Blocks. Those Gram Panchayats and blocks that do not fulfill the required recovery performance will not be eligible for any allocation under SGSY in the subsequent year. (Kept under abeyance till further orders).

1.58 Thus, it could be seen that processing and monitoring fee of 0.5% of the loan amount has been incorporated in the SGSY guidelines on the grounds that the banks are required to engage services of Monitoring cum Recovery Facilitators on a commission basis due to understaffing. But SGSY guidelines also provide for waiver of this processing cum monitoring fee as an incentive measure for prompt repayment. Further, it is pertinent to mention that the above provisions which have been incorporated in the SGSY guidelines are applicable for all beneficiaries i.e. Swarozgaris including SCs & STs.

1.59 It is reiterated that SGSY scheme has been designed as a holistic self-employment programme with an objective of bringing assisted poor families (Swarozgaris) above the Poverty Line by ensuring appreciable sustained level of income over a period of time. It is a process oriented scheme involving social mobilization, formation of SHGs, their capacity building and skill up gradation, linkage with the credit and provision of subsidy, technology infrastructure and marketing. In this scheme credit is a critical component and subsidy is a minor and enabling factor. In the SGSY each sub process derives its operational inputs from the success of an earlier process. Credit could be one-time or in multiple doses. To inculcate the habit of timely repayment of earlier doses or credit and prepare the

Swarozgaris for higher levels of credit at a subsequent stage is also an integral part of the overall objective of SGSY. The above provision of processing cum monitoring fee and its waiver as an incentive for prompt repayment seem to be in line with the stated objectives of SGSY. However, the recommendations of the Parliamentary Committee for waiver of 0.5% processing fee is noted in the Ministry for taking appropriate decision.

Comments of the Committee

1.60 The Committee had expressed their unhappiness over the fact that while RBI advises the banks to extend assistance to loan seekers free of cost, it was noted that under Swarnjayanti Gram Swarozgar Yojana (SGSY) scheme, some sort of processing fee is being charged from Swarojgaris, including SC/ST borrowers. In their reply, the Government have reproduced the relevant para in the SGSY guidelines issued by the Ministry of Rural Development wherein there is a mention of waiver of 0.5% of processing and monitoring fee as an incentive measure for prompt repayment. It has been clarified that processing and monitoring fee of 0.5% of the loan amount has been incorporated in the SGSY guidelines on the ground that the banks are required to engage services of monitoring cum recovery facilitators on a commission basis due to understaffing. The Committee observe that instruction of RBI to banks to extend assistance to loan seekers free of cost is not in consonance with the instructions of the Ministry of Rural Development for charging of processing fee. The Committee view that this contradiction should be removed. The Committee, therefore, recommend that Ministry of Finance/RBI in coordination with the Ministry of Rural Development should look into this matter expeditiously and take appropriate action so that no processing fee is charged from weaker sections, including SC and ST borrowers.

Recommendation (Sl. No. 25, Para No. 3.22)

1.61 The Committee observe that the Differential Rate of Interest (DRI) scheme available for the poorest of the poor living in rural, semi-urban and urban areas is losing popularity. The Committee feel that it is not because of the availability of other much attractive schemes but due to the very low limit of loan available under the scheme. The Committee also observe that the proposal for enhancing the ceiling of Rs. 6500/- under DRI scheme has been turned down on being a subsidized scheme, providing loan on concessional interest rate and due to high costs involved in servicing loans. The Committee understand that DRI scheme introduced in 1972 is the only scheme which extends loan at concessional interest rate to the weaker sections whereas all the other schemes provide loan as per guidelines and prime lending rate. Moreover, no distinction is made by both public and private sector banks in charging interest from general classes and weaker sections including SCs/STs. It is, therefore, of utmost importance that RBI should rejuvenate DRI scheme by increasing the loan amount to at least the current realistic level since it is one of the most viable schemes having great acceptance among the poorest of the poor.

Reply of the Government

1.62 As per the proposal made by the Hon'ble Finance Minister in the Union Budget 2007-08, the limit of the loan under the Differential Rate of Interest Scheme to be raised from Rs. 6500/- to Rs. 15000/- and the limit of the housing loan from existing Rs. 5000/- to Rs. 20,000/- per beneficiary. Accordingly, a circular ref. RPCD.SP.BC. No. 101/09.09.01.2006-07 dated June13, 2007 has been issued by RBI to all scheduled commercial banks thereby advising to increase loan limits.

Comments of the Committee

1.63 The Committee are happy to note that a circular dated June 13, 2007 has been issued by RBI to all scheduled commercial banks for raising the limit of loan

under the Differential Rate of Interest (DRI) from Rs. 6,500/- to Rs. 15,000/- and limit of the housing loan from Rs. 5,000/- to Rs. 20,000/- per beneficiary as per the proposal made in the Union Budget (2007-08). Keeping in view the inflation and sky rocketing prices of all commodities/raw material, the Committee expect the Government to evolve a formula so that limit of these loans could automatically be increased vis-a-vis price rise.

Recommendation (Sl. No. 26, Para No. 3.33)

1.64 The Committee are impressed that the number of SCs/STs assisted under the DRI has surpassed the percentage specified for the SCs/STs. They are however, concerned with the falling number of accounts under the scheme. The Committee are also not able to understand the logic for maintaining outstanding amount instead of actuals relating to amounts sanctioned and disbursed under the scheme during a particular year while it has been stated at para 2.15 that in respect of government sponsored schemes the same format has been specified. The Committee recommend that the Reserve Bank of India should instruct banks to maintain figures of actual loans sanctioned and disbursed under DRI scheme during a year so that it could become easy to assess the actual performance while evaluating the scheme.

Reply of the Government

1.65 The amount outstanding shown in the statements collated by RBI regarding the performance of the DRI scheme is actually the amount of loans disbursed to beneficiaries under the scheme.

1.66 Regarding revision of the format showing performance of the DRI scheme, (loans sanctioned and disbursed under the DRI scheme), RBI have requested the Ministry of Social Justice and Empowerment vide letter dated July 11, 2007 to advise accordingly as the present format has been prescribed by them.

Comments of the Committee

1.67 The Government in their action taken reply have stated that the amount outstanding shown in the statements collected by RBI regarding performance of DRI scheme is actually the amount of loans disbursed to beneficiaries. It has further been stated that they have requested Ministry of Social Justice and Empowerment to advise with regard to revision of the format showing performance of DRI scheme (loans sanctioned and disbursed). The Committee should be apprised of the response of the Ministry of Social Justice and Empowerment and action taken by the RBI on their part in this regard.

Recommendation (Sl. No. 27, Para No. 3.24)

1.68 The Committee note that the SGSY scheme for the rural poor living below poverty line though has a reservation of 50% for SCs/STs, it has not even crossed the 26% mark during the last 4 years. The Committee note lack of coordination between banks and Government sponsoring agencies. The Committee feel that unless the below poverty line rural SC/ST families are covered properly, no substantial progress can be made in visualising the desired goal of economic development of these classes. The Committee, therefore, desire that a more coordinated approach needs to be adopted for achieving the percentage specified for SCs/STs under this scheme.

Reply of the Government

1.69 In this connection, RBI have already advised all scheduled commercial banks vide letter ref. RPCD.SP.No. 426/09.01.01/2005-06 dated June 1, 2006 to apprise the position. Further, RBI have also advised all SLBC Convener Banks vide their letter RPCD.CO.SP. No. 274/09.01.01/2006-07 dated July, 9, 2007 regarding the concern of the Committee for a coordinated approach with the individual member banks for achieving the percentage specified for SCs/STs under the SGSY scheme.

1.70 The sponsoring agencies viz. DRDAs need to ensure that adequate number of eligible SC/ST families are identified and sponsored to the banks for financing under SGSY so as to cover not less than 50% of the target.

Comments of the Committee

1.71 The Committee had noted that due to lack of coordination between banks and Government sponsoring agencies, targets of 50% reservation for SCs/STs among the rural poor living below the poverty line in SGSY scheme had not even crossed the 26% mark. The Committee had, therefore, desired that a more coordinated approach needs to be adopted for achieving the percentage specified under this scheme. The Committee note that RBI has conveyed its concern to all scheduled commercial Banks for achieving the percentage specified for SCs/STs under the SGSY scheme. The Committee would like to know the action taken by banks to persuade the sponsoring agencies to identify and sponsor more SC/ST families for financing under SGSY so as to achieve the target.

Recommendation (Sl. No. 28, Para No. 3.25)

1.72 The Committee observe that the figures provided under SJSRY for the last 4 years depict a steady and impressive progress in the number of accounts and the loan sanctioned under the scheme for SCs/STs. The Committee, however, have not been able to understand the logic behind the difference evident between the loans sanctioned and the actual amounts disbursed to the SCs/STs. The average shortfall between the loans sanctioned and the actual amounts disbursed is around 18%. The Committee, therefore, desire that this difference should be removed and the sanctioned amount should be released at the earliest.

Reply of the Government

1.73 RBI have already issued a letter ref. RPCD.SP.ROC. No. 10564/09.16.01/2006-07 dated May 11, 2007 to their regional offices advising them to follow up with the implementing banks with an achievement below 50% of the allocated targets under SJSRY. Once the banks' performance under the SJSRY improves, it will automatically decrease the gap between the loans sanctioned and loans disbursed.

Comments of the Committee

1.74 The Committee note that RBI has issued a letter to their regional offices advising them to follow up with the implementing banks with an achievement below 50% of the allocated targets under SJSRY. The Committee would like to know the present position in this regard as more than one year has elapsed since the issue of letter by RBI on 11 May 2007.

Recommendation (Sl. No. 30, Para No. 3.27)

1.75 The Committee find the figures under scheme of Liberation and Rehabilitation of Scavengers (SLRS) are not at all impressive. There has been constant and sharp decline in the number of SCs/STs benefitted and the loans sanctioned. The Committee also do not understand the phenomenon behind the sharp decline in the number of SC/ST benefitted during 2003-04 as compared to the year 2002-03. The Committee, desire that reasons, behind abnormal slump should be examined and the different coordinating agencies should aim at arresting the decline trend in this regard. The Committee desire that the Schemes for Rehabilitation of Scavengers should be re-examined so that these can really achieve their purpose.

Reply of the Government

1.76 The Government is concerned about the programme of SLRS and the fact that even after implementation of the scheme since 1992 and enactment of various legislations such as the Employment of Manual Scavengers and Construction of Dry Latrines (Prohibition) Act 1993, the National Commission for Safai Karamcharies Act etc., manual scavenging has not been eradicated. The Planning Commission and the implementing Ministry have found that the scheme suffers from weaknesses such as no proper mechanism for identification of scavengers, lack of coordination between liberation and rehabilitation, inadequate/inappropriate skill based training, inadequate attention of concerned agencies and State Governments, poor monitoring mechanisms, non-adoption/ poor implementation by State Governments of the Employment of Manual Scavengers and Construction of Dry Latrines (Prohibition) Act, etc. Some of the above mentioned factors could also explain the decline in the number of SCs/STs benefited under SLRS. On re-examining the scheme, proper identification of beneficiaries, involvement of NGOs & micro finance agencies in implementation of the scheme, improved training programmes, strengthening of implementing agencies such as the National Safai Karamcharies Finance Development Corporation and its State channelising agencies, improved coordination & monitoring at all levels are some of the initiatives that have been considered by the Government to augment the flow of assistance under the scheme.

Comments of the Committee

1.77 The Committee observe that the Planning Commission and implementing Ministry have found that the scheme of Liberation and Rehabilitation of Scavengers (SLRS) suffers from several weaknesses that have contributed towards decline in the number of SCs/STs beneficiaries. The Committee are grieved that the Government and concerned agencies have taken a long time after implementation of this scheme in 1992, to understand the weaknesses in implementing the schemes. The Committee note that the Government have now considered to take some initiatives to augment the flow of assistance under the scheme. The

Committee should be apprised whether initiatives mentioned in their reply have already been taken. The Committee, therefore, would like to know the results achieved on the initiatives taken by the Government in this regard. The Committee recommend that the Government should fix a time period within which the basic purpose of the scheme for rehabilitation of scavengers is fully achieved.

Recommendation (Sl. No. 31, Para No. 3.28)

1.78 The Committee note that studies conducted under SGSY, SJSRY have revealed that non-completion of formalities by borrowers, lack of awareness both among the beneficiaries and the officials of sponsoring agencies coupled with inadequate number of applications are the major factors hampering effective implementation of the schemes. The Committee are deeply concerned to note that the different implementing agencies have not been able to remove these bottlenecks. The Committee are of the considered view that until and unless responsibilities are fixed among various functionaries, the implementation of the schemes would continue to be hampered. The Committee, therefore, recommend that the bank officials and officials of other agencies be given specific responsibilities to remove these bottlenecks to improve results.

Reply of the Government

1.79 Reserve Bank of India (RBI) has issued instructions from time to time advising all scheduled commercial banks to ensure sufficient credit flow to the Scheduled Castes/Scheduled Tribes, which are as under :-

- Banks have been advised to help the poor illiterate borrowers in filling up the forms and completing other formalities that **they** are able to get credit facility within a stipulated period from the date of receipt of applications.

- Banks have been advised not to insist on deposits while considering loan applications under Government sponsored poverty alleviation schemes/self-employment programmes from borrowers belonging to SCs/STs.
- All the necessary institutional support is to be provided by banks to the National SC/ST Finance and Development Corporation to enable the institution to achieve the desired objectives. The circulars issued in this regard are consolidated on a yearly basis. The latest master circular issued is RPCD.No. SP.BC.2/09.09.01/2007-08 dated July 2, 2007 (available on RBI website. www.rbi.org.in).
- Banks have been advised to indicate clearly the reason for rejection of application on the form itself so that the sponsoring agency would take necessary action. Banks have also been advised to contact illiterate borrowers and explain to them the salient features of the schemes as also the advantages that will accrue so as to minimize the rate of rejection of applications.
- The rejection of applications in respect of SCs/STs is to be done at higher levels instead of at the branch level. Further, reasons for rejection of applications are to be clearly indicated on the application forms. The register of rejection of applications maintained by banks is made available to the inspecting officers.
- Banks have been advised to set up training institutions in the lines of Rural Development and Self Employment Training Institute “RUDSETI” jointly with the State Governments by utilizing their existing infrastructure of Industrial Training Institutes (ITIs) and Small Industries Service Institutes (SISIs), etc.
- Sensitization programmes are being conducted by banks to train the SC/ST beneficiaries.

Comments of the Committee

1.80 The Committee note that RBI has issued instructions to all scheduled commercial banks to ensure sufficient credit flow to SCs/STs. The instructions issued by RBI are advisory in nature and do not specify responsibilities as recommended by the Committee. The Committee are of the considered view that mere issue of advisories would not be sufficient for effective implementation of the schemes. Instead, there should be dedicated commitment of all the agencies

involved. The Committee, therefore, reiterate their earlier recommendation that until and unless specific responsibilities are given to the bank officials and officials of other agencies, the implementation of these schemes would continue to be hampered.

Recommendation (Sl. No. 32, Para No. 3.29)

1.81 The Committee find that the Reserve Bank of India has not undertaken any evaluation study to assess the economic conditions of SCs/STs before and after inception of poverty alleviation programmes. However, other studies have revealed that lack of proper training and guidance have led to pursuing unviable economic activities by beneficiaries. The Committee also note that SGSY study conducted in 1999-2000 has established that income generated was utilized in food and clothing by beneficiaries. The Committee feel that if a study is conducted to assess the impact of the schemes of SCs/STs more glaring findings would come to light. The Committee, therefore, recommend that an exclusive study should be undertaken to find the change in the condition of SCs/STs so that the findings could be used to plug the shortcomings and to introduce more viable schemes commensurate with the needs of the SCs/STs.

Reply of the Government

1.82 Reserve Bank has undertaken a quick sample study through its 16 Regional Offices during February 2003 to review the flow of credit to SCs/STs. The study covered 53 groups, 1683 beneficiaries in 57 districts and 154 branches throughout the country covering a period of 3 1/2 years ending 30.9.2001, 31.3.2002 and 30.9.2002.

1.83 Reserve Bank has advised Banks vide its circular ref. RPCD. SP.BC.No.102/09.09.01/02-03 dated June 23, 2003 to take corrective measures in the light of the findings of the sample study for the effective implementation of the schemes.

1.84 Further, in compliance to the recommendations made by the Committee on the Welfare of SCs/STs, Reserve Bank has advised all scheduled commercial Banks vide letter ref. RPCD.SP.No.7345/09.09.01/2006-07 dated Feb. 13, 2007 to undertake a study to determine the reasons for rejection of loan applications of SCs/STs and exploring the various possibilities of increasing the flow of credit to SCs/STs.

Comments of the Committee

1.85 The Committee had specifically recommended to undertake an exclusive study to find the change in the condition of SCs/STs whereas the Government has referred to a quick sample study conducted in February, 2003 to review the flow of credit to SCs/STs and a circular issued by RBI in June, 2003 to take corrective measures in the light of the findings of the sample study. The Committee are aghast to note that while the Committee had specifically recommended RBI to undertake an exclusive study to find the change in the condition of SCs/STs before and after the inception of poverty alleviation programmes, the Government in their reply have stated that the RBI in February, 2007 have advised all banks to undertake study to determine the reasons for rejection of the loan applications of SCs/STs and exploring various possibilities for increasing the flow of credit to them. The Committee are deeply concerned at the attitude of the Government in not taking their recommendation seriously. The Committee, therefore, reiterate their earlier recommendation that an exclusive study should be undertaken to find the change in the condition of SCs/STs before and after the inception of poverty alleviation programmes, so that the schemes could be made more viable and commensurate with the needs of SCs/STs by removing the shortcomings.

Recommendation (Sl. No. 34, Para No. 3.31)

1.86 The Committee note that the Reserve Bank of India has a vital role to play in the flow of credit to the SCs/STs since it frames the guidelines and monitors the performance of banks. The Committee, further note that representatives of RBI are Members of the District Consultative Committees/District Level Review Committees set up to review the progress of Government sponsored schemes. The RBI is also represented at the highest level in the quarterly meetings of State Level Bankers' Committees. Despite their importance and presence in various Committees for reviewing the progress of schemes, RBI has not been able to persuade banks to reach the optimal limit in credit lending to weaker sections. The Committee are surprised to find that even the measures suggested by RBI have not been actually followed by banks. This is evident from their own studies which established various discrepancies that were prevalent in banks. Non-realisation of the targets set for the scheduled commercial banks could be that the Rural Planning and Credit Department in the RBI has failed to effectively monitor the performance of various schemes and suggest subsequent remedial measures. The Committee recommend that RBI should strengthen their monitoring system so that the banks improve lending to weaker sections especially SCs/STs. The Committee also advise RBI to lay norms so that exploitation of SC/ST beneficiaries during sanctioning and disbursal of loans is totally removed.

Reply of the Government

1.87 Reserve Bank of India (RBI) has reported that they have already advised all the Banks vide Master Circular ref.RPCD.SP.BC.No.2/09.09.01/2007-08 dated July 2, 2007 on Credit facilities to SCs/STs to indicate clearly the reason for rejection of application on the form itself so that the sponsoring agency would take necessary action. Banks have been advised to help the poor borrowers in filling up the forms and completing other formalities so that they are able to get credit facility within a stipulated period. Banks have also been advised to contact illiterate borrowers and explain to them the salient features of the schemes as also the advantages that will accrue so as to minimize the rate of rejection of applications.

1.88 All the Banks vide letter ref. RPCD.SP.No.11900/09.09.01/2006-2007 dated June 14, 2007 have been advised by RBI to ensure that no exploitation of SC/ST beneficiaries take place during sanctioning and disbursal of loans.

Comments of the Committee

1.89 The Committee note that the RBI has issued a letter to all banks to ensure that no exploitation of SC/ST beneficiaries takes place during sanctioning and disbursal of loans. However, no reply has been furnished by the Government in regard to strengthening of the monitoring system of RBI. The Committee had pointed out that Rural Planning and Credit Department in the RBI has failed to effectively monitor the performance of various schemes and to suggest subsequent remedial measures. The Committee had recommended that RBI should strengthen their monitoring system so that banks improve their lending. This recommendation has been ignored by the Government. The Committee consider this to be a willful and serious lapse on the part of the Government. The Committee, therefore, reiterate their earlier recommendation that RBI should strengthen their monitoring system so that Banks improve lending to weaker sections, especially SCs/STs.

Recommendation (Sl. No. 36, Para No. 4.9)

1.90 The Committee note with concern that the efforts made by the Reserve Bank of India in the form of advisories/instructions to banks for creating awareness among SC/ST beneficiaries about availability of the credit schemes has not been able to generate the desired level of awareness amongst the beneficiaries. The Committee are surprised that on one hand the Reserve Bank of India has advised banks over the importance of field staff of Banks to contact such borrowers and explain them the salient features of schemes available whereas the representative of the Ministry of Finance during evidence submitted that the banks can not take extension work owing to manpower limitations. Similar observation was also of the Governor, RBI when he stated that a lot more is needed to be done for creating greater awareness but at the same time he expressed the limitation of structural constraints. The Committee desire that the RBI and the Ministry of Finance should evolve a joint strategy to make use of the manpower and facilities of the State Governments more effectively if the field staff of banks are not available to contact SC/ST borrowers and explain them about the salient features of the schemes and advantages thereof. The Committee are happy that circulars for aggressive campaigns to publicise the schemes through electronic and print media, rural melas, farmers club have already been issued by RBI. The Committee would, therefore, like all banks to undertake such exercise seriously and regularly.

Reply of the Government

1.91 RBI have already advised all scheduled commercial banks vide letter ref. RPCD.SP.No.11900/09.09.01/2006-07 dated June 14,2007 to publicise the government sponsored schemes through electronic and print media, rural melas, farmers club, etc.

Comments of the Committee

1.92 The Committee are pained to note that their recommendations/observations are not fully covered by the reply of the Government. The Committee had desired that the RBI and the Ministry of Finance should evolve a joint strategy to make use of the manpower and the facilities of the State Governments more effectively if the field staff of banks are not available to contact SC/ST borrowers and explain to them the salient features of the schemes and advantages thereof. The Committee expressly desire that proper and adequate action be taken on the recommendation of the Committee at the earliest and they should be apprised accordingly.

CHAPTER – II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 1, Para No. 1.18)

2.1 The Committee note that the State is constitutionally liable to promote the educational and economic interests of Scheduled Castes and Scheduled Tribes. These provisions being part of Directive Principles of State Policy, cannot be enforced by courts. The Committee, however, observe that the progress of economic development of SCs/STs has been very slow even after a period of 58 years of independence of the country has gone by. It is painful to note that 38.47% of SCs and 34.75% of ST, are still living below poverty line in urban areas and 36.62% of SCs and 45.86% of STs in the rural areas as per Tenth Five Year Plan Period (2002-07). The Committee, therefore, opine that until and unless the Government seriously decide to set a time frame to fully achieve the objectives, in a phased manner, problem would continue to persist as ever.

Reply of the Government

2.2 The Government is conscious of the need to direct special attention for the economic upliftment of SCs/STs. However, the reasons for a high incidence in poverty among this section of the population is on account of a host of factor which include social, structural, economic and institutional constraints. Provision of credit facilities is just one of many initiatives that have been taken for improvement of the economic condition of the poverty stricken SC/ST population. Under the credit linked employment Scheme of SGSY, 50% reservation is made for SCs/STs. Under the differential rate of interest (DRI) Scheme where credit can be availed at 4%, there is 40% reservation for SCs/STs. Further more, the Government has also been operating certain schemes like providing loans to below poverty line families at very low interest through National Sahakari Finance and

Development Corporation/National Safai Karamcharis Finance and Development Corporation (NSFDC) /NSKFDC and Scheduled Castes Development Corporation (SCDCs). NSFDC provides loans up to 90% of unit costs and remaining share is provided by State Channelising Agencies (SCAs) and also in some cases partly by promoters as per policy. In all the schemes, subsidy @ Rs. 10,000/- per unit is provided by SCAs for Below Poverty Line (BPL) beneficiaries.

[Vide Ministry of Finance, Department of Financial Services No. 19/3/2007-SCT (B) dated 27.03.2008.]

Comments of the Committee

2.3 Please see Para No. 1.6 of Chapter – I.

Recommendation (Sl. No. 2, Para No. 1.19)

2.4 The Committee note that the coverage of banking system in India seems inadequate as the existing banking institutions have not been able to penetrate the rural areas fully due to various reasons as admitted by Governor, RBI. The development programmes linked with credit to SCs/STs depend much on cooperation between the Government and the Banking system. The Committee, therefore, desire that immediate steps should be taken to improve the flow of credit to SCs/STs with much improved delivery system especially in the rural areas. The Committee, further, desire that a study may be made as to know the reasons for the failure of banking institutions in not being able to fully cover the rural poor for providing credit and to suggest corrective measures thereto.

Reply of the Government

2.5 RBI has already initiated necessary steps to promote financial inclusion with great vigour and the renewed thrust on micro finance that would greatly facilitate the inclusion of the weaker sections especially the SC/STs. Financial Inclusion is not just confined to loans, but encompasses a range of services that banks offer.

Reserve Bank of India has issued directions to banks specifically to promote financial inclusion. These include:

(i) Opening of 'no frills' accounts with zero balance or very low balances.

(ii) Provision of General Credit Card facility at rural and semi urban areas without linkage to purpose or security to enable borrowers in these areas to draw up to Rs.25, 000/- in a hassle free manner, and

(iii) Doorstep banking has also been authorized by RBI vide circular dated April 30, 2005 enabling banks to devise scheme for providing services at the premises of the customer under the purview of Sec 23 of B.R Act, 1949.

(iv) A Study of "Services to Depositors and Small Borrowers in Rural and Semi-Urban Areas" was initiated by RBI which was conducted by NCAER regarding services to depositors and small borrowers in rural and semi-urban areas so as to find out the quality of services rendered by branches of commercial banks. While there were many positive features in the report, the features which required improvement are as under:-

- Prompt service delivery at the counter and professional attitude of the bank staff have emerged as the key determinant for customer satisfaction.
- Further attempts are required on the part of the banks to promote the importance of nomination facility to all customers.
- Regarding the investment decision, more than 50 percent customers opine that the bank has helped them in taking their investment decision.
- More than 50% customers have acknowledged that brochures/pamphlets in local language are made available at the branch for guidance of customers.
- More than 52% of the customers have acknowledged that the branch/bank conveys the reasons for rejection of loan application in writing within the stipulated time.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 21st January, 2008.]

Comment of the Committee

2.6 Please see Para No. 1.10 of Chapter I.

Recommendation (Sl. No. 3, Para No. 1.20)

2.7 The Committee note the apprehension expressed by the Governor of the Reserve Bank of India during evidence that providing loan to people living below poverty line who are unable to generate surplus would be doing injustice to the depositors' money and that it is one of the limitations with regard to penetration of banks. The Committee feel that the apprehension among the Banking Institutions may be misconceived because these borrowers form a very small part of the credit lending process and only they are not to be blamed entirely for Non Performing Assets (NPAs) of banks. Instead the Committee desire that the Government and the Banking institutions should help the poor SC/ST beneficiaries to develop their skills on stipend basis prior to flow of credit to them or make the training part as a must for credit flow process so that the poor SCs/STs could sustain themselves as well as repay loans.

Reply of the Government

2.8 It is proposed to give Training inputs on the lines of Rural Development Self Employment Training Institute (RUDSETI). Institutions like Tata Institute of Social Sciences, College of Agricultural Banking, National Institute of Banks Management (NIBM), National Institute of Rock Mechanic (NIRM) etc. are already working in the field.

2.9 The following are the activities undertaken by some of the scheduled commercial banks in the field of Rural Development Self Employment Training Institute (RUDSETI):

2.10 Syndicate Bank in association with Canara Bank and Sri Dharamasthala Manjunatheswara Education (SDME) Trust has set up a Central Secretariat of RUDSETI at Ujire through which they have extended guidance to several banks in both public and private sector, viz. Bank of Baroda, Dena Bank, UCO Bank, Andhra Bank, Vijaya Bank, State Bank of Saurashtra and officials from the State Governments of Gujarat, Chhattisgarh and also certain NGOs in setting up training institutes on the lines of RUDSETI. Besides the above, representatives from the Common Wealth Nations comprising officials from Bangladesh, Sri Lanka and Maldives have visited RUDSETI to study the Model and implement the same in their respective countries. Punjab National Bank, Bank of Maharashtra and Canara Bank have also set up training institutes on the lines of "RUDSETI".

2.11 Rural Planning and Credit Department (RPCD), Central Office had thus advised all its Regional Offices to take matter with the State Level Banker's Committee (SLBC) Convenor Banks relating to setting up of training institutes on the lines of RUDSETI in their respective states under the Prime Minister's Rozgar Yojana (PMRY) and Swaran Jayanti Gram Swarozgar Yojana (SGSY) scheme.

2.12 Under the SGSY scheme, the persons identified for assistance are provided necessary training by the bank staff regarding technical skills, managerial skills, orientation programme including elements of book keeping, knowledge of market, identification and appraisal, acquaintance of book-keeping etc. so as to enable self development and awareness of the beneficiaries under the scheme.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 30th Oct., 2007].

Recommendation (Sl. No. 10, Para No. 2.27)

2.13 The Committee observe that Lead District Officers at Regional Offices of the Reserve Bank of India have to ascertain the problems faced by SC/ST borrowers in accessing bank credit and the information collected by them are maintained at the Regional Offices of the RBI. The Committee, desire that Regional Offices of the RBI should be advised to transmit all such data to the RPCD, if not already done, so that it could be utilised in evolving effective strategy to minimize bottlenecks in accessing bank credit.

Reply of the Government

2.14 RBI have issued a circular ref. RPCD.SP No. 11055/09.09.01/2006-07 dated May 24, 2007 to ROs thereby advising them to henceforth forward all information collected by them regarding problems faced by SC/ST borrowers in accessing bank credit to Rural Planning and Credit Department, Central Office so as to enable RBI to evolve effective strategy accordingly.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 30th Oct., 2007.]

Recommendation (Sl. No. 17, Para No. 2.34)

2.15 The Committee note that lack of credit delivery network in the rural and semi-urban areas has resulted into exploitation of weaker sections, including SCs/STs, leading to suicide by farmers. The Governor, Reserve Bank of India has also admitted to this fact during the course of his evidence before the Committee. The Committee have further noted that private money lenders have played a big role in exploitation of the weaker sections of the society. The Committee have also been informed that only State Legislatures are empowered to make laws on the subject since it is listed under Entry 30 of the List II, Seventh Schedule of the Constitution and that the Reserve Bank of India has no authority to regulate money lending or issue any guidelines thereto. The Committee, however, note that despite 'Bombay Money Lenders Act, 1946' in force in Maharashtra the law does not seem to be enough to stop the debt related deaths of farmers. The Committee opine that the Constitution of India in the form of Article 252 is perhaps the solution to the problem as this empowers the Union Government to legislate on any item not enumerated in the Union List. The Committee therefore desire that a comprehensive study of the credit delivery system to the weaker sections of the society may be undertaken by Reserve Bank of India and corrective steps should be taken to ensure an efficient and strong credit delivery system.

Reply of the Government

2.16 In this connection, an in–depth study has been undertaken by the "Technical Group to Review Legislations on Money Lending " and report has been submitted in July 2007 wherein all the efforts of the Government and Reserve Bank of India (RBI) to improve financial inclusion along with providing an additional impetus to the flow of credit from the banking sector to the rural areas have been mentioned. The Group has subsequently made some recommendations based on the findings/results of the visits of the sub-groups and the survey conducted by the regional offices of RBI in the interest of the weaker sections. Considering the significance of moneylenders especially in the rural credit delivery system, the need for a suitable and effective legislation in the interest of the borrower has been emphasized and the Group has recommended punishments for specific offences like resorting to force /violence for recovery of the loan, entry of wrong sums in the bonds, promissory notes, etc., for the moneylenders.

2.17 Further, RBI have also issued letter dated Feb 13, 2007 to all the Scheduled Commercial Banks thereby advising them to undertake a study of the reasons for the rejection of loan applications from SC/ST applicants thereby exploring the possibilities for increasing of flow of credit under priority sector for the benefits of SC/STs.

[Vide Ministry of Finance, Department of Financial Services No. 19/3/2007-SCT (B) dated 27.03.2008.]

Comments of the Committee

2.18 Please see Para No. 1.52 of Chapter I.

Recommendation (Sl. No. 18, Para No. 2.35)

2.19 The Committee are happy to note that the Reserve Bank of India has been providing relief measures through the scheduled banks to the people either affected by natural calamities or indebted to money lenders. The Committee also agree with Governor, RBI that the best solution to the problem of money lending is to increase credit lending through banks and co-operatives. The Committee, therefore, recommend that the Government should ensure that the targets fixed for priority sector lending are fulfilled every year and that the lending targets fixed under advances to agriculture sector are revised to improve and expand the credit delivery network.

Reply of the Government

2.20 As regards lending under priority sector, 21 out of 28 public sector banks had achieved the target as on March end 2007. With regard to target for agriculture sector lending, Reserve Bank of India (RBI) has already issued revised guidelines on April 30, 2007 to all the Scheduled Commercial Banks wherein banks have been advised to ensure that out of the total 18% of Adjusted Net Bank Credit (ANBC) set as target for total agricultural advances under the priority sector lending, indirect lending, in excess of 4.5% of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher, will not be reckoned for computing performance under 18 percent target.

[Vide Ministry of Finance, Department of Financial Services No. 19/3/2007-SCT (B) dated 27.03.2008.]

Comments of the Committee

2.21 Please see Para No. 1.55 of Chapter I.

Recommendation (Sl. No. 19, Para No. 2.50)

2.22 The Committee note with concern that despite involvement of multiple agencies like State Scheduled Castes/Scheduled Tribes Development Corporations, Banks, Ministry of Finance (Banking Division) and Reserve Bank of India, the dream of achieving stipulated targets under advances to weaker sections has not been achieved. As admitted by the Governor, RBI, there is lack of coordination among the different agencies and lack of awareness among borrowers. The Committee also find that the responsibility of achieving targets has been fixed on the banks whereas the loan proposals of SC/ST borrowers are generally channelised through SC/ST Development Corporations. Further though Field Officers play significant role in identification of beneficiaries, yet the banks decide on the clearance of a loan proposal. The Committee feel that the system of some loan proposals passing through multiple agencies is quite confusing and that a more smooth and easy system needs to be evolved. The Committee, therefore, recommend that banks and all the agencies should have regular interface so as to exchange knowledge and views to improve upon the delivery system of bank credit to SC/ST beneficiaries.

Reply of the Government

2.23 Reserve Bank of India have issued a letter ref. RPCD.SP No.11900/09.09.01/2006-07 dated June 14, 2007 thereby advising all scheduled commercial banks to have regular interface with the different agencies so as to exchange knowledge and views to improve upon the delivery system of bank credit to SC/ST borrowers.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 30th Oct., 2007.]

Recommendation (Sl. No. 22, Para No. 2.53)

2.24 The Committee observe that the response to the proposal to instruct banks for fixing responsibility on senior managers in the event of not achieving targets especially for SCs/STs has not been clear. The Committee have been apprised that credit flow being linked to performance of bank managers is reflected in their CRs and administrative action, if any, to be taken, is decided by individual banks themselves. The Committee consider that the collective responsibility of Board of Directors is not enough and that senior Managers may also be given the responsibility to achieve targets. The Committee, therefore, desire that the Ministry of Finance should pursuade the banks to fix responsibilities on their senior managers for achieving targets.

Reply of the Government

2.25 Instructions have been issued by the Government to all public sector banks regarding achievement of targets for SC/STs, under various programmes in accordance with the guidelines of the RBI & for ensuring greater accountability of senior managers in this regard.

[Vide Ministry of Finance, Department of Financial Services No. 19/3/2007-SCT (B) dated 15th April, 2008]

Recommendation (Sl. No. 23, Para No. 2.54)

2.26 The Committee note that SC and ST Development Corporations working in States/UTs are striving for economic development of SCs/STs. The Committee note that their functions include identifying the eligible SC/ST beneficiaries, motivating them to undertake development schemes, sponsoring their schemes to financial institutions for credit support, providing financial assistance in the form of margin money at low interest rates, providing subsidy out of Central funds received under SCP and TSP etc., and facilitating loans by tying up with local banks, NSCFDC, NSTFDC and NSKFDC. The Committee observe that despite several functions entrusted to SC/ST Development Corporations, the objective of helping the SC/ST beneficiaries does not seem to have been achieved as sufficient number of SC/ST people have still not been covered. Non-achievement of stipulated targets is reported to be due to non-sponsoring of sufficient applications to banks by State SC/ST Development Corporations. The Committee, therefore, recommend that banks should rework their strategy to induce the SC/ST Development Corporations in sponsoring sufficient number of applications from SC/ST beneficiaries.

Reply of the Government

2.27 RBI have issued a circular ref. RPCD.SP. No. 11900/09.09.01/2006-07 dated June 14, 2007 addressing all scheduled commercial banks thereby advising them to rework their strategy to induce the SC/ST Development Corporation in sponsoring sufficient number of applications from SC/ST beneficiaries.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 30th Oct., 2007.]

Recommendation (Sl. No. 25, Para No. 3.22)

2.28 The Committee observe that the Differential Rate of Interest (DRI) scheme available for the poorest of the poor living in rural, semi-urban and urban areas is losing popularity. The Committee feel that it is not because of the availability of other much attractive schemes but due to the very low limit of loan available under the scheme. The Committee also observe that the proposal for enhancing the ceiling of Rs. 6500/- under DRI scheme has been turned down on being a subsidised scheme, providing loan on concessional interest rate and due to high costs involved in servicing loans. The Committee understand that DRI scheme introduced in 1972 is the only scheme which extends loan at concessional interest rate to the weaker sections whereas all the other schemes provide loan as per guidelines and prime lending rate. Moreover, no distinction is made by both public and private sector banks in charging interest from general classes and weaker sections including SCs/STs. It is, therefore, of utmost importance that RBI should rejuvenate DRI scheme by increasing the loan amount to at least the current realistic level since it is one of the most viable schemes having great acceptance among the poorest of the poor.

Reply of the Government

2.29 As per the proposal made by the Hon'ble Finance Minister in the Union Budget 2007-08, the limit of the loan under the Differential Rate of Interest Scheme to be raised from Rs. 6500/- to Rs. 15000/- and the limit of the housing loan from existing Rs. 5000/- to Rs. 20,000/- per beneficiary. Accordingly, a circular ref. RPCD.SP.BC. No. 101/09.09.01.2006-07 dated June13, 2007 has been issued by RBI to all scheduled commercial banks thereby advising the increased loan limits.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT(B), dated 30th Oct., 2007.]

Comments of the Committee

2.30 Please see Para No. 1.63 of Chapter I.

Recommendation (Sl. No. 27, Para No. 3.24)

2.31 The Committee note that the SGSY scheme for the rural poor living below poverty line though has a reservation of 50% for SCs/STs, it has not even crossed the 26% mark during the last 4 years. The Committee note lack of coordination between banks and Government sponsoring agencies. The Committee feel that unless the below poverty line rural SC/ST families are covered properly, no substantial progress can be made in visualising the desired goal of economic development of these classes. The Committee, therefore, desire that a more coordinated approach needs to be adopted for achieving the percentage specified for SCs/STs under this scheme.

Reply of the Government

2.32 In this connection, RBI have already advised all scheduled commercial banks vide letter ref. RPCD.SP.No. 426/09.01.01/2005-06 dated June 1, 2006 to appraise the position. Further, RBI have also advised all SLBC Convener Banks vide their letter

RPCD.CO.SP. No. 274/09.01.01/2006-07 dated July, 9, 2007 regarding the concern of the Committee for a coordinated approach with the individual member banks for achieving the percentage specified for SCs/STs under the SGSY scheme.

2.33 The sponsoring agencies viz. DRDAs need to ensure that adequate number of eligible SC/ST families are identified and sponsored to the banks for financing under SGSY so as to cover not less than 50% of the target.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT(B), dated 30th Oct., 2007.]

Comments of the Committee

2.34 Please see Para No. 1.71 Chapter I.

Recommendation (Sl. No. 30, Para No. 3.27)

2.35 The Committee find the figures under scheme of Liberation and Rehabilitation of Scavengers (SLRS) are not at all impressive. There has been constant and sharp decline in the number of SCs/STs benefitted and the loans sanctioned. The Committee also do not understand the phenomenon behind the sharp decline in the number of SC/ST benefitted during 2003-04 as compared to the year 2002-03. The Committee, desire that reasons, behind abnormal slump should be examined and the different coordinating agencies should aim at arresting the decline trend in this regard. The Committee desire that the Schemes for Rehabilitation of Scavengers should be re-examined so that these can really achieve their purpose.

Reply of the Government

2.36 The Government is concerned about the programme of SLRS and the fact that even after implementation of the scheme since 1992 and enactment of various legislations such as the Employment of Manual Scavengers and Construction of Dry Latrines (Prohibition) Act 1993, the National Commission for Safai Karamcharies Act etc., manual scavenging has not been eradicated. The Planning Commission and the implementing Ministry have found that the scheme suffers from weaknesses such as no proper mechanism for identification of scavengers, lack of coordination between liberation and rehabilitation, inadequate/inappropriate skill based training, inadequate attention of concerned agencies and State Governments, poor monitoring mechanisms, non-adoption/ poor implementation by State Governments of the Employment of Manual Scavengers and Construction of Dry Latrines (Prohibition) Act, etc. Some of the above mentioned factors could also explain the decline in the number of SCs/STs benefited under SLRS. On re-examining the scheme, proper identification of beneficiaries, involvement of NGOs & micro finance agencies in implementation of the scheme, improved training programmes, strengthening of implementing agencies such as the National Safai Karamcharies Finance Development Corporation and its State channelising agencies, improved coordination & monitoring at all levels are some of the initiatives that have been considered by the Government to augment the flow of assistance under the scheme.

[Vide Ministry of Finance, Department of Financial Services No. 19/3/2007-SCT (B) dated 15th April, 2008]

Comments of the Committee

2.37 Please see Para No. 1.77 of Chapter I.

Recommendation (Sl. No. 33, Para No. 3.30)

2.38 **The Committee appreciate the efforts made by Reserve Bank of India in plugging the loopholes in effective implementation of various schemes by banks. The Committee, however, are distressed at high number of discrepancies observed during study conducted despite clear guidelines issued by Reserve Bank of India from time to time. The Committee wonder as to why the banks are not following the guidelines properly. The Committee, therefore, recommend that Ministry of Finance should issue instructions** for fixing of responsibility on bank officials and the Reserve Bank of India should consider imposing penalties on banks which do not abide by the guidelines.

Reply of the Government

2.39 As recommended by the Committee, instructions have been issued to all public sector banks and the RBI.

[Vide Ministry of Finance, Department of Financial Services No. 19/3/2007-SCT (B) dated 15th April, 2008]

Recommendation (Sl. No. 35, Para No. 3.32)

2.40 The Committee are dismayed by the fact that the circular issued by RBI to have public representatives in the District Level Review Committee has been ineffective as the Members of Parliament were not being invited to meetings of such Committees or the convenience of Members of Parliament to attend such meetings was not sought. Attendance of public representatives especially of Members of Parliament could help banks in popularising and proper implementation of schemes. The Committee, therefore, recommend that before fixing the meetings of the District Level Review Committees, the convenience of Members of Parliament of the area should be sought and their presence in such meetings should also be ensured by the Convener. The Lead District Officers of the Regional Offices of RBI can also play a positive role in this regard.

Reply of the Government

2.41 RBI has already issued a circular ref. RPCD.SP.No.11055/09.09.01/2006-07 dated May 24, 2007 thereby advising all Lead District Officers of their Regional Offices to ensure that attendance of the public representatives especially the Members of the Parliament which may help in popularising and proper implementation of the schemes.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 30th Oct., 2007.]

Recommendation (Sl. No. 36, Para No. 4.9)

2.42 The Committee note with concern that the efforts made by the Reserve Bank of India in the form of advisories/instructions to banks for creating awareness among SC/ST beneficiaries about availability of the credit schemes has not been able to generate the desired level of awareness amongst the beneficiaries. The Committee are surprised that on one hand the Reserve Bank of India has advised banks over the importance of field staff of Banks to contact such borrowers and explain them the salient features of schemes available whereas the representative of the Ministry of Finance during evidence submitted that the banks can not take extension work owing to manpower limitations. Similar observation was also of the Governor, RBI when he stated that a lot more is needed to be done for creating greater awareness but at the same time he expressed the limitation of structural constraints. The Committee desire that the RBI and the Ministry of Finance should evolve a joint strategy to make use of the manpower and facilities of the State Governments more effectively if the field staff of banks are not available to contact SC/ST borrowers and explain them about the salient features of the schemes and advantages thereof. The Committee are happy that circulars for aggressive campaigns to publicise the schemes through electronic and print media, rural melas, farmers club have already been issued by RBI. The Committee would, therefore, like all banks to undertake such exercise seriously and regularly.

Reply of the Government

2.43 RBI have already advised all scheduled commercial banks vide letter ref. RPCD.SP.No.11900/09.09.01/2006-07 dated June 14,2007 to publicise the government sponsored schemes through electronic and print media, rural melas, farmers club, etc.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 30th Oct., 2007.]

Comments of the Committee

2.44 Please see Para No. 1.92 of Chapter I.

Recommendation (Sl. No. 38, Para No. 4.11)

2.45 The Committee note that the Reserve Bank of India conducts training programmes for Bank Officers in its training institutes. The Committee further note that banks have been instructed to circulate instruction of RBI/NABARD for compliance. The Committee, however, observe that the findings of studies undertaken by RBI have established the ignorance of the concerned staff about guidelines/instructions. The Committee feel that efforts of RBI may not bear fruit if all the bank staff associated with the process of credit lending to SCs/STs are not imparted training about the schemes and the steps to be undertaken to improve lending. The Committee, therefore, recommend that Reserve Bank of India should advise the banks to select competent officers/staff for facilitating lending to SCs/STs and nominate them for specialised training in the RBI run institutes.

Reply of the Government

2.46 RBI has issued a letter ref. RPCD.SP.No. 11900/09/09/01/2006-07 dated June 14, 2007 thereby advising banks to ensure that all bank staff associated with the process of credit lending to SCs/STs are competent enough and are imparted training about the schemes to facilities lending to SCs/STs.

Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 30th Oct., 2007.

Recommendation (Sl. No. 39, Para No. 4.12)

2.47 The Committee are happy to note that some banks have undertaken special self employment training programmes for the unemployed youth from the rural and semi-urban backgrounds so as to enable them to take advantage of the credit facilities available and establish themselves. The Committee recommend that the Reserve Bank of India should advise all the remaining scheduled Commercial Banks to establish such training facilities and see that more and more SCs/STs are imparted effective training.

Reply of the Government

2.48 RBI have already issued a letter ref. RPCD.SP.No. 11900/09.09.01/2006-07 dated June 14, 2007 thereby advising all scheduled commercial banks to establish training facilities so as to impart effective training to SC/ST beneficiaries.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 30th Oct., 2007.]

CHAPTER – III

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

Recommendation (Sl. No. 6, Para No. 1.23)

3.1 The Committee observe that the Board of Directors play a major role in chalking out the priorities and the style of functioning of the banks. The Committee also note that Reserve Bank has issued guidelines making the Board of the banks responsible for achieving targets. The Committee further note that Reserve Bank of India nominated Directors appointed on the Board of nationalised banks may give suggestions on an issue for consideration of the Board. The Committee conclude that Reserve Bank of India nominated Directors have been assigned a great role of chalking out strategies/giving suggestion on issues to the Board which overall controls the functioning and the priorities of the banks. However, in reality the Committee find with dismay that the role of the nominated Directors is restricted to that of providing a framework only. Not much appears to have been done by these Directors in chalking out strategies for extending flow of credit to weaker sections of the society especially SCs/STs. The Committee, therefore, suggest that since banks fall under the administrative control of the Ministry of Finance and the Reserve Bank of India monitors various aspects relating to implementation of schemes by banks, the Ministry of Finance and the Reserve Bank of India should play more active and aggressive role in promoting the flow of credit to SCs/STs through their Directors on Board in such a manner that the stipulated targets are always achieved.

Reply of the Government

3.2 RBI, as a regulator of the banking system in India, issues from time to time, necessary guidelines/instructions/directions to banks to ensure proper flow of credit to the economy in general and weaker sections (SCs/STs/Minority communities, etc) in particular.

3.3 Rural Planning and Credit Department (RPCD), Central Office, Reserve Bank of India monitors the performance of the scheduled commercial banks through various fora and through the receipt of monthly/quarterly progress reports and half yearly recovery statements from the banks under the various Government sponsored schemes such as SGSY, SJSRY, SLRS, PMRY, etc.

3.4 The present role of the Nominee Directors is to provide a policy framework at Board level.

3.5 It is incumbent on the respective bank's management to adhere to the guidelines/instructions//directives issued by RBI to ensure proper flow of credit to the respective sections of the society.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT(B), dated 30th Oct., 2007.]

Recommendation (Sl. No. 9, Para No. 2.26)

3.6 The Committee appreciate the efforts of RBI to have all the current instructions at one place in a master circular incorporating therein all the existing guidelines/instructions to be followed by commercial banks in order to make them effective and less complicated. The Committee also note that any new development that may occur is incorporated on yearly basis in the master circular and efforts are also being made to put them on website. The Committee, while viewing it as a commendable exercise desire that inspection exercise should also be performed periodically to assess whether the existing instructions/guidelines are being applied by the bank officials in reality.

Reply of the Government

3.7 The Lead District Officers of the Regional Offices of RBI are members of the District Consultative Committee/District Level Review Committee, where the review on the progress of the Government Sponsored Schemes is also undertaken. Further, the Lead District Officers have to ascertain the problems faced by SC/ST borrowers in accessing bank credit and the information collected by them are maintained at the Regional Offices of the RBI.

3.8 RBI have also issued a circular ref. RPCD.SP. No. 11055/09.09.01/2006-07 dated May 24, 2007 to ROs thereby advising them to henceforth forward all information collected by them regarding problems faced by SC/ST borrowers in accessing bank credit to Rural Planning and Credit Department, Central Office so as to enable RBI to evolve effective strategy accordingly.

3.9 RBI is represented at the highest level in the quarterly meetings of State Level Bankers Committee, where the progress of the schemes is reviewed regularly.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 30th Oct., 2007.]

Comments of the Committee

3.10 Please see Para No. 1.31 of Chapter I.

Recommendation (Sl. No. 12, Para No. 2.29)

3.11 The Committee are perturbed to note that the percentage of credit to SC/ST beneficiaries within the weaker sections has been declining even though the credit under advances to weaker sections has shown an increasing trend during the last three years (2003, 2004 and 2005) more particularly in the year ending March, 2005. The sharp decline in the percentage of credit to SC/ST in relation to the total credit to weaker sections from 39.54% (2003) to mere 28.69% (2005) is a matter of great concern to the Committee. This decline shows that the efforts reported to have been made by the RBI/Ministry of Finance to improve lending to SCs/STs have failed and has led to sharp decline of around 8.47% during the last 2 years. The Committee, therefore, earnestly desire that concerted efforts should be made to arrest the decline and the lending to SCs/STs within the weaker sections should be improved and sustained at least between 3% to 4%.

Reply of the Government

3.12 The following steps have been taken by Reserve Bank of India to ensure that a fair share of percentage of loans by the banks go to SCs/STs:

- Bank have been advised to help the poor illiterate borrowers in filling up the forms and completing other formalities so that they are able to get credit facility within a stipulated period from the date of receipt of application.
- Banks have been advised not to insist on deposits while considering loan applications under Government sponsored poverty alleviation schemes/self-employment programmes from borrowers belonging to SCs/STs.
- All the necessary institutional support is to be provided by banks to the National SC/ST Finance and Development Corporation to enable the institution to achieve the desired objectives. The circulars issued in this regard are consolidated on a yearly basis. The latest master circular issued is RPCD.No. SP/ BC 2/09.09.01/2007-08 dated July 2, 2007 and is also available in the web site.
- Banks have been advised to indicate clearly the reasons for rejection of application on the form itself so that the sponsoring agency would take necessary action.
- Banks have also been advised to contact illiterate borrowers and explain to them the salient features of the schemes as also the advantages that will accrue so as to minimize the rate of rejection of applications.
- The rejection of applications in respect of SCs/STs will be done at higher level instead of at the branch level. Further, reasons for rejection of applications will be clearly indicated on the applications forms. The register of rejection of applications maintained by banks is made available to the inspecting officers.
- Banks have been advised to set up training institutes in the lines of Rural Development and Self Employment Training Institute "RUDSETI" jointly with the State Governments by utilizing their existing infrastructures of ITIs, SISIs. Sensitization programmes are being conducted by banks to train the SC/ST beneficiaries.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 30th Oct., 2007.]

Recommendation (Sl. No. 16, Para No. 2.33)

3.13 The Committee note with surprise that RBI follows different formats under MIS for collating data in respect of credit given to SCs/STs under priority sector lending and in respect of Government sponsored schemes. Under MIS for priority sector lending as a whole, RBI collates data in respect of outstanding credit to SCs/STs whereas in case of Government schemes, the formats for MIS as prescribed by the Government cover data in respect of loans sanctioned and disbursed by banks to SCs/STs as a whole. The Committee feel that only maintaining figures of loans outstanding to SCs/STs may not provide a clear perspective of the loans disbursed and the number of persons extended loans during a certain year thereby completely depriving the Reserve Bank of India either to assess the impact or propose necessary measures. The Committee, therefore, desire that MIS system may suitably be upgraded to collect figures of both the loans disbursed and the number of people helped both for weaker sections and SCs/STs separately.

Reply of the Government

3.14 RBI is collating he data in respect of credit flow to SC/ST borrowers and to weaker sections under the various Government Sponsored schemes as per the formats prescribed by the Government of India.

3.15 It may also be mentioned here that both number of accounts and balance outstanding to SC/ST borrowers are collated by the RBI vide Annex I to Master Circular ref. RPCD.SP.BC No. 2/09.09.01/2007-08 dated July 2, 2007 on Credit facilities to scheduled castes and scheduled tribes.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 30th Oct., 2007.]

Recommendation (Sl. No. 20, Para No. 2.51)

3.16 The Committee note that the Public Sector Banks take 2 weeks' time for clearing a loan proposal up to Rs. 25,000/- and for those over Rs. 25,000/- they take 8 to 9 weeks time. In case of only SGSY scheme a loan proposal is disposed off within 2 weeks and in any case not later than one month. This is despite the fact that the loan proposals are channelised through different agencies only after fullfilment of the required conditions. The Committee further note that most of the banks are gradually adopting single window concept. The Committee are of the view that since the banks have adopted single window system, the processing time for all loan proposals should accordingly be reduced to a maximum of 2 weeks. The Committee, therefore, desire that the Reserve Bank of India should issue necessary directions in this regard.

Reply of the Government

3.17 In this connection RBI have issued a letter ref. RPCD.SP.No. 12300/12189/12190/09.09.01/2006-07 dated June 21, 2007 addressing all scheduled commercial banks, Indian Banks' Association and all Regional Offices of RBI respectively thereby forwarding the recommendation and seeking the views/comments on the same.

3.18 Some of the views received in this connection from various banks and regional offices are:

3.19 The present time schedule fixed for disposal of loan applications is reasonable and affords ample time to bankers for assessing the viability of the units, borrowers capacity to execute a project, etc. However greater coordination between the implementing agencies will automatically decrease the time taken for disposal of the loan applications by the banks.

3.20 RBI have advised banks vide letter reg. RPCD.SP.No.11900/09.09.01/2006-07 dated June 14, 2007 for regular interface among the different agencies for better coordination.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 30th Oct., 2007.]

Recommendation (Sl. No. 21, Para No. 2.52)

3.21 The Committee are unhappy to note that the Reserve Bank of India advises the banks to extend assistance to loan seekers free of cost, whereas it appears that under SGSY, some sort of processing fee is being charged from SC/ST borrowers since it has been stated that the Swarojgaris are entitled to a waiver of the 0.5% processing cum-monitoring fee on prompt loan repayments. The Committee, therefore, strongly recommend that the Reserve Bank of India should issue similar instructions that no processing fee should be charged from the SC/ST borrowers.

Reply of the Government

3.22 The Ministry of Rural Development has informed that the Swarnjayanti Gram Swarozgar Yojana (SGSY) guidelines mention monitoring cum processing fee in its para 4.25 and 4.28 which reads as follows:

Measures for Affecting Recovery:

Para 4.25: Constant flow of information about every Sawrozgari is necessary to ensure full recovery. Since the banks are also understaffed, they may engage the services of NGOs or individuals (other than Government servants) as Monitor cum Recovery Facilitators, on a commission basis. A processing cum monitoring fee of 0.5% of the loan amount may be charged to the Swarozgaries to meet this expenditure.

Incentives and Disincentives for Recovery Performance:

Para 4.28: In order to promote credit discipline among Swarozgaries and also to bring about a sense of accountability of the community, the following incentive and disincentive system is introduced:

(i) At the Swarozgari's level, prompt repayment will entitle him/her to waiver of the 0.5% processing cum monitoring fee.

(ii) At the Gram Panchayat level and block level- a minimum of 80% recovery should be ensured by Panchayats and Blocks. Those Gram Panchayats and blocks that do not fulfill the required recovery performance will not be eligible for any allocation under SGSY in the subsequent year. (Kept under abeyance till further orders).

3.23 Thus, it could be seen that processing and monitoring fee of 0.5% of the loan amount has been incorporated in the SGSY guidelines on the grounds that the banks are required to engage services of Monitoring cum Recovery Facilitators on a commission basis due to understaffing. But SGSY guidelines also provide for waiver of this processing cum monitoring fee as an incentive measure for prompt repayment. Further, it is pertinent to mention that the above provisions which have been incorporated in the SGSY guidelines are applicable for all beneficiaries i.e. Swarozgaries including SCs & STs.

3.24 It is reiterated that SGSY scheme has been designed as a holistic self employment programme with an objective of bringing assisted poor families (Swarozgaris) above the Poverty Line by ensuring appreciable sustained level of income over a period of time. It is a process oriented scheme involving social mobilization, formation of SHGs, their capacity building and skill up gradation, linkage with the credit and provision of subsidy, technology infrastructure and marketing. In this scheme credit is a critical component and subsidy is a minor and enabling factor. In the SGSY each sub process derives its operational inputs from the success of an earlier process. Credit could be one-time or in multiple doses. To inculcate the habit of timely repayment of earlier doses or credit and prepare the Swarozgaris for higher levels of credit at a subsequent stage is also an integral part of the overall objective of SGSY. The above provision of processing cum monitoring fee and its waiver as an incentive for prompt repayment seem to be in line with the stated objectives of SGSY.

3.25 However, the recommendations of the Parliamentary Committee for waiver of 0.5% processing fee is noted in the Ministry for taking appropriate decision.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 21st January, 2008.]

Comments of the Committee

3.26 Please see Para No. 1.60 of Chapter I.

Recommendation (Sl. No. 24, Para No. 3.21)

3.27 The Committee note that Government of India had several poverty alleviation and employment generation schemes and after subsuming old schemes, only a few are operating and has led to decrease in the number of options available to the weaker sections including SCs/STs. The Committee further note that no separate schemes are available exclusively for SCs/STs either for their economic development or for development of entrepreneurship skills among them. The Committee, therefore, desire that the Ministry of Finance/RBI should coordinate with the Ministry of Social Justice and Empowerment, the Ministry of Tribal Affairs and other related Ministries to evolve new schemes exclusively for SCs/STs. The Committee hope that such a step would definitely help ensure the banks in achieving their stipulated targets and thereby achieving the goal of economic development of these classes.

Reply of the Government

3.28 There are a number of schemes available exclusively for SCs/STs/Backward Classes for the purpose of their economic development and for development of entrepreneurship skills among them. Such schemes are being funded by organizations such as the National Scheduled Castes Finance and Development Corporation, National Safai karamcharis Finance & Development Corporation, Tribal Development Finance Corporation, Scheduled Castes Development Corporation and National Backward Class Finance & Development Corporation etc.

3.29 These organizations are apex institutions for financing, facilitating, mobilizing funds and promoting the economic development activities of persons belonging to the Scheduled Castes/Tribes and backward classes. The institutions provide term loans for the purpose of seed capital assistance for projects, bridge loans against investment subsidy, working capital loans for projects/units, micro-credit finance investment for units and other self-employment/concessional finance ventures. However, these institutions are primarily under the administrative control of the Ministry of Social Justice and Empowerment and the Ministry of Tribal Affairs.

3.30 The Department of Financial Services also, on its part, is conscious of the need to direct special attention for the economic upliftment of SCs/STs. Provision of credit facility to poverty stricken SCs/STs population is one among many such initiatives. Under the Credit Linked Employment Schemes of SGSY, 50% reservation has been made for SCs/STs and under the Differential Rate of Interest(DRI) Scheme, where credit can be availed at 4%, there is 40% reservation for SCs/STs. The RBI have also issued guidelines to all scheduled commercial banks advising them to undertake a study of the reasons for the rejection of loan applications from SC/ST applicants so as to explore the possibility for increasing the flow of credit under priority sector for the benefit for SCs/STs.

3.31 In addition to the existing schemes like PMRY, SGSY, SJSRY, SLRS & DRI, some Public Sector Banks, on their own initiative have introduced special schemes from time to time for meeting the credit requirements of SC/ST population for catering to the needs of housing, education, term loans, etc.

3.32 Ministry of Finance will continue to work in close co-ordination with the RBI as well as the Ministry of Social Justice & Empowerment, Ministry of Tribal Affairs and other related Ministries for new as well as existing schemes for SC/STs & weaker sections to achieve greater financial and social inclusion.

[Vide Ministry of Finance, Department of Financial Services No. 19/3/2007-SCT (B) dated 15th April, 2008]

Recommendation (Sl. No. 26, Para No. 3.33)

3.33 The Committee are impressed that the number of SCs/STs assisted under the DRI has surpassed the percentage specified for the SCs/STs. They are however, concerned with the falling number of accounts under the scheme. The Committee are also not able to understand the logic for maintaining outstanding amount instead of actuals relating to amounts sanctioned and disbursed under the scheme during a particular year while it has been stated at para 2.15 that in respect of government sponsored schemes the same format has been specified. The Committee recommend that the Reserve Bank of India should instruct banks to maintain figures of actual loans sanctioned and disbursed under DRI scheme during a year so that it could become easy to assess the actual performance while evaluating the scheme.

Reply of the Government

3.34 The amount outstanding shown in the statements collated by RBI regarding the performance of the DRI scheme is actually the amount of loans disbursed to beneficiaries under the scheme.

3.35 Regarding revision of the format showing performance of the DRI scheme, (loans sanctioned and disbursed under the DRI scheme), RBI have requested the Ministry of Social Justice and Empowerment vide letter dated July 11, 2007 to advise accordingly as the present format has been prescribed by them.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 30th Oct., 2007.]

Comments of the Committee

3.36 Please see Para No. 1.67 of Chapter I.

Recommendation (Sl. No. 28, Para No. 3.25)

3.37 The Committee observe that the figures provided under SJSRY for the last 4 years depict a steady and impressive progress in the number of accounts and the loan sanctioned under the scheme for SCs/STs. The Committee, however, have not been able to understand the logic behind the difference evident between the loans sanctioned and the actual amounts disbursed to the SCs/STs. The average shortfall between the loans sanctioned and the actual amounts disbursed is around 18%. The Committee, therefore, desire that this difference should be removed and the sanctioned amount should be released at the earliest.

Reply of the Government

3.38 RBI have already issued a letter ref. RPCD.SP.ROC. No. 10564/09.16.01/2006-07 dated May 11, 2007 to their regional offices advising them to follow up with the implementing banks with an achievement below 50% of the allocated targets under SJSRY.

3.39 Once the banks' performance under the SJSRY improves, it will automatically decrease the gap between the loans sanctioned and loans disbursed.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 30th Oct., 2007.]

Comments of the Committee

3.40 Please see Para No. 1.74 of Chapter I.

Recommendation (Sl. No. 29, Para No. 3.26)

3.41 The Committee note that the average shortfall between the loans sanctioned and the amount disbursed under PMRY is as high as 26%. Furthermore, considerable slump has been noticed in the actual loans disbursed to the total amount sanctioned during 2004-05, which comes to around 40%. The Committee, therefore, desire that the gap between the amounts sanctioned and the actual loans disbursed should be removed.

Reply of the Government

3.42 Credit to SC/ST under PMRY by Nationalized banks.

Amt.in lakhs

Year	No. of Cases	Sanctioned Amount.	No. of Cases	Disbursed Amount	% Achievement
04-05	55733	34676.86	42182	26191.92	76
05-06	57839	37477.06	48552	31102.73	83
06-07*	35505	20705.63	20407	11949.00	58

Source : All scheduled commercial banks

- Disbursement permitted till June 30, 2006-07

It may be observed from the above table that for the programme year ended 2004-05 and 2005-06 the ratio of Amount disbursed to Amount sanctioned under PMRY by the nationalized banks is more than 75% which brings the gap to 24% and 17% against 40% earlier. As regards the year 2006-07 the ratio is below 60%. However, it may be added that the Ministry of Agro & Rural Industries, Government of India has extended the validity of sanction and completion of disbursements for the year 2006-07 to June 30, 2007. Thus the overall ratio of the disbursement to the sanction of loan to SC/ST by the nationalized banks under PMRY may be rated as satisfactory.

[Vide Ministry of Finance, Department of Financial Service's No. F.19/3/2007-SCT(B), dated 30th Oct., 2007].

Recommendation (Sl. No. 37, Para No. 4.10)

3.43 The Committee further recommend that highly proficient and professional public relation experts should be deputed to prepare specialized brochures on the kind of facilities that are available and the kinds of frequently asked questions and answers to them in local languages apart from Hindi and English. As regards the level at which such campaigns should be undertaken, the Reserve Bank of India should come up with an effective suggestion.

Reply of the Government

3.44 In this connection, during the year 2007, the RBI have encouraged the use of business facilitators/correspondents as agents, making use of information and communication technology (ICT) solutions, such as biometric smart cards, mobiles hand held electronic devices, etc for providing banking services at the doorstep of the common man for greater financial inclusion. Regional Offices of RBI have identified districts for 100 per cent financial inclusion through the State Level Bankers' Committees (SLBC). Project Financial Literacy is one of the major initiatives taken up by the Bank to spread awareness about banking concepts relevant to the common man. The comic book format has been adopted to explain the complexities of banking, finance and central banking in a simple and interesting way. Regional Offices of RBI have prepared comic books like "Money Kumar and the Monetary Policy!" to explain the role and relevance of monetary policy to the common person. Another comic book published by Regional Offices of RBI at New Delhi titled "Raju and the Money Tree" was translated in 13 Indian languages and also in Braille to include the visually challenged in the financial literacy drive.

3.45 Further, a financial education site was launched on November 14, 2007 to commemorate Children's Day. The site is mainly aimed at teaching the basics of banking, finance and central banking to children in difference age groups.

3.46 In addition to the above, Regional Offices of RBI are participating in various exhibitions/fairs, exhibition train "Azadi Express", visits to schools, colleges, tribal hamlets to disseminate information relating to the Bank's functions, to inculcate the habit of saving, to educate common man on the salient features of genuine currency notes, conducting workshops on the Banking Ombudsman Scheme, Non-Banking Financial Companies (NBFCs), etc, as a part of its financial literacy campaign.

[Vide Ministry of Finance, Department of Financial Services No. 19/3/2007-SCT (B) dated 27.03.2008.]

CHAPTER – IV

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

Recommendation (Sl. No. 4, Para No. 1.21)

4.1 The Committee regret to note that there is no separate Cell in the Reserve Bank of India to look after the credit needs of SCs and STs exclusively. The Committee feel that the Rural Planning and Credit Department of Reserve Bank of India should be sensitised to the needs of SCs/STs so that justice can be done to the complex economic problems of these people. The view is further strengthened by the admission made by the Governor, RBI that much depends on the actual cooperation between the Government and the Banking system and that there has been some problem of inadequate flow of credit to SCs/STs. The Committee, therefore, desire that the Rural Planning and Credit Department of the Reserve Bank of India should address the issue properly and more vigorously by making thorough study of the problems faced in extending full credit facilities to SCs/STs.

Reply of the Government

4.2 The special Programme Section in Rural Planning and Credit Department, (RPCD), Central Office, Reserve Bank of India monitors the performance of the scheduled commercial banks through the receipt of monthly/quarterly progress reports and half yearly recovery statements from the banks under the schemes such as SGSY, SJSRY, SLRS, PMRY, etc. The Lead District Officers of the Regional Offices of RBI are members of the District Consultative Committee/District Level Review Committee where the review on the progress of the Government Sponsored Schemes is also undertaken. RBI is represented at the highest level in the quarterly meetings of State level Bankers Committee where the progress of the schemes is reviewed invariably.

4.3 A High Level Committee for monitoring the performance of SGSY was constituted under the Chairmanship of Joint Secretary, Ministry of Rural Development for which RBI is the convenor. The Committee undertakes field visits to various states to understand the practical issues in operationalisation of the SGSY and also to study the successful cases for evolving banking procedure for SGSY.

4.4 Government of India has also constituted a High Level Monitoring Committee under SJSRY in which RBI is also a member, to review the progress on flow of credit by banks under the scheme.

4.5 The Special Programme section co-ordinates with the Ministry of Finance, Ministry of Urban Employment and Poverty Alleviation and Ministry of Social Justice and Economic Empowerment while evolving policies.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT(B), dated 30th Oct., 2007.]

Comments of the Committee

4.6 Please see Para No. 1.15 of Chapter – I.

Recommendation (Sl. No. 5, Para No. 1.22)

4.7 The Committee note that there are no provisions for appointment of SC/ST member either on the Board of Reserve Bank of India or on the Board of nationalized banks in the relevant Acts. The Committee note that guidelines framed for selection of part-time non-official Directors have only a reference to giving representation to persons belonging to SC/ST community but wonder whether the banks have taken the guidelines seriously in the absence of specific mention either about the number of them to be placed on the board or a time frame set for such appointments. The Committee while examining various banks during study visits have also noted that these guidelines simply appear to remain on paper. The Committee, therefore, recommend that the Government should devise an effective system to ensure that two Directors from SC community and one Director from ST community are invariably appointed as part-time non-official Directors both on the Board of Reserve Bank of India and on each of the Boards of nationalised banks at the earliest.

Reply of the Government

4.8 As regards the Committee's recommendation to make mandatory provision or appointment of at least two SC and one ST director on the Board of Directors of all nationalized banks and FIs is concerned, it is mentioned that in terms of guidelines for appointment of Non-Official Directors on the board of public sector banks, as approved by ACC as far as possible representation is given to women and the persons belonging to SC/ST communities. However, the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970/1980 does not envisage any such provision for mandatory nomination from these communities.

[Vide Ministry of Finance, Department of Financial Services No.F.19/3/2007-SCT(B) dated 3oth Oct., 2007]

Comments of the Committee

4.9 Please see Para No. 1.18 of Chapter – I.

Recommendation (Sl. No. 7, Para No. 2.24)

4.10 The Committee note that banks are required to channelise 10% of their net bank credit to economically weaker sections including SCs/STs from within the overall target of 40% specified for providing credit to the priority sector. The Committee view that the meagre credit target of 4% of the net bank credit does not seem sufficient to cater to the vast population of the economically weaker sections. The Committee note that no separate funds have been earmarked exclusively for the SCs/STs even though there are no constraints in instructing banks in this regard. The Committee, therefore, strongly recommend that the Government/Reserve Bank of India should either increase the share of weaker sections in credit lending target under priority advances considering their vast numbers or earmark separate funds to cater for the credit needs exclusively of the SCs/STs in proportion to their population under lending to priority sector advances since almost 40% of them continue to live below poverty line.

Reply of the Government

4.11 A sub-target of 10 per cent (within the overall target of 40% of Adjusted Net Bank Credit (ANBC) or credit equivalent of Off-Balance Sheet Exposures, whichever is higher, is stipulated for priority section lending) of ANBC or credit equivalent of Off-Balance Sheet Exposures, has been stipulated for lending to Weaker Sections by the domestic scheduled commercial banks. Though the banks have not achieved the target, the outstanding credit to weaker sections by public and private sector hanks has increased in absolute terms from Rs. 22,513 crore as on the last reporting Friday of March 2000 to Rs. 82,332 crore as on the last reporting Friday of March 2006 and Rs. 86,336 crore as on the last reporting Friday of September, 2006.

4.12 The outstanding advances to SC/STs by public sector banks has increased in absolute terms from Rs. 7,772.42 crore as on the last reporting Friday of March 2003 to Rs. 19,899.95 crore as on the last reporting Friday of March 2006, showing a growth of approximately 158%. The outstanding advances to SC/STs by private sector banks has also increased in absolute terms from Rs. 156.34 crore as on the last reporting Friday of March, 2003 to Rs. 761.65 crore as on the last reporting Fridays of March, 2006, showing a growth of approximately 387%.

4.13 It may be clarified that as per the guidelines issued by RBI on Priority Sector Advances, domestic banks are required to lend 40% of their Net Bank Credit (NBC) to the Priority Sector. Within the overall target of 40% banks have been advised to channelise 10% of their net bank credit to economically weaker sections, which include inter alia SC/STs.

4.14 In this connection, it may be mentioned that the outstanding advances to weaker sections as a percentage to total priority section advances by the domestic scheduled commercial banks has more or less remained constant at 15.5% over a period of 7 years (i.e. from March 2000 to September, 2006).

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 30th Oct., 2007.]

Comments of the Committee

4.15 Please see Para No. 1.24 of Chapter – I.

Recommendation (Sl. No. 8, Para No. 2.25)

4.16 The Committee observe that domestic banks, constituting both public sector and private sector banks, have specified targets for lending under the priority sector advances, agricultural advances and advances to weaker sections etc. whereas foreign banks have specified targets under the priority sector advances but no targets have been fixed for them under agricultural advances and advances to weaker sections. The Committee are unhappy to note that foreign banks which have been allowed to do business in India have not been given specified targets either under the agricultural sector, considered to be the backbone of Indian economy or under advances to weaker sections, as has been done in case of domestic banks. The Committee, therefore, suggest that guidelines should be issued to direct the foreign banks also for lending under agricultural advances and advances to weaker sections.

Reply of the Government

4.17 A target of 32% of Adjusted Net Bank Credit (ANBC) or credit equivalent of Off-Balance Sheet Exposures, whichever is higher has been stipulated by Reserve Bank of India for lending to priority sector by foreign banks. Within the overall target of 32 per cent to be achieved by them, the advances to Small Enterprises sector and export credit should not be less than 10 per cent and 12 per cent of ANBC or credit equivalent of Off-Balance Sheet Exposures, whichever is higher. As the foreign banks do not have rural branches, sub-targets for lending to agriculture and weaker sections have not stipulated for them. However, lending to agriculture sector forms part of the priority sector lending for foreign banks. Accordingly, some of the foreign banks have been lending to agriculture sector as per the data given below:

Amt. in crore

Year March ended	**Total Priority Sector Advances**	**Total Agricultural Advances**
	(A)	(B)
2005	23885.57	45.80
2006	30449.03	39.33
2007	37835.18	31.00

Provisional data as reported by foreign banks.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 30th Oct., 2007.]

Comments of the Committee

4.18 Please see Para No. 1.27 of Chapter I.

Recommendation (Sl. No. 11, Para No. 2.28)

4.19 The Committee note that though public sector banks, have in aggregate surpassed the lending target under the priority sector advances during the year ending March 2003, March 2004 and March 2005, they are yet to achieve the prescribed target of 10% to be channelised to the weaker sections from within their net bank credit of 40% under priority sector advances. The total credit to weaker sections during the above period were 6.84%, 6.94% and 8.72% whereas that of SCs and STs were only 2.70%, 2.57% and 2.50% respectively. The Committee further note that the data in regard to lending under priority sector advances by private sector banks shows that they have not made much progress in this regard even though they have also been given the same targets to achieve under Priority Sector advances and sub-targets under advances to weaker sections as in case of public sector banks. The Committee desire that the Reserve Bank of India should ensure that both the public and private sector banks earnestly strive to achieve the targets stipulated under the priority sector advances to weaker sections in letter and spirit.

Reply of the Government

4.20 Though the banks have not achieved the target, the outstanding credit to weaker sections by public and private sector banks has increased in absolute terms form Rs. 22,513 crore as on the last reporting Friday of March 2000 to Rs. 82,332 crore as on the last reporting Friday of March 2006 and Rs. 86,336 crore as on the last reporting Friday of September, 2006.

4.21 The outstanding advances to SCs/STs by public sector banks has increased in absolute terms from Rs. 7,724.42 crore as on the last reporting Friday of March 2003 to Rs. 19,899.95 crore as on the last reporting Friday of March 2006, showing a growth of approximately 158%. The outstanding advances to SCs/STs by private sector banks has also increased in absolute terms from Rs. 156.34 crore as on the last reporting Friday of March 2003 to Rs. 761.65 crore as on the last reporting Friday of March 2006, showing a growth of approximately 387%.

4.22 RBI is monitoring flow of credit to weaker sections inclusive of SCs/STs and advising private sector banks also to implement all the Government Sponsored schemes.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 30th Oct., 2007.]

Comments of the Committee

4.23 Please see Para No. 1.36 of Chapter – I.

Recommendation (Sl. No. 13, Para No. 2.30)

4.24 The Committee note that allocation to banks for contribution to Rural Infrastructure Development Fund (RIDF) is made on the basis of their shortfall in priority sector/lending to agriculture. They however, regret to note that shortfall in lending to weaker sections has not yet been considered for making allocation to banks in the RIDF. The Committee feel that in the absence of strict stipulation for banks to contribute to RIDF in case of shortfall in lending to weaker sections, neither the objective of economic upliftment of the weaker sections would be achieved nor the banks could be compelled to fulfill targets. The Committee, therefore, strongly recommend that shortfall in lending to weaker sections may also be taken into consideration for making allocation to banks in RIDF and as and when separate funds under priority sector are earmarked for SCs/STs exclusively, shortfall in lending to these deprived classes, be also reckoned for contribution by banks to the RIDF.

Reply of the Government

4.25 As per the extant guidelines on lending to priority sector, the domestic scheduled commercial banks, unable to achieve the priority sector lending and/or agriculture lending targets are required to deposit in RIDF maintained with NABARD. The overall target for RIDF is set by Finance Minister every year in the Budget and so far, the corpus of various tranches of RIDF have been adequately covered under the aggregate shortfall of public sector/agriculture and the shortfall under lending to weaker sections has, therefore, not been taken into consideration for the purpose.

4.26 The corpus of a particular tranches of RIDF is decided by Government of India every year. Fifty per cent of the corpus shall be allocated among the domestic commercial banks having shortfall in lending to priority sector target of 40 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher, on a pro-rata basis. The balance fifty percent of the coupus shall be allocated among the banks having shortfall in lending to agriculture target of 18 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher, on a pro-rata basis.

4.27 Non-achievement of priority sector targets and sub-targets is taken into account while granting regulatory clearances/approvals for various purposes.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT(B), dated 30th Oct., 2007.]

Comments of the Committee

4.28 Please see Para No. 1.40 of Chapter – I.

Recommendation (Sl. No. 14, Para No. 2.31)

4.29 The Committee further note that the rate at which interest is paid to the banks on their contribution to RIDF is inversely proportional to the extent of shortfall. The Committee, feel that this stipulation has not produced the desired pressure on banks so as to propel them to achieve the targets fixed for them. No other strategy also seems to exist for banks which continuously fail to achieve targets. It may perhaps be this reason that the banks are yet to achieve the targets stipulated for weaker sections. The Committee, therefore, recommend that Reserve Bank of India should make stringent guidelines enunciating therein that no interest would be allowed on contribution to RIDF in case the banks fail to achieve the targets stipulated for weaker sections for consecutive years.

Reply of the Government

4.30 The domestic scheduled commercial banks, both in the public and private sector, having shortfall in lending to priority sector and/or agricultural lending target, are required to deposit in Rural Infrastructure Development fund established with NABARD. As a measure of disincentive for non-achievement of agricultural lending target, the rate of interest for the deposits made by the contributing banks in RIDF has been lowered and is charged in inverse proportion to the extent of shortfall in the agricultural lending vis-à-vis the stipulated target of 18 per cent. According, banks are paid, on their deposits placed under RIDF, at rates of interest ranging between Bank Rate and Bank Rate minus 3 percentage points.

4.31 The revised guidelines on lending to priority sector stipulate that non-achievement of priority sector lending targets/sub-targets would be taken into account while granting regulatory clearances/approvals for various purposes. However, it is felt that non-payment of interest on RIDF deposits may affect the interest of depositors.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 30th Oct., 2007.]

Comments of the Committee

4.32 Please see Para No. 1.44 of Chapter – I.

Recommendation (Sl. No. 15, Para No. 2.32)

4.33 The Committee observe that the Rural Infrastructure Development Fund is utilized in the form of loans to State Governments for development of rural infrastructure such as rural roads, bridges, mines, irrigation projects, soil conservation and flood protection etc. No amount, however, has been earmarked for specific development of SCs/STs. The Committee feel that if some portion of the Rural Infrastructure Development Fund is specifically set aside for the development of areas/villages inhabited by the weaker sections including the SCs/STs, it would perhaps make good the shortfall in achievement of targets under advances to weaker sections to some extent.

Reply of the Government

4.34 Pursuant to the announcement made by Hon'ble Union Finance Minister in the budget speech every year about allocation of funds under RIDF Tranche, a list of eligible activities is approved by Government of India, Ministry of Finance. This list along with allocation of funds is communicated to all the State Governments for posing adequate number of projects for sanction by NABARD. In this connection, it may be mentioned that while funds are allocated by NABARD for each state as a whole, no area specific or sector specific earmarking is done.

4.35 The projects which are posed for sanction under RIDF are selected and prioritized by the respective State Governments. Therefore, the State Governments, while identifying and prioritizing the projects, are required to give special consideration to the projects falling in the areas/blocks inhabited by weaker sections including SCs/STs.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 21st January, 2008.]

Comments of the Committee

4.36 Please see Para No. 1.48 of Chapter – I.

Recommendation (Sl. No. 31, Para No. 3.28)

4.37 The Committee note that studies conducted under SGSY, SJSRY have revealed that non-completion of formalities by borrowers, lack of awareness both among the beneficiaries and the officials of sponsoring agencies coupled with inadequate number of applications are the major factors hampering effective implementation of the schemes. The Committee are deeply concerned to note that the different implementing agencies have not been able to remove these bottlenecks. The Committee are of the considered view that until and unless responsibilities are fixed among various functionaries, the implementation of the schemes would continue to be hampered. The Committee, therefore, recommend that the bank officials and officials of other agencies be given specific responsibilities to remove these bottlenecks to improve results.

Reply of the Government

4.38 Reserve Bank of India (RBI) has issued instructions from time to time advising all scheduled commercial banks to ensure sufficient credit flow to the Scheduled Castes/ Sceduled Tribes, which are as under :-

- Banks have been advised to help the poor illiterate borrowers in filling up the forms and completing other formalities that **they** are able to get credit facility within a stipulated period from the date of receipt of applications.
- Banks have been advised not to insist on deposits while considering loan applications under Government sponsored poverty alleviation schemes/self-employment programmes from borrowers belonging to SCs/STs.
- All the necessary institutional support is to be provided by banks to the National SC/ST Finance and Development Corporation to enable the institution to achieve the desired objectives. The circulars issued in this regard are consolidated on a yearly basis. The latest master circular issued is RPCD.No. SP.BC.2/09.09.01/2007-08 dated July 2, 2007 (available on RBI website. www.rbi.org.in).
- Banks have been advised to indicate clearly the reason for rejection of application on the form itself so that the sponsoring agency would take necessary action. Banks have also been advised to contact illiterate borrowers and explain to them the salient features of the schemes as also the advantages that will accrue so as to minimize the rate of rejection of applications.
- The rejection of applications in respect of SCs/STs is to be done at higher levels instead of at the branch level. Further, reasons for rejection of applications are to be clearly indicated on the application forms. The register of rejection of applications maintained by banks is made available to the inspecting officers.
- Banks have been advised to set up training institutions in the lines of Rural Development and Self Employment Training Institute "RUDSETI" jointly with the State Governments by utilizing their existing infrastructure of Industrial Training Institutes (ITIs) and Small Industries Service Institutes (SISIs), etc.
- Sensitization programmes are being conducted by banks to train the SC/ST beneficiaries.

[Vide Ministry of Finance, Department of Financial Services No. 19/3/2007-SCT (B) dated 27.03.2008.]

Comments of the Committee

4.39 Please see Para No. 1.80 of Chapter – I.

Recommendation (Sl. No. 32, Para No. 3.29)

4.40 The Committee find that the Reserve Bank of India has not undertaken any evaluation study to assess the economic conditions of SCs/STs before and after inception of poverty alleviation programmes. However, other studies have revealed that lack of proper training and guidance have led to pursuing unviable economic activities by beneficiaries. The Committee also note that SGSY study conducted in 1999-2000 has established that income generated was utilized in food and clothing by beneficiaries. The Committee feel that if a study is conducted to assess the impact of the schemes of SCs/STs more glaring findings would come to light. The Committee, therefore, recommend that an exclusive study should be undertaken to find the change in the condition of SCs/STs so that the findings could be used to plug the shortcomings and to introduce more viable schemes commensurate with the needs of the SCs/STs.

Reply of the Government

4.41 Reserve Bank has undertaken a quick sample study through its 16 Regional Offices during February 2003 to review the flow of credit to SCs/STs. The study covered 53 groups, 1683 beneficiaries in 57 districts and 154 branches throughout the country covering a period of 3 1/2 years ending 30.9.2001, 31.3.2002 and 30.9.2002.

4.42 Reserve Bank has advised Banks vide its circular ref. RPCD. SP.BC.No.102/09.09.01/02-03 dated June 23, 2003 to take corrective measures in the light of the findings of the sample study for the effective implementation of the schemes.

4.43 Further, in compliance to the recommendations made by the Committee on the Welfare of SCs/STs, Reserve Bank has advised all scheduled commercial Banks vide letter ref. RPCD.SP.No.7345/09.09.01/2006-07 dated Feb. 13, 2007 to undertake a study to determine the reasons for rejection of loan applications of SCs/STs and exploring the various possibilities of increasing the flow of credit to SCs/STs.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 30th Oct., 2007.]

Comments of the Committee

4.44 Please see Para No. 1. 85 of Chapter – I.

Recommendation (Sl. No. 34, Para No. 3.31)

4.45 The Committee note that the Reserve Bank of India has a vital role to play in the flow of credit to the SCs/STs since it frames the guidelines and monitors the performance of banks. The Committee, further note that representatives of RBI are Members of the District Consultative Committees/District Level Review Committees set up to review the progress of Government sponsored schemes. The RBI is also represented at the highest level in the quarterly meetings of State Level Bankers' Committees. Despite their importance and presence in various Committees for reviewing the progress of schemes, RBI has not been able to persuade banks to reach the optimal limit in credit lending to weaker sections. The Committee are surprised to find that even the measures suggested by RBI have not been actually followed by banks. This is evident from their own studies which established various discrepancies that were prevalent in banks. Non-realisation of the targets set for the scheduled commercial banks could be that the Rural Planning and Credit Department in the RBI has failed to effectively monitor the performance of various schemes and suggest subsequent remedial measures. The Committee recommend that RBI should strengthen their monitoring system so that the banks improve lending to weaker sections especially SCs/STs. The Committee also advise RBI to lay norms so that exploitation of SC/ST beneficiaries during sanctioning and disbursal of loans is totally removed.

Reply of the Government

4.46 Reserve Bank of India (RBI) has reported that they have already advised all the Banks vide Master Circular ref.RPCD.SP.BC.No.2/09.09.01/2007-08 dated July 2, 2007 on Credit facilities to SCs/STs to indicate clearly the reason for rejection of application on the form itself so that the sponsoring agency would take necessary action. Banks have been advised to help the poor borrowers in filling up the forms and completing other formalities so that they are able to get credit facility within a stipulated period. Banks have also been advised to contact illiterate borrowers and explain to them the salient features of the schemes as also the advantages that will accrue so as to minimize the rate of rejection of applications.

4.47 All the Banks vide letter ref. RPCD.SP.No.11900/09.09.01/2006-2007 dated June 14, 2007 have been advised by RBI to ensure that no exploitation of SC/ST beneficiaries take place during sanctioning and disbursal of loans.

[Vide Ministry of Finance, Department of Financial Service's No. F. 19/3/2007-SCT (B), dated 30th Oct., 2007.]

Comments of the Committee

4.48 Please see Para No. 1.89 of Chapter – I.

CHAPTER – V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT HAVE NOT BEEN RECEIVED

- NIL -

RATILAL KALIDAS VARMA
Chairman
Committee on the Welfare of Scheduled Castes and Scheduled Tribes

New Delhi;
December, 2008
Pausa, 1930 (Saka)

APPENDIX I

MINUTES

COMMITTEE ON THE WELFARE OF SCHEDULED CASTES AND SCHEDULED TRIBES (2008-2009)

(FOURTEENTH LOK SABHA)

NINTH SITTING (03.12.2008)

The Committee sat from 1100 to 1330 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi

PRESENT

Shri Ratilal Kalidas Varma - Chairman

MEMBERS LOK SABHA

2. Shri Anandrao Vithoba Adsul
3. Shri Ajit Jogi
4. Shri S. Ajaya Kumar
5. Sardar Sukhdev Singh Libra
6. Shri A. Venkatesh Naik
7. Shri Jual Oram
8. Shri Virchandra Paswan
9. Shri E. Ponnuswamy
10. Shri Chengara Surendran

MEMBERS RAJYA SABHA

11. Dr. Radhakant Nayak
12. Shri Mahendra Sahni
13. Shri Thomas Sangma
14. Shri Tiruchi Siva
15. Shri Brij Bhushan Tiwari
16. Miss Anusuiya Uikey

SECRETARIAT

1. Shri P.K. Misra, Joint Secretary
2. Shri Gopal Singh, Director
3. Ms. J.C. Namchyo, Deputy Secretary
4. Smt. Maya Lingi, Under Secretary

WITNESSES

REPRESENTATIVES OF THE MINISTRY OF STEEL

1. Shri B.S. Meena, Additional Secretary
2. Shri G. Elias, Joint Secretary
3. Shri Dalip Singh, Joint Secretary

STEEL AUTHORITY OF INDIA LIMITED (SAIL)

1. Shri S.K. Roongta, Chairman
2. Shri G. Ojha, Director (Personnel)
3. Shri Gautam Mukherjee, ED (P&A)

At the outset, the Hon'ble Chairman welcomed the Hon'ble Members of the Committee. The Committee then considered the draft report on Action Taken by the Government on the recommendations contained in their Twenty-second Report (14th Lok Sabha) on the subject "Reserve Bank of India – Credit facilities provided by the Nationalised Banks to the Scheduled Castes and Scheduled Tribes" and adopted the same with minor modifications.

2. The Committee also authorised the Chairman to finalise the report in the light of consequential changes, if any, and present the same to both the Houses of Parliament.

3. Thereafter the representatives of the Ministry of Steel and the Steel Authority of India Limited were called before the Committee. The Chairman welcomed the representatives of the Ministry of Steel and Steel Authority of India Limited. The Committee then took their evidence on the subject "Reservation for and Employment of Scheduled Castes and Scheduled Tribes in Steel Authority of India Limited (SAIL)".

4. The evidence was completed.

(The witnesses then withdrew)

5. A verbatim record of the proceedings was kept.

The Committee then adjourned.

APPENDIX II

(Vide Para 4 of Introduction)

Analysis of Action Taken by the Government on the recommendations contained in the Twenty-second Report (Fourteenth Lok Sabha) of the Committee on the Welfare of Scheduled Castes and Scheduled Tribes.

1. Total number of recommendations……………………………………………………39

2. Recommendations/observations which have been accepted by the Government (vide recommendations Sl. Nos. 1, 2, 3, 10, 17, 18, 19, 22, 23, 25, 27, 30, 33, 35, 36, 38 and 39)

   Number…………………………………………………………………………..17

   Percentage to the total………………………………………………………...44%

3. Recommendations/Observations which the Committee do not desire to pursue in view of the replies of the Government (vide recommendations Sl. Nos. 6, 9, 12, 16, 20, 21, 24, 26, 28, 29 and 37)

   Number…………………………………………………………………………11

   Percentage to the total……………………………………………………….28%

4. Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration (vide recommendations Sl. Nos. 4, 5, 7, 8, 11, 13, 14, 15, 31, 32 and 34)

   Number ………………………………………………………………………….11

   Percentage to the total……………………………………………... …………….28%

5. Recommendations/Observations in respect of which final replies of the Government have not been received - Nil