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STANDING COMMITTEE ON FINANCE

(2009-10)

FIFTEENTH LOK SABHA

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

Demands for Grants
(2009-10)

FIRST REPORT

LOK SABHA SECRETARIAT
NEW DELHI

December, 2009/Agrahayana, 1931 (Saka)

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Presented to Lok Sabha on 02 December, 2009
Laid in Rajya Sabha on 02 December, 2009

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COMPOSITION OF STANDING COMMITTEE ON FINANCE – 2009-2010

Dr. Murli Manohar Joshi - Chairman

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29. Dr. Mahendra Prasad
30. Shri Y.P. Trivedi
31. Shri Rajeev Chandrasekhar

INTRODUCTION

I, the Chairman, Standing Committee on Finance (2009-10), having been authorized by the Committee to present the Report on their behalf, present this First Report (15^{th} Lok Sabha) of the Standing Committee on Finance (2009-10) on the 'Demands for Grants (2009-10)' of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment).

2. The Demands for Grants (2009-10) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) were laid on the Table of the House on 10 July,2009. Under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, the Standing Committee on Finance are required to consider the Demands for Grants of the Ministries/Departments under their jurisdiction and make reports on the same to both the Houses of Parliament. Thereafter, the Demands are considered by the House in the light of the reports of the Committee. However, this year, the Demands for Grants (2009-10) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) were passed by Lok Sabha on 23 July, 2009 prior to their consideration by the Standing Committee on Finance. Nonetheless, in pursuance of the observation made by the Chair, the Committee examined the Demands for Grants (2009-10) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) and issues arising out of these.

3. The Committee took oral evidence of the representatives of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) on 14 September, 2009.

4. The Committee considered and adopted this Report at their sitting held on 26 November, 2009.

5. The Committee wish to express their thanks to the representatives of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the Demands for Grants (2009-10).

New Delhi; **Dr Murli Manohar Joshi,**

17 November, 2009 **Chairman,**
26 Kartika, 1931 (Saka) **Standing Committee on Finance**

PART I

BACKGROUND ANALAYSIS

CHAPTER I

BUDGETARY ALLOCATION

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

(i) Department of Economic Affairs

(ii) Department of Expenditure

(iii) Department of Revenue

(iv) Department of Disinvestment; and

(v) Department of Financial Services

1.2 This Report deals with four out of five Departments under the Ministry of Finance. Matters relating to one Department *viz*. Department of Revenue and four Demands for Grants concerning the Department are dealt with in a separate report.

1.3 The Ministry of Finance is responsible in all for 13 Demands for Grants, which were laid on the Table of the House on 10 July, 2009. The Outcome Budget of the Ministry for 2009-10 was laid on the Table of the House on 14 July, 2009.

(A) Department of Economic Affairs

1.4 Of the thirteen Demands, the Department of Economic Affairs (DEA) deals with four Demands. These are: (i) Demand No. 32, Department of Economic Affairs, (ii) Demand No. 34, Appropriation— Interest Payments, (iii) Demand No. 36, Loan to Government Servants etc., and (iv) Demand No. 37, Appropriation—Repayment of Debt. The DEA Demands for Grants predominantly cover interest payments and repayment of debt.

1.5 In the year 2009-10, the total gross budget provision of the Department of Economic Affairs is projected at Rs 21,25,300.68 crore which is 69.83 per cent of the total budget of the Government of India. Out of this, Rs 2,30,697.40 crore is for

Interest Payments and Rs 18,80,843.21 crore for Repayment of Debts. Both these account for 99.3% of the provision of the above Demands.

(i) Demand No. 32: Department of Economic Affairs

1.6 Total Budget provision for 2009-10 is Rs. 13400.07 crore. The break-up is for Plan Rs. 2,308.36 crore and Non-Plan Rs. 11,091.71 crore.

1.7 The Budget provision caters to the following:

- Secretariat/establishment expenditure of the Department of Economic Affairs, National Savings Institute and its network of regional offices, Securities Appellate Tribunal (SAT), Investment Commission and the Thirteenth Finance Commission, establishment expenditure of the Economic wing of the Embassy of India Washington and Tokyo.

- Contribution to Railways for Safety Works – construction of Railway over bridges/under bridges of un-manned level crossings. (Rs 958.36 crore) and additional budgetary support (Rs 241.64 crore). The quantum is decided by Railways in consultation with Planning Commission.

- Assistance for Infrastructure Development through Public Private Partnership (PPP) through provision of Viability Gap Funding (Rs 150 crore).

- Subsidy to Railways towards dividend relief and other concessions from general revenues (Rs 2086.43 crore); reimbursement of losses on operating strategic railway lines (Rs 600 crore).

- Interest Equalisation support to EXIM Bank of India for Government of India supported lines of credit extended to developing countries (Rs 278 crore) .

- Purchase of coins from Security Printing & Minting Corporation of India Ltd. for supply to Reserve Bank of India (Rs 894 crore).

- Subscription to the International Monetary Fund (IMF) towards Quota increase and for meeting the Maintenance of Value (MOV) obligation arising out of IMFs revaluation of its holding of Indian Rupees with India (Rs 6689.53 crore).

- Other expenditures include contribution to various international bodies i.e. UNDP; Technical Assistance Scheme of Asian Development Bank(ADB) /India Trust Fund in ADB; Global Environment Facility (GEF) etc., Grants in Aid to institutions, Technical Aid to South and South East Asia under the Colombo Plan.

(ii) Demand No. 34, Appropriation— Interest Payments:

1.8 Interest Payments cover payment of interest on Central Government debt obligations e.g. treasury bills and connected securities issued to RBI, other internal debts, external debts of Government of India, State Provident Funds, Insurance and Pension Funds, Special Deposits with the Government and payments on account of other contractual services.

(iii) Demand No. 36 (loans to Government Servants):

1.9 The budget provision under this grant includes the requirement of all the Ministries and Departments and their subordinate organizations and Union Territory administrations for release of loans and advances like, House building, motor vehicles, computers. It also includes provisions for advances to Members of Parliament for purchase of motor conveyance. A provision of Rs.360 crore has been made under Non-Plan for 2009-10.

(iv) Demand No. 37, Appropriation—Repayment of Debt:

1.10 Repayment of Debts is a charged expenditure. This caters to the repayment of borrowings of the Central Government both internal and external as well as for discharge of treasury bills of different maturities, ways and means advances, etc. The net expenditure on this Demand is nil for the year ending 2009-10. The BE 2009-10 provision is Rs. 18,80,843.21 crore.

(B) Department of Expenditure

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

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

1.13 There are three Demands directly administered by the Department of Expenditure. The most important Demand is Demand No. 35 which is about transfers to States and Union Territories. The other Demand is Demand No. 38 about administrative expenditure of the Department of Expenditure and Demand No. 39 which relates to pensions. Demand No. 35 which is the most important Demand of the Department of Expenditure relates to the two main transfers. One is the Central Assitance to States for Plans and the other one is the Grants to States under the proviso of Article 275 (1) of the Constitution on the recommendations of the Finance Commission. These are known as the Finance Commission Grants.

1.14 Demand No. 38 deals with the administrative expenditure of the Department of Expenditure which comprises the Department of Expenditure, Central Pension Accounting Office, Controller General of Accounts, Pay and Accounts Office. Total Budgetary provision for 2009-10 is Rs. 78 crore out of which Rs. 10 crore is for Plan and Rs. 68 crore is for Non Plan Expenditure.

1.15 Demand No. 39 is about pension which is payment of pension and gratuity to civilian pensioners, including provision for payment of Pensions and Gratuities including those charged on the Consolidated Fund of India, which are later recovered from the State Governments. Provisions have also been included in this Demand for contributions to Contributory and other Provident Funds. Deposit Linked Insurance Scheme, Central Government Employees Insurance Scheme and for meeting expenditure on medical treatment of pensioners under CGHS facility. Total Budgetary provision (Non-Plan) is Rs. 10,966.67 crore for the year 2009-10.

(C) Department of Financial Services

1.16 The Department of Financial Services has only one Demand viz. Demand no. 33. The total budget provision for 2009-10 is Rs 38,413.54 crore which includes Rs 1,542 crore under Plan and Rs 36,871.54 crore under Non-Plan.

The provision under this Grant caters to the following :

- Secretariat / establishment expenditure of the Department of Financial Services ; office of Custodian and Special courts set up for investigating irregularities involving transactions in securities, Appellate Authority for Industrial and Financial Reconstruction(AAIFR) , Board for Industrial and Financial Reconstruction (BIFR) and Debt Recovery Tribunals. It also includes grants to Pension Fund Regulatory Development Authority (PFRDA) and expenses related to office of the Court of Liquidator, Kolkata.

- Acquisition cost of RBIs stake in National Bank for Agriculture and Rural Development (NABARD) (Rs 1100.00 crore).

- Acquisition cost of RBIs stake in National Housing bank (NHB) (Rs 442.00 crore).

- Payment to LIC for implementation of pension Plan for senior citizens scheme (Rs 172.00 crore).

- Payment to Farmers Debt Relief Fund for implementation of Agricultural Debt Waiver and Debt Relief Scheme, 2008 (Rs 15,000.00 crore).

- Payment of interest to the financial institutions for waiver of debts in anticipation of release of money from Govt. (Rs 2151.00 crore).

- Payment of subsidy towards interest subvention for providing short term credit to Farmers (Rs 2011.00 crore).

- Revival of Long Term Co-operative Credit structure in the country (Rs 1000.00 crore).

- Subscription to the share capital of Export-Import Bank of India(Rs 300.00 crore.

- Equity support to India Infrastructure Finance Company Ltd.(IIFCL) (Rs 500.00 crore)

- Contribution to Securities redemption Fund for redeeming SLR Marketable Securities issued against subscription in the rights issue of equity shares of State Bank of India (Rs.625.00 crore).

(D) Department of Disinvestment:

1.17 Demand No. 44 pertains to the Department of Disinvestment. This Department has no Plan or Non-Plan Scheme. The entire Budget Provision is under Non-Plan for salary/wages, payment for professional/special services and for other administrative expenses. BE under Revenue Section for the year 2009-10 is Rs. 18.38 crore.

1.18. An amount of Rs. 1120 crore is projected in the Capital Section in BE 2009-10 on the basis of estimated receipts from sale of Government's holding in RITES, Cochin Shipyard Ltd., Telecommunication Consultants India Ltd., Maganese Ore India Ltd., Rashtriya Ispat Nigam Ltd. & Satluj Jal Vidyut Nigam Ltd. The Government has in November, 2005 constituted "National Investment Fund" (NIF) into which the proceeds from disinvestment of CPSEs are being transferred. NIF is being maintained outside the Consolidated Fund of India and professionally managed by the selected Public Sector Mutual Funds to provide sustainable returns without depleting its corpus. As on date a sum of Rs. 1814.45 have been channelised into National Investment Fund.

CHAPTER II

Department of Economic Affairs

A. Shortfall in expenditure

(i) Grants in aid - Indian Development Economic Assistance Scheme (IDEAS)

2.0 The allocations under this head of account are meant for various activities under the 'Indian Development Economic Assistance Scheme' (IDEAS). The scheme could not be carried out in full fledged manner and only a part of the scheme viz. concessional lines of credit to foreign countries through Exim Bank of India could become operational.

2.1 Provisions made under this head of account and actual expenditure incurred during the last four years is shown in the table below:

(Non Plan)
(Rs. in crore)

Year	BE	RE	Actual
2006-07	214.17	4.31	4.53
2007-08	35.50	5.00	Nil
2008-09	5.00	1.00	Nil
2009-10	0.01		

2.2 Asked to furnish the reasons for consecutive and drastic reduction in the allocations and not incurring any expenditure under the head of account in the last few years, the Ministry in a written submission informed as follows:

> "A part of the scheme IDEAS, which became operational i.e. concessional lines of credit to foreign countries through Exim Bank of India was allocated New Budgetary Head at the RE stage during the year 2006-07 as "MH-3475, other General Economic Services, 00.800 – Other Expenditure, 73 – Interest Equalisation Support to Exim Bank of India, 73.00.33 – Subsidies", in November, 2006, hence the sharp reduction.

2.3 By way of furnishing the explanation for not incurring any expenditure from the budget allocation since 2007-08, the Ministry also added as follows in reply:

> "The Project contemplated comprises of different components, viz. providing assistance for project preparation, project training etc. with a total outlay of Rs. 35.50 crore which was provided in BE 2007-08. However, the scheme could not be carried out in full fledged manner. Hence the amount of provision has been reduced to Rs. 5 crore in RE 2007-08 as well as in BE 2008-09 and further reduced to Rs. 1 crore in BE

> 2008-09. Only a token provision of Rs. 0.01 crore has been provided in the BE 2009-10. No expenditure had been incurred. The scheme 'IDEAS' did not get the required approvals. Therefore, the funds projected in the year 2007-08 could not be utilised, which resulted in saving of entire amount."

2.4 The Committee, in their 73rd report on action taken by the Government on the recommendations contained in their 67th Report on Demands for Grants (2008-09), of the Ministry of Finance (Departments of Economic Affairs, Financial Services, Expenditure and Disinvestment) observed as follows:

> "The Ministry of Finance (Department of Economic Affairs) have explained that budget allocation under "Indian Development Economic Assistance Scheme" (IDEAS) very often is not utilized satisfactorily due to unforeseen circumstances. It is observed that budgetary allocation for the activities under the IDEAS is to meet international obligation and to honour those commitments. It is not clear as to what were the unforeseen circumstances, which led to under-utilization of funds meant for meeting the international commitments. The Committee would await details in this regard."

(ii) Payment to Public Sector General Insurance Companies for Community Based Universal Health Insurance Scheme

3.0 This head of account is meant for subsidy in respect of Universal Health Insurance Scheme (UHIS) which is implemented by the four Public Sector General Insurance Companies for improving the access of health care to poor families. The Scheme covers medical expenses upto Rs.30,000/- towards hospitalization floating amongst the entire family, death cover due to an accident for Rs.25,000/- to the earning head of the family and compensation due to 'loss of earning' of the earning member or spouse @ Rs.50/- per day up to a maximum of 15 days of hospitalization. The coverage also includes pre-existing diseases. Maternity benefits upto Rs.2,500/- for normal delivery and Rs.5,000/- for caesarean delivery are reimbursed and expenses for the new born are also covered. The entry into the Scheme is available for persons upto the age of 70 years. At present, the annual premium for the Scheme is Rs.300/- for an individual, Rs.450/- for a family of five and Rs.600/- for a family of seven out of which, for BPL families, Government provides subsidy @ Rs.200/-, Rs.300/- and Rs.400/- respectively.

3.1 Following table shows the total number of families covered under this scheme during the last five years:

Year	Total No. of Families Covered
2004-05	65718
2005-06	76605
2006-07	142704
2007-08	197133
2008-09	282258
Total	**764418**

3.2 Data on allocations and expenditure incurred under this head of account during the last four years is as below:

(Non Plan)
(Rs. in crore)

Year	BE	RE	Actual
2006-07	-	-	25.00
2007-08	45.00	20.00	20.00
2008-09	25.00	8.00	2.00
2008-09	6.39		

3.3 Asked to furnish the reason for not provisioning any amount under this head of account for the year 2006-07, the Ministry stated as follows in reply:

> "For the year 2006-07, a budgetary provision of Rs. 3.00 crores was made. This provision was enhanced to Rs.25.00 crore by obtaining two Supplementary Grants of Rs. 12.00 crore and Rs.10.00 crore respectively. The whole amount of Rs.25.00 crore was distributed to Public Sector General Insurance Companies during the year 2006-07 for implementing the Scheme."

3.4 Queried further on the reasons for drastically reducing the allocations for the years 2007-08 and 2008-09, the Ministry stated as follows in reply:

> "Rashtriya Swasthya Bima Yojana (RSBY), a scheme of Ministry of Labour & Employment, meant for BPL families (a unit of five) in Unorganized Sector was launched on 1st October, 2007. In this Scheme, the beneficiary will not pay any premium. The annual premium ceiling is Rs.750/- per family, out of which Government of India contributes 75% of the premium and State Governments bear remaining 25% of the Premium. The beneficiary is required to pay only Rs.30/- per annum towards registration charges. Increasing coverage of RSBY impacted the performance of UHIS in recent times and accordingly allocation for the UHIS was reduced."

3.5 Main shortcomings in the Universal Health Insurance Scheme, as listed in the Outcome Budget, 2009, include lack of service providers, intermediaries and distribution channels in the rural and remote areas, lack of transport and communication system, lack of awareness of the existence of the scheme etc. Further, as indicated in the Outcome Budget, 2009, poverty and illiteracy inhibit sale of insurance cover in rural areas.

3.6 In reply to a query on the measures initiated or proposed for overcoming the shortcomings of the scheme, the Ministry in a written submission, stated as follows:

"Following steps are being taken by the Public Sector General Insurance Companies to increase coverage of the Scheme:-

- The Scheme has been liberalized by the Public Sector General Insurance Companies w.e.f. 1.9.2008 with the following changes:-

(i) **Premium payable**:

Policy	Existing premium	Revised Premium	GOI Subsidy
Individual	365	300	200
Up to 5 members	548	450	300
Up to 7 members	730	600	400

(ii) **Extension of Maternity benefits** - The maternity benefit has been extended in the revised Scheme subject to Rs.2,500/- for normal and Rs.5,000/- for caesarean delivery. This amount would also cover the medical expenses incurred in respect of the new born child up to 3 months.

(iii) **Increase in upper age limit** - The upper age limit for coverage has been increased from the existing 65 years to 70 years to bring more families under the scope of the scheme.

(iv) **Inclusion of pre-existing diseases** - All pre-existing diseases have been covered which were earlier excluded from the scope of the scheme.

(v) **Benefit of loss of wages** - In the revised Scheme, this benefit has been extended to the spouse of the insured also.

- Efforts to market the Scheme through tie-ups with Non-Governmental Organisations (NGOs)/ Self-Help Groups (SHGs)./ Banks
- Creation of Health Managers' network across Regional offices
- Establishment of Micro Offices to tap the rural and the semi-urban population.
- Fixation of compulsory targets for marketing force."

3.7 Further replying to a query on the success of Rashtriya Swasthya Bima Yojana vis-à-vis Universal Health Insurance Scheme, the Ministry, in a post evidence reply stated as under:

> "Under UHIS the beneficiary has to pay the premium less the amount of subsidy from Government to India, whereas in RSBY the entire premium is borne by the Central Government and State Government in the ratio of 75:25 and the beneficiary is required to pay only Rs. 30/- per annum towards registration charges. Further, the Hon'ble Finance Minister decided that once a State specific or District specific scheme is operational, UHIS may be discontinued in that State or District."

(iii) Technical Assistance for National Skill Development Corporation

4.0 This Head of account was opened during 2008-09, and supplementary grant of Rs. 1000.00 crore – Rs. 4.90 crore towards Government of India equity and Rs. 995.10 crore towards contribution for Technical Assistance Scheme of the National Skill Development Corporation (NSDC) was obtained in the first batch. The equity amount of Rs. 3.00 crore only could be utilised.

4.1 Questioned on the intent of setting up the National Skill Development Corporation, and the Skill development schemes to be formulated and implemented, a representative of the Ministry while tendering evidence before the Committee, stated as follows:

> "Sir, the scheme of National Skill Development Corporation is a part of skill development scheme of the Prime Minister… The objective of the skill development corporation is to carry forward the ability of the private sector to the field of skill development and launch a movement in skill development through it. This Corporation was created on the lines of a private sector corporation and the commitment made by the Government was that they would provide Rs. 1000 crore to the said Corporation. A trust was created to allot funds for this Corporation and after deducting Rs. 4.90 crores from Rs. 1000 crores, Rs. 995 crores have been earmarked to the trust and a provision has been made that whenever requirement arises, funds will be allotted to the Corporation from the said amount… Total contribution received from the private sector is to the tune of Rs. 4.05 crores. As we have to maintain our level of contribution below that of the private sector, therefore as against Rs. 4.90 crores, we have allotted only Rs. 3 crores to the Corporation."

4.2 Questioned whether the Government would be reimbursing funds under the public-private partnership programme for skill development, to those recruited under the Apprenticeship Act too, the Chief Economic Adviser to the Government, submitted as follows before the Committee:

> "Sir, all the existing programme of labour department and Education Department are all going on. This is different from them."

> Further, a representative of the Department also added as follows:

> "In the composition of the Skill Development Programme of the Prime Minister, it has been stated clearly that 17 Departments and Ministries of Government of India are such that they conduct programmes and schemes for skill development and status-quo will be maintained in regard to these programmes and schemes… Status-quo will be maintained with regard to the work being carried out by the various Ministries under the

> Apprenticeship Act. No support or Co-operation will be provided towards those works by this Cooperation. It's work will be entirely different, but as far as the objective of overall skill development is concerned it will also play the same role as the one played by the public sector agencies."

4.3 Questioned whether any assessment of the work being done under the Apprenticeship Act has been made, a representative of the Ministry stated as follows:

> "An assessment has been made. It is little bit different from the course followed by our Department of Economic Affairs. Planning Commission has done a study on that assessment through the Team Lease organization... Ministry of Finance has the responsibility for only the activities of the Corporation. Responsibility for remaining parts of this skill development mission, is not on our shoulders. I am conveying this for your information only, no decision has been taken in this regard. Detailed discussion will take place on it, it will be referred to the Council of the Prime Minister. Only after hearing the views of the all stake holders, policy will be formulated in this regard."

4.4 When pointed by the Committee that only a negligible number of skill courses in the country were registered with the ISO, the Chief Economic Advisor, while expressing agreement stated as follows:

> "You are right, I was in the Planning Commission only when the Plan was being formulated…Then, we found that there were 40 skill courses."

B. Fiscal Deficit Management under FRBM Act

5.0 Administration of Fiscal Responsibility and Budget Management (FRBM) Act, 2003 and the rules framed there under came into effect in 2004. The Act provides for the responsibility of the Central Government to ensure intergenerational equity in fiscal management and long-term macro-economic stability by achieving sufficient revenue surplus and removing fiscal impediments in the effective conduct of monetary policy and prudential debt management consistent with fiscal sustainability through limits on the Central Government borrowings, debt and deficits, greater transparency in fiscal operations of the Government and conducting fiscal policy in a medium-term framework and for matters connected therewith or incidental thereto.

5.1 The FRBM Act and FRBM rules, inter alia, cast an obligation on the Government to eliminate the revenue deficit by the financial year 2008-09 by prescribing a minimum annual reduction in the revenue deficit by 0.5 percent of GDP, and reduce the fiscal deficit by an amount of at least 0.3 percent of GDP so that the fiscal deficit is not more than 3 percent of GDP by the end of 2008-09.

5.2 The obligations of the Government under the FRBM Act, as amended in 2004, and the FRBM rules also include:

> "Limiting Government guarantees to at most 0.5% of the GDP in any financial year.
> Limiting fresh additional liabilities (including external debt at current exchange rate) to 9% of GDP in 2004-05, 8% of GDP in 2005-2006, 7% of GDP in 2006-07, 6% of GDP in 2007-08."

5.3 As per the provisions of the FRBM Act and rules, the Central Government is required to lay before both the Houses of Parliament, Macro-Economic Framework Statement, Medium Term Fiscal Policy Statement and Fiscal Policy Strategy Statement along with the Annual Financial Statement and Demands for Grants.

5.4 Under Section 7 of the Act, no deviation is permissible in meeting the obligations cast on the Central Government under the Act, without the approval of Parliament. In the event of a deviation, the Finance Minister should make a Statement in both the Houses of Parliament explaining the circumstances that have led to such a deviation; explaining whether such deviation is substantial and relates to actual or potential budgetary outcomes; and detailing the remedial measures the Government proposes to take.

5.5 The Finance Minister, while presenting the Interim Budget for 2009-10, stated as under in regard to the fiscal and revenue deficit reduction targets envisaged under the FRBM Act:

> "Extraordinary economic circumstances merit extraordinary measures. Now is the time for such measures. Our Government decided to relax the FRBM targets, in order to provide much needed demand boost to counter the situation created by the global financial meltdown. Indeed, depending on the response of the domestic economy and the revival of the global economy, there may be a need to consider additional fiscal measures when the regular budget is presented by the new Government after the elections. However, the medium term objective must be to revert to the path of fiscal consolidation at the earliest. The Thirteenth Finance Commission will have to address it in the light of future developments in the domestic and international economic environment."

5.6 In response to a question on whether the Government was contemplating amendments in the FRBM Act in the light of the deviation from the fiscal correction targets, as envisaged, the Ministry of Finance (Department of Economic Affairs), in an initial reply furnished to the Committee, informed as under:

> "The Thirteenth Finance Commission has been given an additional Term of Reference (ToR), vide Ministry of Finance Extra Ordinary Notification No. 10(2)-B(S)/2007 dated 25.8.2009. The additional ToR reads as -
>
> > Having regard to the need to bring the liabilities of the Central Government on account of oil, food and fertilizer bonds into the fiscal accounting, and the impact of various other obligations of the Central Government on the deficit targets, the Commission may review the roadmap for fiscal adjustment and suggest a suitably revised roadmap with a view to maintaining the gains of fiscal consolidation through 2010 to 2015.
>
> In view of the above, any consideration relating to amendment in the existing FRBM Act can be done only after considering the Report of the Thirteenth Finance Commission."

5.7 The rolling targets for fiscal and revenue deficits (as percentage of GDP), as indicated in the medium term fiscal policy statement laid in both Houses of Parliament, as part of the Annual Budget, 2009-10 in terms of the FRBM Act, are as follows:

(at current market prices)

		Revised Estimates 2008-09	Budget Estimates 2009-10	Targets for	
				2010-11	2011-12
1.	Revenue Deficit	4.4	4.8	3.0	1.5
2.	Fiscal Deficit	6.0	6.8	5.5	4.0

5.8 In regard to Central Government Finances, the Macro Economic framework statement laid in both Houses of Parliament with the Annual Budget, 2009-10 in terms of the FRBM Act, states inter-alia:

> "Progress on the fiscal consolidation front has been satisfactory in the post-FRBM period till 2007-08. The Budget estimates for 2008-09 envisaged keeping fiscal deficits well below that set under FRBM Act, 2003. However, due to increase in global commodity (particularly crude petroleum) prices, additional commitments owing to conscious shift in expenditure in favour of health, education, the social sector and the fiscal stimulus to overcome the impact of global financial crisis on the real economy, it was felt that it might be difficult to adhere to the targets envisaged earlier. A fiscal stimulus in a year of stress on the macro-economy is in line with international best practices. The reduction in taxes and enhanced expenditure as part of the fiscal stimulus also impacted on the fiscal position and contributed to the worsening of the fiscal situation in 2008-09 with fiscal deficit rising to a level of 6.2 per cent of GDP (Prov. Actuals). As per the present reckoning, the fiscal consolidation process could be resumed once the impact of global financial crisis is overcome, in the near term."

5.9 Further, in response to a question on the policy measures contemplated by the Government for reviving the fiscal consolidation process, the Ministry in a written reply, submitted as follows:

> "In the Medium Term Fiscal Policy statement presented along with the Union Budget 2009-10, it has been stated that the focus now should be on expenditure reform in order to make the fiscal consolidation process sustainable and bring in inter-generational equity in fiscal management. The Government intends to return to the FRBM target for fiscal deficit at the earliest and as soon as the negative effects of the global crisis on the Indian economy have been overcome. To bring the fiscal deficit under control, the Government will initiate institutional reform measures. These measures will encompass all aspects of the budget such as subsidies, taxes, expenditure and disinvestment."

5.10 The Committee, while taking evidence of the representatives of the Ministry of Finance (Department of Economic Affairs) sought to know the rationale for entrusting the task of suggesting the remedial road map for fiscal adjustment to the

Thirteenth Finance Commission. In response to the query posed by the Committee, a representative of the Ministry stated:

> "The target of FRBM includes the outstanding debt liabilities of the country as a whole which includes the debt liabilities of the Centre as well as of the States. Since the States debt liabilities are also included in the overall debt liabilities of the country as a whole, the Finance Commission being the constitutional body which looks after transfer of resources to the States, it looks into the finances of the State also. In that background, the Government of India has referred this to the Finance Commission."

5.11 Further, in this regard, the Ministry, in a post evidence reply, inter alia, informed:

> "This has been referred to the Commission in the interest of sound finance as per the provisions of the Constitution of India under the Article 280, and to benefit from the analysis and views of Finance Commission. The Government will consider the recommendations of the Thirteenth Finance Commission and take suitable decision. Every recommendation made by the Finance Commission under the provisions of the Constitution of India together with an explanatory memorandum as to the action taken by the Government thereon will be laid before each House of Parliament."

5.12 The Ministry, in a post-evidence reply on the policy stance of the Government on the stipulations of the FRBM Act, and the likelihood of considering amending the Act following the receipt of the report of the Thirteenth Finance Commission, informed the Committee, inter-alia, as follows:

> "There is no need for an amendment of the provisions of the FRBM Act since government is fully committed to go back to the path of fiscal consolidation at the earliest. An additional Term of Reference has been made to the 13th Finance Commission asking it to "review the roadmap for fiscal adjustment and suggest a suitably revised roadmap for fiscal consolidation through 2010 to 2015". The Government would take a view on the matter after considering the report of the Finance Commission."

C. Utilisation of foreign aid

6.0 Details of the external assistance made available, actual utilisation, undrawn committed external assistance and commitment charges paid on unutilised aid during the last five years (2003-04 to 2007-08) as furnished by the Ministry of Finance (Department of Economic Affairs) are shown in the table below:

(Rs. in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Amount authorized for the year	13916.78	22207.35	16730.14	26584.74	21033.85
Amount actually utilized	13603.95*	13510.46*	14538.90*	15609.07*	15333.95*
Cumulative undrawn committed external assistance	69254.36	72217.03	70928.02	75188.48	80287.93
Commitment charges paid	93.16	165.11	148.17	140.52	124.54

***Utilization includes commitments of previous years also.**

6.1 Details of the external assistance (Authorisation) provided by the world Bank and the Asian Development Bank (ADB) during the last five years (2003-04 to 2007-08) as furnished by the Ministry are shown in the table below:

(Rs. in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
International Development Association (IDA)	3288.34	6043.41	2772.48	7226.33	5146.79
International Bank for Reconstruction and Development	3206.98	2789.55	5997.74	4992.44	3751.05

(IBRD)					
Asian Development Bank (ADB)	2618.88	8416.43	2416.18	6894.00	3897.43

6.2 Asked to detail on the reasons for under utilisation of external assistance and the consequent payment of huge amounts as commitment charges each year, the Ministry of Finance (Department of Economic Affairs) in a written reply, stated as follows:

> "Generally the completion period of the projects being implemented with the assistance provided by the World Bank and Asian Development Bank ranges from 5 to 7 years and the assistance is utilised on the basis of the actual expenditure incurred on the projects. Hence the entire amount allocated to a project cannot be utilized in one year or so. On the other hand, the undrawn committed assistance attracts commitment charges. As such, some amount of commitment charges is bound to be there and complete elimination is not possible. However due to effective monitoring of project implementation, the commitment charges paid on government loans has come down from Rs. 165.11 crore in 2004-05 to Rs.124.54 crore in 2007-08."

6.3 Questioned about the measures for reducing or minimising payment of huge amounts as commitment charges on unutilised external aid, which was a loss to the country, a representative of the Ministry, while deposing before the Committee, stated:

> "Commitment charges are the payment made for the amount which we could not draw. It is right to say that payment for commitment charges whether big or small is a loss for our country. But except policy lending we can not draw the amount in a single instalment for the project lending since all the project lendings are made on instalment basis and after making expenditure we pay the instalment and claim its reimbursement. Your another question is what efforts are being made by the Government in this regard. I would like to say the three types of efforts are being taken by the Government for making better utilisation. First of all we review portfolios in Department of Economic Affairs and there are two types of portfolio review. First, the portfolio which is considered rather risky since there is very slow disbursement, which are reviewed separately and in second type of review we review all the portfolios once or twice a year which is called tripartite review or TPRM. We have reviewed all the projects of ADB and World Bank during last months. This review was conducted on behalf of the Government of India, Secondly, all the projects of the States are also reviewed along with the concerned State Government. After this review we have made some progress in disbursement during last three years. Despite all efforts, we can not bring commitment charges to zero level."

6.4 In this regard, a representative of the Ministry also added as follows:

"In 1991-92 a modified Mukerjee-Gadgil formula was evolved under which funds are provided to State Governments. It is not applicable to the special category States. In that, there is a five per cent weightage on the State's utilisation of the external assistance. But when this matter was reviewed recently, we came to know that this is not having sufficient impact because the total amount that can be transferred as weightage is such a low amount and this does not work as an incentive. But to make any great amount of tinkering on that will be difficult.

……I would like to apprise you of a few minor problems. The problem of land acquisition figures in a number of Projects. Secondly, when the State Government raises loans from the World Bank or Asian Development Bank or Japan, differences occur with regard to their procurement policy and ours and a substantial amount of time gets lost in the process.

……We have something called a 'readiness filter.' Whenever we propose any project from Department of Economic Affairs, in the first place we undertake scrutiny of the same as how much readiness is there. In regard to the issue that you have raised, I would like to urge upon you to make a little amendments to it, that it is not only the State Governments but the Ministries under the Government of India also do take loans. Therefore, it is not only the State Government which is responsible for the payment of charges but in the Government of India also, certain Departments would take this. But in the Department of Economic Affairs, we treat all of them equally. Anybody who is a project authority, we review their work, and we also try to fix the target.

…….We have done some work. As per the work, we are trying to show my colleagues in the World Bank and also people in other places that by following their procurement guideline, if the time taken to finalise the bid is longer and if the total bid price is higher, they would agree that our standards are good. Precisely the point that I am trying to make is that 25 years ago, somebody could have said that India's practices were not good. Today we are one of the best. Therefore, we will keep this in mind. We are working on that."

D. Price Indices

7.0 Month wise, year-on-year inflation for the last one year (2008-09) and up to July 2009 in the current year based on Wholesale Price Index (WPI) and Consumer Price Indices (CPIs) is indicated in the table below:

Table: Inflation as per different price indices, month-wise (%)

Indices	**WPI**	**CPI(IW)**	**CPI(RL)**
BASE	**1993-94**	**2001**	**1986-87**
April-08	8.04	7.81	8.61
May-08	8.86	7.75	8.84
June-08	11.82	7.69	8.75
July-08	12.36	8.33	9.41
Aug-08	12.82	9.02	10.29
Sep-08	12.27	9.77	10.98
Oct-08	11.06	10.45	11.14
Nov-08	8.48	10.45	11.11
Dec-08	6.19	9.70	11.14
Jan-09	4.90	10.45	11.35
Feb-09	3.50	9.63	10.79
Mar-09	1.20	8.03	9.69
Apr-09	1.31	8.70	9.09
May-09	1.38	8.63	10.21
Jun-09	**-1.01**	9.29	11.26
Jul-09	**-0.67**	11.89	12.67
Aug-09	**-0.17**	11.72	12.67
Sep-09	**0.50p**	11.64	12.97

P: Provisional Source

For WPI: D/o Industrial Policy and Promotion

For CPI-IW and CPI-RL: Labour Bureau Shimla.

7.1 Asked to furnish the reasons for the high rise in food prices in particular, despite the inflation rate having gone down substantially in the recent period, the Ministry of Finance (Department of Economic Affairs), in a written reply, inter-alia stated:

> "In 2009-10, as on April 18 2009, WPI headline inflation was 0.57 percent (provisional) as against 7.40 per cent (provisional) in food articles, whereas in the corresponding period of 2008-09, the respective figures were 8.23 percent in headline inflation and 6.01 per cent in food articles. As on June 6, 2009, WPI overall inflation turned negative at (-) 1.61 per cent compared to 8.71 per cent inflation in food articles. While WPI headline inflation decelerated by 218 basis points from April 18 - June 6, 2009, inflation in food articles accelerated by 131 basis points during the same period.
>
> This sharp rise in inflation in food articles stems from high inflation in cereals, pulses, driven by the rise in minimum support prices in the past two years and the lower estimates of production of food crops in 2008-09 relative to 2007-08 and rising inflation in spices and tea. Possible deficiency in monsoon in 2009-10 could also lead to a spike in prices of food articles."

7.2 Questioned whether it was not a contradiction that prices were rising despite the headline inflation rate being low, the Ministry of Finance (Department of Economic Affairs) in a written reply inter-alia stated:

> "Prices of some of the essential food items have been rising due to lower agricultural production in some crops, increase in the minimum support prices, growth in demand and sentiments of weak monsoon. As a result, the retail price inflation, measured in terms of year on year change in Consumer Price Index – Industrial Workers (CPI-IW) and Consumer Price Index – Rural Labour (CPI-RL) is higher than wholesale price inflation. This is also due to relatively higher weight of food articles and food products in CPI -IW and CPI-RL compared to WPI. The weighting diagram, with particular reference to the percentage weights of the food group and fuel is indicated as under:

Weight (%)	**WPI**	**CPI- IW**	**CPI-RL**
Food	25.4	46.2	69.2
Fuel	14.2	6.4	8.4

7.3 Asked whether the Government planned to make the price index/indices more realistic/representative in view of the conspicuous absence of fall in prices in the retail sector despite the inflation rate having come down, the Ministry, in reply, stated:

> "The Wholesale Price Index (WPI) is a comprehensive, economy-wide weekly index to measure inflation, covering 435 items traded in the wholesale market, falling into three subcategories of Primary Articles (wt.22.02%), Fuel Power & Light (wt.14.23%) and Manufactured Products (wt.63.75%). On the other hand, there is no aggregate Consumer Price Index (CPI), but only four variants of CPIs i.e. for industrial workers (CPI-IW), urban non manual employees (CPI-UNME), agricultural labourers (CPI-AL) and for rural labourers (CPI-RL). These measure changes in the level of prices of goods and services that the different reference population groups acquire, use or pay for consumption. The composition of each of these indices and the item-wise weights assigned vary significantly.
>
> Inflation, measured by variations in the WPI on a year-on-year (Y-o-Y) basis, eased sharply from its intra-year peak of 12.9 per cent on August 2, 2008 to 0.8 per cent by March 28, 2009. The fiscal year 2009-10 started with an inflation rate of 0.8 per cent as on the 1st week of April 2009 and remained below 1 per cent for 9 weeks up to end May 2009, turning negative as on June 6, 2009 at (-) 1.6 per cent as against 11.7 per cent last year. Inflation in the CPIs peaked in October-November 2008 at 10.5-11.1 per cent and eased to 8.0 – 9.7 per cent by March 2009. In April 2009, CPI inflation was about 8.7 - 9.1 per cent, while in May, inflation in the CPIAL and CPIRL is 10.2 per cent. In view of the need for a realistic/representative price index, the National Statistical Commission (2001) recommended compilation of CPI (Urban) and (CPI-Rural), acting on which the CSO has taken initiative to compile a national CPI. As a first step, urban retail price data collection for compilation of CPI (Urban) has started."

E. Frozen Demat Accounts

8.0 The Permanent Account Number (PAN) has been made mandatory for all categories of demat account holders in respect of such accounts opened by them on or after April 1, 2006. In respect of demat accounts which existed prior to April 1, 2006, Securities and Exchange Board of India (SEBI) had given September 30, 2006 as the deadline for production of PAN. This was later extended to December 31, 2006. The demat accounts of those investors who did not comply with the mandatory PAN requirement by December 31, 2006, were suspended for debit i.e. frozen with effect from January 01, 2007.

8.1 Asked whether the demat accounts of such customers who had not furnished PAN details were frozen, and if so, to furnish details of such frozen accounts and the value of securities lying in the accounts, the Ministry of Finance (Department of Economic Affairs), in a written reply, stated, inter-alia:

> "Efforts have been made to inform the beneficial owners to provide PAN and activate the frozen accounts. As a result, the number of such frozen accounts has reduced over time. As per data furnished by the two depositories, the total number of such frozen accounts has come down drastically from 43.5 lakh accounts as on 1.1.2007 to 6.2 lakhs as on 15.06.2009. Further details of such frozen accounts are as under:

Name of Depository	No. of frozen a/cs	Out of col. (1), No. of a/cs with nil holding	Out of col. (1), No. of a/cs with holdings	Value of holdings in (Rs./cr.)
NSDL	5,26,088	17,902	5,08,186	8681.03
CDSL	95,580	3,806	91,774	1232.01
TOTAL	6,21,668	21,708	5,99,960	9913.04

8.2 Questioned whether there was a proposal to consider forfeiture of the unclaimed securities in the frozen demat accounts, the Ministry, in a written reply stated:

> "There is a proposal to declare the frozen accounts with the Depositories as unclaimed, so as to consider forfeiture of the unclaimed securities. The proposal include amendment to the Depositories Act, 1996 so as to provide for forfeiture of securities under three broad categories, namely:
>
> a. accounts frozen on account of non-compliance with the PAN requirement;
> b. accounts that belong to persons who are no more in existence and there are no legal claimants; and

c. omnibus accounts (with depositories) which hold the property transferred from beneficial accounts with Depository Participants (DPs) which have closed business."

8.3 The Committee desired to know whether non submission of PAN details by the account holders was indicative of any fraud. In this regard, the Ministry, in a written reply submitted as follows:

"Non furnishing of PAN does not per se indicate any fraud. There are cases where investors have not furnished their PAN and such accounts include accounts of Beneficial Owners who

(i) have opened the accounts for long term investment and who rarely trade in securities;
(ii) have moved all securities from their accounts and did not close the same thereafter;
(iii) have opened the accounts but never applied for IPOs/traded in securities;
(iv) have for reasons of private disputes among themselves, cannot operate their accounts;
(v) are no more in existence and there are no legal claimants to property in these securities or the legal claimants are not aware of existence of such property;
(vi) are not keen on closing the account as they are not required to pay DP services fees, as securities are lying with Depositories; or
(vii) are not willing to make any efforts to operate the account due to insignificant value of shares therein."

8.4 Asked further to furnish a category wise break-up of the frozen demat accounts with the depositories i.e. NSDL and CDSL, forfeiture of which was being considered by carrying out amendments in the Depositories Act, 1996, the Ministry of Finance (Department of Economic Affairs) furnished the following information:

Information as on September 9, 2009

		CDSL		NDSL		Total	
Sr. No.	Details of Frozen Accounts with Depositories	No. of Accounts	Value (Rs. in crore)	No. of Accounts	Value (Rs. in crore)	No. of Accounts	Value (Rs. in crore)
A)	PAN non-complaint Frozen accounts	90,872	1,252.39	509012	8037.26	599884	9289.65
b)	Deceased	*	*	*	*	*	*

	account holders without any claimants						
c)	Out of (a) Accounts with DPs having closed business	302	15.44	2333	10.63	2635	26.07

* Such details are not available with depositories. The respective Depository Participants (DP's) will know of such accounts only when legal claimants approach their respective DPs.

CHAPTER III

DEPARTMENT OF FINANCIAL SERVICES

A. Banking Services in under banked areas

9.0 As per the Reserve Bank of India's (RBI) Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks – March 2009, the number of banked centres served by Scheduled Commercial Banks stood at 34,636 as on March 31, 2009. Of these centres, 28,232 were single office centres and 61 centres had 100 or more bank offices.

9.1 Data in the following table as contained in the RBI's Quarterly statistics, shows the state-wise distribution of banked centres according to number of reporting offices, as on March, 2009:

STATEMENT NO. 3 : STATE-WISE DISTRIBUTION OF BANKED CENTRES ACCORDING TO NUMBER OF REPORTING OFFICES – MARCH 2009

	REGION/STATE/UNION TERRITORY	NO. OF REPORTING OFFICES				
		1	2-10	11-99	100 & ABOVE	TOTAL CENTRES
		1	2	3	4	5
1	NORTHERN REGION	4,126	774	99	12	5,011
		(4,126)	(2,617)	(2,721)	(4,111)	(13,575)
	Haryana	615	128	23	2	768
		(615)	(457)	(782)	(289)	(2,143)
	Himachal Pradesh	559	60	9	-	628
		(559)	(197)	(191)		(947)
	Jammu & Kashmir	370	101	3	2	476
		(370)	(291)	(46)	(249)	(956)
	Punjab	939	164	35	4	1,142
		(939)	(628)	(865)	(797)	(3,229)
	Rajasthan	1,574	309	28	2	1,913
		(1,574)	(1,008)	(825)	(495)	(3,902)
	Chandigarh	11	1	1	1	14
		(11)	(2)	(12)	(229)	(254)
	Delhi	58	11	-	1	70
		(58)	(34)		(2,052)	(2,144)
2	NORTH-EASTERN REGION	1,031	182	17	1	1,231
		(1,031)	(530)	(411)	(142)	(2,114)
	Arunachal Pradesh	52	4	1	–	57
		(52)	(9)	(16)		(77)
	Assam	637	122	10	1	770
		(637)	(365)	(225)	(142)	(1,369)
	Manipur	39	8	1	–	48
		(39)	(22)	(19)		(80)
	Meghalaya	113	15	1	-	129

		(113)	(41)	(46)		(200)
	Mizoram	54	6	1	-	61
		(54)	(14)	(25)		(93)
	Nagaland	35	5	2	-	42
		(35)	(14)	(34)		(83)
	Tripura	101	22	1	-	124
		(101)	(65)	(46)		(212)
3	EASTERN REGION	6,681	916	94	5	7,696
		(6,681)	(2,619)	(2,230)	(1,803)	(13,333)
	Bihar	2,303	292	22	1	2,618
		(2,303)	(796)	(483)	(244)	(3,826)
	Jharkhand	825	141	9	2	977
		(825)	(410)	(231)	(240)	(1,706)
	Orissa	1,389	191	21	1	1,602
		(1,389)	(537)	(541)	(203)	(2,670)
	Sikkim	23	9	1	-	33
		(23)	(23)	(25)		(71)
	West Bengal	2,129	280	40	1	2,450
		(2,129)	(847)	(931)	(1,116)	(5,023)
	Andaman & Nicobar Islands	12	3	1	–	16
		(12)	(6)	(19)		(37)

Note: Figures in brackets relate to number of reporting offices.

9.2 Data on total number of branches in rural, semi-urban, urban and metropolitan areas during the last five years is shown in the table below:

Year	**Rural**	**Semi-urban**	**Urban**	**Metropolitan**	**Total**
2005	30429	15551	12602	11987	70569
2006	30404	15867	13200	12534	72005
2007	30569	16647	14165	13182	74563
2008	31094	17876	15515	14134	78619
2009	31667	19019	16570	14996	82252

Note 1. Population group classification based on 2001 census. The population group 'Rural' includes centres with population of less than 10,000. The population group 'Semi-urban' includes centres with population of greater than 10,000 and less than 1lakh. The population group 'urban' includes centres with population of greater than 1 lakh and less than 10 lakh.

9.3 Questioned about the measures pursued to encourage spread of bank branches in all the areas of the country, the Ministry of Finance (Department of Financial Services), in their written submission, stated as follows:

"As per the Branch Authorisation Policy of the Reserve Bank of India (RBI), banks are encouraged to open branches in underbanked districts and rural centers. In order to facilitate this, a list of underbanked districts has been forwarded to banks under cover of the Master Circular on Branch Authorisation dated 1st July, 2009, which has also been placed on the RBI website . Banks have also been permitted to approach RBI for urgent proposals regarding opening of branches, especially in rural/under banked areas (districts) anytime during the year, in addition to the approvals given under the annual plan.

The Finance Minister in his Budget Speech 2009-10 had also announced that a sub-committee of State Level Bankers Committee (SLBC) will identify underbanked areas and formulate an action plan for providing banking facilities to all these areas in the next 3 years. It has also been announced that at least one centre/Point of Sales (POS) would be opened for banking services in each of the unbanked blocks in the country.

The RBI had also set up a High Level Committee on Lead Bank Scheme, which has, inter alia, recommended that a sub-committee of the District Consultative Committee may draw up a roadmap to provide banking services in any form to every village with a population of over 2000 at least once a week on regular basis by March, 2011. The said Committee has recommended to draw up a road map to provide services through a banking outlet in any form such as brick and mortar branch, mobile banking, extension counters, satellite offices or business correspondents etc."

9.4 In response to a query raised by the Committee on the inadequate spread and opening of rural bank branches during oral evidence, a representative of the Ministry of Finance (Department of Financial Services) stated as follows:

"We have identified about 103 such blocks across the country where there is not even a single branch in any block. Out of it as many as 90 blocks are in the north-east and 13 other blocks are located in the non-north east area. For the resolution of the problem we have taken up the matter with 13 State Governments. We have requested them to provide land in order that we may be able to erect a building over there. In the wake of building being available we will directly set up a branch there. We have identified banks and the interested parties that have to open branches will hopefully be able to open their branches at 13 locations very shortly in December, 2009."

9.5 In January 2006, the Reserve Bank permitted banks to utilise the services of non-governmental organisations (NGOs/SHGs), micro-finance institutions (other than regular NBFCs) and other Civil Society Organisations as intermediaries in providing financial and banking services through the use of business facilitator (BF) and business correspondent (BC) models. Asked about the extent to which the banking facilitators/correspondents model of financial inclusion has served in enabling outreach to unbanked areas, the Ministry of Finance (Department of Financial Services), in their written submission, stated, inter-alia, as under:

> “The BC model allows banks to do ‘cash-in/cash-out’ transactions at a location much closer to the rural habitation, thus addressing the last mile problem. Banks are also entering into agreements with India Post for using the vast network of post offices as business correspondents, thereby increasing their outreach and leveraging on the postman’s intimate knowledge of the local population. Banks have also started engaging individuals as Business Facilitators (BFs) subject to the adequate precaution and conducting proper due diligence before engaging such individuals.
>
> Public Sector banks have engaged BCs mainly to promote banking services in unbanked and underbanked centres. The data provided by banks indicate that as on 31.03.2009, they have engaged 490 BCs and 8,897 BFs under the model.
>
> Recognising that IT-enabled services have the potential for improving financial inclusion, the Reserve Bank urged the banks in May 2007 to scale up their financial inclusion efforts by utilising appropriate technology for enhancing their outreach and the level of financial inclusion with the help of their business correspondents.
>
> ……… The exact details of the extent to which the BC/BF model has served in enabling outreach to areas without banking facility/lacking accessibility to institutional finance are not readily available. However, the following steps have been taken by the banks:
>
> - Banks have signed service level agreements with service providers to create technology platform who will engage BCs for providing Smart Card Services in various States for payment of NREGA wages, social security pension of Government of India, deposits, insurance, thereby providing banking facilities at the door step of the rural customers;
> - BFs engaged by Banks are trained with banking products and services so that proper awareness is created among rural mass; and
> - Banks have done pilot run in many areas and with encouraging response and are going ahead with replication of BC/BF models in other districts/centres.”

9.6 In response to a further query about the success of this model of financial inclusion, the Ministry of Finance (Department of Financial Services), in a written submission informed as follow:

> “BC/ BF model with technology is intended to extend the outreach of the banks. Both, individuals and Sec 25 companies floated by technological service providers have been engaged as BCs by the banks. The process is still evolving and banks are gaining experience in implementation of the model. The issues to be addressed are as under:

(i) Viability of BC/ BF
(ii) Viability of Banks operation in respect of BC/ BF
(iii) Viability of Technology Service Provider"

9.7 In pursuance of the recommendation of the Committee on Financial Inclusion on setting targets for addition of new rural household accounts by scheduled commercial banks and RRBs, it was announced in the Interim Budget, 2009 as follows:

"IBA and NABARD have advised the scheduled commercial banks and RRBs to achieve the target of adding 250 rural household accounts every year at each of their rural and semi-urban branches. Most of the Public Sector Banks have already achieved the target of adding 250 accounts in rural and semi urban branches."

9.8 Questioned on the progress made in achieving the targeted addition of rural household accounts by private sector banks, the Ministry of Finance (Department of Financial Services), in a written reply informed as follows:

"In accordance with the Budget announcement 2008-09, Indian Banks' Association (IBA) had advised all Scheduled Commercial Banks, including Private Banks, to open 250 new rural household account every year. It was advised to set the following target for adding the farm accounts:

- 75 households to be added by 30.09.2008;
- 125 households to be added by 31.12.2008; and
- 250 households to be added by 31.03.2009;

The details of rural households new bank accounts with the Private Sector Banks, as available with the Government, are as follows:

Sl. No.	Name of Bank	No. of Accounts opened
1.	HDFC Bank	9,73,890
2.	Federal Bank	2,41,750
3.	City Union Bank	16,855
4.	Axis Bank	1,453
5.	Development Credit Bank	1,395

9.9 Asked further whether the Government had initiated any action to ensure that all private sector banks adhere to the target of adding rural household accounts as announced in the Budget, 2008-09, the Ministry of Finance (Department of Financial Services) in a written reply stated:

> "IBA is compiling the status of other Private Sector Banks in opening of 250 new rural household during the year 2008-09 and the same is awaited."

B. Credit Card Services

10.0 The Reserve Bank of India (RBI) issued a comprehensive Master circular on Credit Card operations of Banks on July 23, 2008 covering areas like, issue of cards, interest rates & other charges, use of Direct Selling Agents/Direct Marketing Agents and other agents, wrongful billings, protection of customer rights, redressal of grievances, fraud control, right to impose penalties, etc. This circular was revised subsequently and an updated master circular was issued on July 1, 2009. Further, RBI circular dated May 7, 2007 on excessive interest rates on loans and advances was also made applicable to credit card dues.

10.1 Under the Banking Ombudsman Scheme, 2006, Banking Ombudsmen are empowered to award compensation not exceeding Rs.1 lakh to the complainant, taking into account the loss of time, expenses incurred by the complainant, harassment and mental agony suffered by the complainant in case of complaints arising out of credit cards operations in addition to the actual pecuniary losses suffered in transactions.

10.2 Data regarding credit card related complaints, as received at the offices of Banking Ombudsmen for the last two years (2006-07 to 2007-08) is shown in the table below:-

(in terms of percentage of total complaints)

	2006-07	2007-08
Scheduled Commercial Banks	22.23	22.08
(a) Public Sector Banks	15.07	15.32
(i) Nationalised Banks	5.80	5.73
(ii) State Bank Group	23.87	23.94
(b) Private Sector Banks	24.53	22.10
(i) Old Private Sector Banks	6.55	5.27
(ii) New Private	26.34	23.30

Sector Banks		
(c) Foreign Banks	57.50	50.37

10.3 As per the information furnished to the Committee by the Ministry of Finance (Department of Financial Services) during the year 2008-09, RBI received 15,618 complaints relating to credit card issues representing 25.32% of the total complaints received during the year.

10.4 Detailed data on credit card related complaints pertaining to the Public Sector Banks, Private Sector Banks and foreign banks received at the offices of Banking Ombudsmen during the years, 2006-07 and 2007-08 is shown in Annexure I. The data reveals inter-alia that credit card related complaints pertaining to private sector banks and foreign banks received at the offices of Banking ombudsmen in 2007-08 amounted to 22.10% and 50.37% of the total number of complaints.

10.5 Asked to specify the nature of action, if any, taken by the banks, on account of violation of the norms pertaining to credit card operations, the Ministry, in a written submission stated as follows:

> "RBI had undertaken a study on the credit card operations of banks based on the complaints received by the Bank as also offices of Banking Ombudsmen, covering issues like issuance of unsolicited cards, insurance cover to credit card holders, prudence in issuing credit cards, reasons for rejection, explicit consent, losses arising out of misuse of unsolicited cards, safeguards, acknowledgement of monthly statements, etc. However, no regulatory lapses were observed during the study."

10.6 Questioned about the measures for ensuring that exorbitant interest was not charged by the banks on credit card dues, and for improving credit card services, the Ministry, in a written submission, stated:

> "Credit card dues are of the nature of non-priority sector personal loans and banks are free to determine the rate of interest on credit card dues on their own without reference to their Benchmark Prime Lending Rate (BPLR) and regardless of the size. However, RBI had prescribed that reasonableness of service charges should be maintained and rates of interest levied by banks should not be usurious."
>
> Further, in terms of the Master Circular on Credit Card operations of banks, banks have been advised :
>
> - That they should prescribe a ceiling rate of interest, including processing and other charges, in respect of small value personal loans and loans similar in nature. The above instructions were made applicable to credit card dues also.

- In case, banks / NBFCs charge interest rates, which vary, based on the payment/ default history of the cardholder, there should be transparency in levying of such differential interest rates.
- Further, the banks / NBFCs have to adhere to the following guidelines relating to interest rates and other charges on credit cards:-

a. Card issuers should quote Annualized Percentage Rates (APR) on card products (separately for retail purchase and for cash advance, if different). The method of calculation of APR should be given with a couple of examples for better comprehension. The APR charged and the annual fee should be shown with equal prominence. The late payment charges, including the method of calculation of such charges and the number of days, should be prominently indicated. The manner in which the outstanding unpaid amount will be included for calculation of interest should also be specifically shown with prominence in all monthly statements. Even where the minimum amount indicated to keep the card valid has been paid, it should be indicated in bold letters that the interest will be charged on the amount due after the due date of payment.

b. Banks / NBFCs should step up their efforts on educating the cardholders of the implications of paying only 'the minimum amount due'. The "Most Important Terms and Conditions" should specifically explain that the 'free credit period' is lost if any balance of the previous month's bill is outstanding.

c. Changes in charges (other than interest) may be made only with prospective effect giving notice of at least one month. If a credit card holder desires to surrender his credit card on account of any change in credit card charges to his disadvantage, he may be permitted to do so without the bank levying any extra charge for such closure. Any request for a closure of a credit card has to be honoured immediately by the credit card issuer, subject to full settlement of dues by the cardholder.

10.7 Questioned about the measures for ensuring that the Reserve Bank guidelines on credit card services were adhered to by banks, the Ministry, in reply, submitted as follows:

"As regards the monitoring mechanism to see that various guidelines relating to credit cards/service charges are implemented by banks, during the course of Annual Financial Inspection of banks, Department of Banking Supervision of RBI also looks into the aspects including the implementation of various RBI guidelines. Customer Service Department, RBI also takes up the matter with banks based on various complaints received by it with a view to redressing the same.

During the year 2008-09 there were 17648 complaints received on account of credit cards, which includes delayed charges, penal rates etc. RBI monitors the functioning of banks/NBFCs by way of conducting inspections as and when instances regarding violation of guidelines come across appropriate regulatory action is taken by RBI.

10.8 Also questioned whether it would not be essential to strengthen the monitoring mechanism of credit card services of banks in view of the large number of complaints; and make issuance of photo credit cards compulsory so as to prevent or minimise instances of credit card frauds, the Ministry, in reply inter-alia, stated:

> ”The RBI has advised the banks to improve their guidelines instructions online usage of credit cards – such as using virtual key board, not parting with CVV at unsecured websites, erasing CVV after noting it down separately and SMS alerts to all credit card transactions.
>
> RBI has recommended issuance of photo identity cards, laminated cards for better protection and security as it would prevent credit card frauds in the offline transaction. RBI has also advised the banks to block the cards reported lost immediately pending other formalities such as police complaint etc. The Most Important Terms & Conditions explaining all-important issues must be handed over at the point of sale.”

C. Bank drafts - Misuse

11.0 In response to a question as to whether bank drafts were being used as an instrument for money laundering and to indicate the measures in place for checking misuse of bank drafts by crediting the amounts in third party accounts, the Ministry of Finance (Department of Financial Services) in reply, informed as under:

> "The Central Economic Intelligence Bureau (CEIB) has reported that some instances of misuse of bank draft facility has been reported to them, so as to evade taxes. Such instances, as reported by CBDT to CEIB are as under:
>
> "During the Income Tax search in October 2006 in case of a **cloth dealer in Gandhinagar**, New Delhi, the assessee was found to be in possession of drafts to the tune of Rs.2.2 crores which were in the name of another entity other than his own self. The enquiries revealed that this person was a commission agent and facilitating outstation vendors for their cash purchases in Delhi. It was also established that the aforesaid firm was accepting drafts in its name after deducting small fees.
>
> **Mahila Sah. Bank, Gandhinagar Branch, Kolhapur-** It was found in course of search operation by the Income Tax Deptt. that on a single day large drafts were issued in the name of same party amounting to Rs.19,960/- each.The money for making these drafts were paid to the bank in cash and the identity of persons making these drafts was not ascertained.
>
> In the Income Tax search conducted in September, 2007 on the **Wardhaman Urban Co-op. Bank, Nagpur,** it was found that it was actively participating in violation of banking norms by permitting purchase of multiple Demand drafts in cash. The D.Ds were made by paying cash of Rs.49,000/- each on the basis of similar deposit slips bearing fictitious names."

11.1 In regard to the issue of instances of crediting proceeds of cheques/drafts to third party accounts undertaken in violation of RBI guidelines, the Ministry informed as under:

> "RBI has reported that they have not come across any such specific instance. However, during the course of Annual Financial Inspection of banks, Department of Banking Supervision of RBI also looks into the aspects including the implementation of various RBI guidelines."

11.2 Queried on the measures taken/proposed to address the problem of misuse of bank drafts, the Ministry, in reply, informed:

> "….A group comprising of representatives from CEIB, Central Board of Direct Taxes, Financial Intelligence Unit, Enforcement Directorate and RBI was directed by the "Economic Intelligence Council, in October, 2008, to examine similar issue of Street Financing and submit its report. Street Financing refers to the practice of using bank drafts for less than Rs.50,000/- (as PAN is not required to be quoted in such cases) in several transactions and ultimate encashment by intermediate or the last recipient."

D. Implementation of awards of Insurance Ombudsman

12.0 The institution of Insurance Ombudsman was set up by the Government of India through Gazette Notification of Redressal of Public Grievances Rules, 1998 on 11th November, 1998 for resolving the grievances of individual policyholder in a cost effective, efficient and impartial manner. These rules apply to all Insurance companies operating in General and Life Insurance business.

12.1 Any person who has a grievance against the insurer in respect of following matters can make a complaint to Insurance Ombudsman:

a) any partial or total repudiation of claims by an insurer;
b) any dispute in regard to premium paid or payable in terms of the policy;
c) any dispute on the legal construction of the policies in so far as such disputes relate to claims;
d) delay in settlement of claims;
e) non-issue of any insurance document to customers after receipt of premium.

12.2 Before approaching the Insurance Ombudsman, the complainant has to first make a representation to the Grievance redressal department of the insurance company. If the complaint is rejected or the complainant has not received any reply within a period of one month or is not satisfied with the reply given to him by the insurer, he may make a complaint in writing to the Insurance Ombudsman within whose jurisdiction the branch or office of the insurer, complained against is located.

12.3 When a complaint is settled, through mediation of the Ombudsman, he shall make a recommendation which he thinks fair in the circumstances of the case. Where the complaint is not settled by agreement, the Ombudsman shall pass an award in writing which he thinks fair in the facts and circumstances of the case and a copy of the award shall be sent to the complainant and the insurer named in the complaint. If an Ombudsman deems fit, he may award an ex-gratia payment. However, the Ombudsman shall not award any compensation in excess of the loss suffered by the complainant as a direct consequence of the insured peril, or for an amount not exceeding rupees twenty lakhs (including ex-gratia and other expenses) whichever is lower.

12.4 After the award is accepted by the complainant, it is complied with by the insurance company. Acceptance of the award/recommendation is binding on the insurance companies. However, the complainant has an option to reject the Ombudsman's decision and seek further redressal through Consumer Forum or Civil Court.

12.5 Rule 15(3) and Rule 16(6) of the Redressal of Public Grievances (RPG) Rules, 1998 stipulates that the insurer shall comply with the award / recommendation of the Ombudsman within 15 days from the date of receipt of such award / recommendation. Any failure to comply with the award will make the insurer liable under Sec.102 of Insurance Act, 1938 for a penalty of Rs.5 lakhs every time and the Authority has to ensure implementation of the Award and also penalize the insurer.

12.6 Asked to furnish details of the complaints received and disposed of, and complaints pending for compliance beyond 15 days of the receipt of awards/recommendations, the Ministry of Finance (Department of Financial Services) in reply, informed, inter-alia, as under:

> "For the financial year 2008-09, the total number of complaints received (including carry forward) were 12612 out of which 11383 were disposed of. Total relief of Rs. 13.25 crores was granted to complainants by way of awards and recommendations. From inception till 31.03.2009, the total number of complaints received were 70963 with disposal of 69568 complaints. Total awards and recommendations numbered 19790 during the period from 01.04.1999 to 31.03.2009 for total relief of Rs. 78.78 crores to the complainants…..
>
> The Governing Body of Insurance Council has detailed that the number of awards pending for compliance beyond 15 days, as on 31.03.2009 were 279. The present status of the same is given under:

Total Number of Awards Pending for Compliance as on 31.03.2009			Awards complied by the Insurers			Awards pending for compliance as on date		
Life	Non-Life	Total	Life	Non-Life	Total	Life	Non-Life	Total
21	258	279	9	69	78	12	189	201

Further, Authority has received 41 complaints of non-compliance of the Ombudsman awards from the insured. In those cases the Authority took up the matter with the respective insurers and as a result 39 of 41 awards have been implemented as on date."

12.7 The major lacunae in implementing the Insurance Ombudsman scheme, as indicated in the operational reports of Insurance Ombudsman, as informed to the Committee by the Ministry, in response to a question raised in this regard, are as under:

1. "Policy documents do not clearly mention the Internal Grievance redressal mechanism of the company.
2. Implementation of the Awards passed by Ombudsman is not conveyed on time to Insurance ombudsman office.
3. Suggestions and observations made by Ombudsman in annual reports are not percolated down to the lower offices for future implementation.
4. Officials representing the companies before insurance ombudsman are not well-versed with the facts of the case.
5. Policy documents are not clear with regard to exclusions in Mediclaim cases.
6. The Grievance redressal cells of insurance companies are not sincerely playing their role.
7. Insurance companies do not adhere to the timeframe of 15 days from receipt of claim, within which the claim should be settled.
8. The letters conveying the repudiation of claim do not explain elaborately the basis of repudiation.
9. The terms and conditions of a policy are not supplied to the insured alongwith the policy bond/cover note.
10. A copy of the changes made by insurance companies in the insurance policies is not sent to the insurance ombudsman; Sending the details of the changes to insurance policies to ombudsmen will enable insurance ombudsman to take appropriate decisions.
11. The Third Party Administrators often refuse cashless facility to the insured.
12. Delay in submission of written statement by the companies."

12.8 Asked about the reasons for the delay in complying with the awards/recommendations of the Insurance Ombudsman, the Ministry in reply, stated as follows:

"The delay in compliance is due to the following reasons:

(a) Filing of writ petitions by the insurance companies against the award passed by the Insurance Ombudsman.

(b) Procedural reasons for settlement of claims like non-receipt of consent letters from the complainants to the insurance companies.

12.9 On the action taken or proposed by IRDA for overcoming the lacunae highlighted in the Insurance Ombudsman Scheme, the Ministry informed the Committee as follows:

"For the protection of the interests of the insuring public, the IRDA holds periodical meetings /seminars/workshops which are attended by insurers, ombudsmen, etc. to discuss and emphasize the need for the timely redressal of grievances. The annual reviews are held where all the insurers and all Insurance Ombudsmen are present. All the issues including the problems/lacunae/difficulties encountered by the insurance ombudsmen in dealing with the complaints filed against the insurers are discussed. In those review meetings, what needs to be done by the insurers by way of remedial action are conveyed to them by the Insurance Ombudsmen. Each ombudsman periodically holds meetings with the representatives of all the insurance companies in his jurisdiction. Thereby the issues/lacunae faced by him in the disposal of complaints are conveyed to the company representatives for remedial action. If insurers still fail to comply, IRDA has the power under Section 102 of the Insurance Act to impose penalty. If policyholder is dissatisfied with the award, he/she can approach Civil court for further action."

12.10 Questioned whether there have been instances where the IRDA invoked the powers of imposing penalty on any insurer for not complying with the awards of the Insurance Ombudsman, the Ministry informed:

"There is no such instance where the Authority has imposed penalty on any insurer by invoking its power under the provisions of the Insurance Act."

E. Retention of surplus funds by the Regulatory bodies

13.0 The report of the Comptroller and Auditor General, for 2007-08 states that the Securities and Exchange Board of India (SEBI) and the Insurance Regulatory and Development Authority of India (IRDA) were retaining surplus funds with them instead of transferring the funds to the Government account, which was not in consonance to the instructions of the Ministry of Finance issued in this regard. Data, in the following table shows the quantum of surplus funds retained by IRDA since 2000-01:

(Rs. in lakhs)

Year	Amount
2000-01	124.78
2001-02	3369.17
2002-03	-93.04
2003-04	1774.30
2004-05	3403.93
2005-06	4372.20
2006-07	6731.47
2007-08	9478.95
Total	29161.76

13.1 Asked to furnish the reasons for IRDA retaining the surplus funds without transferring the funds to the public account, the Ministry in reply informed:

> "CAG in its report for 2007-08 has stated that an amount of Rs. 29161.76 lakh of surplus funds as on 31st March, 2008 should have been transferred to IRDA Fund."

13.2 Asked further about the action taken by the Ministry for ensuring that the surplus funds were transferred to the public account, the Ministry in reply, submitted as follows:

> "Ministry of Finance had advised IRDA to transfer all receipts under IRDA Fund to the Public Account of India."

13.3 On the issue of retention of surplus funds by IRDA, the Committee had, in their 39th Report (13th Lok Sabha) on the Demands for Grants (2003-04) of the Ministry of Finance (Department of Economic Affairs, Expenditure and Disinvestment) recommended that with a view to maintain uniformity with respect to all regulatory authorities, it would be necessary that the funds were deposited in the Public Account. In the action taken note furnished in this regard, the Ministry had inter-alia informed that the Insurance Division had already advised IRDA to locate IRDA fund in Public Account of India.

13.4 In response to a question on the reasons for the IRDA continuing to retain the surplus funds, the Ministry, in reply stated as follows:

> "On a request from IRDA, the matter regarding depositing the IRDA fund into Public Account of India was re-examined in consultation with the Ministry of Law (MoL) in April, 2009. MoL opined that the IRDA fund should be deposited into Public Account of India and accordingly IRDA has been advised to deposit the fund into Public Account of India."

13.5 To a further query on the current status of transferring the surplus funds retained to the public account, the Ministry, in a post evidence reply submitted as follows:

> "Joint Secretary (Budget), Department of Economic Affairs held a meeting on 4.08.2009 with regard to issue relating to the operationalisation of IRDA Fund in the Public Account of India. During this meeting it was requested that the procedure for withdrawal and deposit of fund from IRDA to the Public Account of India be simplified so as to ensure that the functional autonomy of the Regulator is not compromised. The practice being followed by the Telecom Regulatory Authority of India in this regard was also discussed. After discussion, the modalities for creation and operationalisation of IRDA fund in the Public Accounts of India were discussed. A formal sanction from the Budget Division with regard to these modalities is awaited."

13.6 As for the issue of retention of surplus funds by SEBI without crediting these in the Public Account, the Ministry, in a post evidence reply, informed:

> "As per the report of the DGACR some funds have been kept outside Government accounts by SEBI. As per provisions of the SEBI Act 1992 a "SEBI General Fund" has been created and proceeds of SEBI, except penalties are credited to this Fund. Penalties are credited to the Consolidated Fund of India. Subsequent to the DGACR advice that the SEBI Fund should be credited to the Public Account, the Government is considering the issue. Guidelines for operationalising this account is being worked out by Budget Division and D/o the Chief Controller of Accounts etc. of the Ministry of Finance."

CHAPTER IV

DEPARTMENT OF EXPENDITURE

Unspent funds

14.0 The Department of Expenditure issues guidelines on prudent expenditure management by the various government departments. An order has been issued on 7.9.2009 whereby a 10% cut in non-plan expenditure for travel expenses, office expenses and other administrative expenses have been issued. Certain other portions of non-plan expenditure have been cut by 5%. Re-appropriation of funds to augment non-plan expenditure have also been restricted. Purchase of new vehicles has been stopped. These measures will reduce government expenditure and thereby lead to a reduction in debt burden.

14.1 Details of the unutilised budget Grants by various Ministries/Departments in the years, 2003-04 to 2007-08 is shown in Annexure-II.

14.2 Asked to indicate the extent to which the shortfall in utilisation of budget grants/savings of different Ministries/Departments was attributable to cost cutting measures, or on account of inadequacies or shortcomings in allocating budget resources, the Ministry, in a written reply informed:

> "Reasons for non-utilisation of Budget provisions under various schemes of Ministries from year to year are detailed in respective Appropriation Accounts. The segregation of such savings attributable to cost cutting measures and inadequacies/shortcomings in assessing budgetary requirements etc. is not maintained in a centralised manner"

PART II

RECOMMENDATIONS/OBSERVATIONS OF THE COMMITTEE

1. The Committee regret to note that the various components of the Indian Development Economic Assistance Scheme (IDEAS) launched in 2006 have still not been made operational due to lack of approvals. Only a part of the Scheme i.e. concessational line of credit to foreign countries through EXIM Bank has reportedly been made operational and allocated a separate budget head, but the details thereof have not been furnished to the Committee. The allocations made for the other components of the Scheme i.e. assistance for project preparation, project training etc. (Rs. 35.50 crore in 2007-08, Rs. 5 crore in 2008-09 and 0.01 crore in 2009-10) have been surrendered in toto. The Committee are unable to comprehend the reasons for not getting the required approvals (even after the lapse of more than three years) for implementing the different components of the scheme, for which an amount of Rs. 214.17 crore was provided as budget estimates during the year 2006-07. The Committee would like to know the reasons for not obtaining the necessary approvals. Further, the Committee also have serious doubts over the efficacy or desirability of the scheme and would therefore, recommend the Government to review the scheme and furnish the report to the Committee within a period of one month.

2. It is seen that there has been considerable decline in expenditure under the Head "subsidy for payment to public sector General Insurance Companies for community based Universal Health Insurance Scheme (UHIS)" during the last three years. Principal reason for reducing allocations under this head is stated to be increased coverage under Rashtriya Swasthya Bima Yojana

launched by the Ministry of Labour and Employment for BPL families in unorganized sector in October, 2007. It is surprising that the UHIS has been revamped with effect from 1 September, 2008, extending the coverage and reducing premium payable by the beneficiaries without any effort to remove the existing lacunae like lack of service providers, intermediaries and distribution channels in rural and remote areas, lack of awareness etc. The Committee would like the Government to adopt a coordinated approach with regard to the operation of the two schemes, namely Universal Health Insurance Scheme (UHIS) and Rashtriya Swasthya Bima Yojana, so that the beneficiaries of each of these schemes are clearly identified and their objectives do not conflict with each other. It is imperative that the Ministry should address forthwith the shortcomings of the Universal Health Insurance Scheme and review/re-orient the same for desired results. The Committee are dismayed to note that the public sector general insurance companies are paying little attention to rural sector. In the opinion of the Committee, it is the rural sector that needs insurance more. The public sector general insurance companies should thus reduce their overheads so as to spend that money on the rural sector. Therefore, the public sector general insurance companies should be impressed upon to open more branches in the rural areas, charge lower premium and undertake large-scale awareness campaign effectively to reach more people there.

3. The Committee notice that National Skill Development Corporation has been formed as a private sector organization with equity assistance from the Central Government. While the contribution of the private sector to the Corporation is said to be to the tune of Rs. 4.05 crore as on date, with a view to ensuring that the Government's contribution is less than that of the private

sector, an amount of Rs. 3 crore has been allocated as Government of India equity contribution to the Corporation. The Committee are anguished with the stance of the Ministry of Finance confining their role only to equity financing of the Corporation and not being concerned with the programmes and activities envisaged to be taken up by the Corporation. The Committee expected a greater degree of involvement from the Ministry and believed that before taking such an initiative, the Government should have undertaken a proper assessment of the existing level of skill development under the Apprenticeship Act and then the different new skills that need to be developed, along with the incentives required for this purpose. The Committee, therefore, emphasize on adopting a holistic approach in formulating and implementing the policy framework for skill development in the Country by ensuring proper coordination and consultation between the Ministry of Finance, the nodal Ministry for skill development and the Planning Commission.

4. The Committee are surprised to note that only a negligible number of skill courses in the Country are at present registered with ISO, a fact also agreed to by the Chief Economic Advisor to Government. This is indicative of the Government's lackadaisical approach towards this important area, to which they have paid scant attention so far. The Committee, therefore, recommend the Government to review its policies and take time-bound measures to identify and develop a number of indigenous skills in order to cater to a large number of educated but unskilled persons who are waiting for employment across the country. The Committee desire that they be apprised of the measures taken in this regard within six months.

5. The Committee are concerned to note that fiscal deficit and revenue deficit as a percentage of GDP has been projected at 6.8% and 4.8%

respectively as per budget estimates 2009-10. While the progress in bringing down the deficit levels in accordance with the stipulations of the Fiscal Responsibility and Budget Management Act, 2004 (FRBM Act) has not been very satisfactory, the fiscal deficit has, on the contrary, risen sharply in 2008-09 when it reached 6.2% of GDP. The rise in fiscal deficit has been attributed to factors such as increased global commodity prices, conscious shift in expenditure for health, education and social sector and the fiscal stimulus to overcome the effects of global financial crisis. While such kind of deviations are inevitable during exigencies, there is an imperative need to minimise the deviations, so as to maintain the sanctity of the FRBM Act. The Committee believe, that by allowing major deviations, the sanctity and efficacy of the FRBM Act is being seriously jeopardized.

6. Although the Act warrants the Government to spell out the remedial measures to get back to the path of fiscal sustainability, the Government has only outlined the fiscal roadmap for the next two years by mentioning the rolling targets for the fiscal and revenue deficit, without specifying the measures/action plan to achieve the same. Entrusting the task of reviewing and formulating the road map for fiscal adjustment to the Thirteenth Finance Commission is, in the opinion of the Committee, not in consonance with the stipulations of the FRBM Act and amounts to skirting the issue. Apparently, there is lack of clarity on the policy stance of the Government on the FRBM Act, 2004. This is also evident from the fact that while the Ministry had, at first informed that any amendments required to be carried out in the FRBM Act would be considered upon receipt of the report of the Thirteenth Finance Commission, it was subsequently asserted that there would not be any need for amending the Act in view of the commitment to go back to the path of fiscal consolidation at the earliest. The

Committee are dismayed at the vacillation of the Ministry on this issue. The Committee would expect the Government to spell out their policy stance on FRBM Act and statements laid thereunder with greater clarity and in unambiguous terms. The Committee would also await the report of the Finance Commission in this regard.

7. The Committee also find that the Government has undertaken expansive expenditure programmes without devising ways to evaluate their impact. Though the Ministry has proposed to initiate institutional reform measures, the Committee would like to emphasise the urgent need to concretise these measures, without which the fiscal consolidation envisaged in the Budget will prove elusive. The Committee earnestly hope that the Government's fiscal policy stance will not go awry. In this context, the Committee would like to emphasise that the growth rate necessary and aimed for to achieve fiscal correction/consolidation should be balanced with policies for equity and justice.

8. The Committee are concerned to note that the cumulative undrawn committed external assistance has been increasing during the last few years. It has grown from Rs. 69,254.36 crore in 2003-04 to Rs. 80,287.93 crore during the year 2007-08. The commitment charges paid on undrawn assistance during the year 2007-08 was Rs. 124.54 crore. The main reason for non utilization of external assistance is stated to be delays in completion of projects, both at the central and state level. The Committee are surprised to note that the Government is applauding itself for reducing the amount of commitment charges from Rs. 165.11 crore in 2004-05 to Rs. 124.54 crore in 2007-08. As also admitted by the representative of the Ministry of Finance while tendering evidence, steps taken by the Government of India such as weightage of five percent on utilisation of external assistance by States in the modified Gadgil

formula, Tripartite Review Meetings, Readiness filter etc. are obviously proving to be instruments only on paper and remain inadequate in accelerating the completion of projects. It also clearly reflects on the planning and subsequent scrutiny at the level of the Ministry, which has been found to be deficient and rather weak. As the commitment charges continue to be in excess of Rs. 100 crore, the Committee would expect the system of scrutiny to be made more stringent with more effective monitoring and coordination between Centre and States. They would also recommend the Government to form an action plan to reduce commitment charges to negligible levels as early as possible, as this only leads to further borrowing, which ultimately increases the debt liability and widens the deficits.

9. The Committee are concerned to note that since November, 2008, while the headline inflation, measured in terms of the Wholesale Price Index (WPI) has gone down drastically till September, 2009 (from 8.48% to 0.50%) the Consumer Price Index (CPI) for both industrial workers and rural labour has increased considerably (10.45% to 11.64% and 11.35% to 12.97% respectively) during the same period. This has given rise to a paradoxical situation, wherein the rate of inflation is shown to be declining, while the actual prices in the market are shooting. The principal factor for such a mis-leading variation in indices is the absence of a realistic/representative price index. As also pointed out by the Ministry of Finance, way back in 2001, the National Statistical Commission had recommended compilation of a realistic/representative price index in the form of CPI (Urban) and CPI (Rural). Clearing the confusion created by the trends being witnessed in the movement of the price indices being an urgent necessity, the Committee desire that the process of acting on the

recommendation of the National Statistical Commission for building a realistic price index is expedited. This would also enable the Government to formulate their response in a manner that will not distort their fiscal and monetary policies. The Committee desire to be apprised of the progress made in this regard.

10. The Committee note that there is a proposal to declare frozen demat accounts "unclaimed", so as to enable forfeiture of unclaimed securities by amending the Depositories Act, 1996. The Committee, however, would like the Ministry to ensure that the interest of genuine account-holders/investors is protected through suitable safeguards in the Act. Further, the Government should also make proper investigation of the frozen demat accounts arising out of non-furnishing of PAN with a view to unearthing fraudulent intent, if any, in these transactions. Information should also be compiled on the details of nominees and legal claimants in respect of the frozen demat accounts. The Government should also take steps to protect the interest of the account holders in respect of depositories which have closed business

11. As revealed in RBI's quarterly statistics on State-wise distribution of banked centers, the present pattern of spread of banking in the country is very uneven, with 28,232 banking centers having only one office and 61 centres having more than 100 offices. The Committee would like to know the measures being taken by Government/RBI to increase the number of banking centres in areas having negligible presence. Although the Government and RBI are stated to have proposed a number of measures for increasing bank branches in unbanked areas, the Committee are surprised to find that out of 103 unbanked blocks in the country, only about 13 blocks are expected to have bank branches by December, 2009. Though the Finance Minister has assured increasing the

banking facility in underbanked areas within next three years, the Ministry has surprisingly not fixed any particular timeframe or target to cover the unbanked areas including the 103 blocks identified. The Committee would expect the Government to ensure that the benefits of banking reach remote and backward areas within a stipulated time-period. As public sector banks legitimately seek to improve their profitability, the socio-economic objectives of banking should not be lost sight of either. In this context, the Committee would like to emphasise that the Government should facilitate expansion of Grameen Banks / Regional Rural Banks (RRBs), as they still remain the most effective system available for ensuring rural credit with their distinct advantages, particularly in the wake of failure of cooperative banking.

12. Surprisingly, the Ministry of Finance does not have ready information on the extent to which the Banking Correspondent/Banking Facilitator (BC/BF) model, initiated in 2006, and under which banks are permitted to engage the services of non-governmental organizations, micro-finance institutions etc. in providing financial and banking services has served in enabling outreach to underbanked areas. As per the submission of the Ministry, issues such as viability of the BC/BFs vis-à-vis bank branches and viability of technology service providers remain to be addressed for the success of the model as a means of financial inclusion. The Committee expect that the hindrances to the success of this model of financial inclusion are addressed in a time bound manner. The Committee also wish to be apprised of the details of the operationalisation of this model and its success in enabling outreach in areas with low banking accessibility.

13. While most of the public sector banks have adhered to the target of adding 250 accounts in rural and semi-urban branches as announced in the

interim budget 2009, in pursuance of the recommendation of the Committee on financial inclusion, the information furnished to the Committee with regard to opening of new rural accounts by private sector banks is sketchy and inadequate, thereby indicating absence of monitoring by the Ministry. Apparently, neither the Ministry of Finance nor the Indian Banks' Association has ready data on the extent to which the private sector banks have abided by the budget announcement on increasing rural household accounts. The Committee note with strong disapproval the Government's lack of seriousness and softness with regard to the mandate to be fulfilled by private banks. The Committee would like the Government to obtain and furnish the relevant information without further delay. The Committee are also of the opinion that there is a need to devise a system of disincentives to banks which are not willing to open rural branches. They, therefore, recommend that the Government/RBI must formulate new stringent norms to induce private sector banks to open more branches in rural areas.

14. In the year 2008-09, credit card related complaints received by RBI constituted 25.32% of the total complaints received during the year. For the preceding year, 2007-08, credit card related complaints pertaining to private sector and foreign banks received at the offices of Banking Ombudsmen, totaled to 22.10% and 50.37% respectively of the total complaints. This points to the fact that banking services are far from satisfactory in credit card related matters. Despite a good percentage of complaints relating to credit cards, surprisingly, RBI study on this matter did not reveal any regulatory lapses at all. The Committee are unhappy to note that the RBI has not been treating credit cards related grievances and complaints of general public with due seriousness. The Committee are of the view that the credit card/debit card

services are being marketed and operated in a rather aggressive and exploitative manner, without any regard for customer satisfaction. The Committee, therefore, recommend that the existing guidelines regulating card services should be made more stringent and customer-friendly. Further, the major terms and conditions imposed by the credit card issuing banks should be legible and in bold print for the benefit of the customers and made available in local languages as well.

15. Another disquieting aspect concerns rate of interest on credit card payments. Banks have been given complete freedom to charge any rate of interest regardless of their Benchmark Prime Lending Rate, thereby enabling them to charge exorbitant/usurious interest. The Committee would recommend that the interest rate charged on credit card outstandings as well as the financial charges levied should not remain open-ended, left to the discretion of the bank. The RBI should review this matter and re-formulate their guidelines/ norms governing credit card services with a view to providing the much-needed relief to the general public. RBI may also consider issuing photo-identity credit cards to prevent frauds.

16. The Committee notice that the Central Economic Intelligence Bureau (CEIB) has been apprised by the Central Board of Direct Taxes (CBDT) about a number of cases involving misuse of Bank draft facility. The Committee are dismayed that the RBI has however, failed to detect such cases during their inspection. This cannot but be suggestive of laxity in the monitoring/regulatory system of RBI. The Committee gather that a Group has been formed to examine this issue. The Committee would like to be apprised about their findings and the action taken by the Government to implement them.

17. The Committee note with serious concern that as many as 201 awards of the Insurance Ombudsman are still due for compliance. Serious shortcomings have been highlighted by the Insurance Ombudsman in the operational reports such as lack of proper mentioning of internal grievance redressal mechanism in policy documents, grievance redressal cell of insurance companies not working properly, non adherence to the timeframe of 15 days by insurance companies for settlement of claims, absence of terms and conditions in the policy bond/cover note etc. The Committee are dismayed that even after getting relief from insurance ombudsman, policy holders continue to suffer due to laxity on the part of insurers to settle awards fast. Meetings/annual reviews also seem to have made little impact in ensuring faster implementation of awards. The Committee would therefore, recommend that the Insurance Regulatory and Development Authority (IRDA) should take up the issue of grievance-redressal in the insurance sector immediately and consider imposition of penalty on the insurers in cases of non-compliance beyond reasonable period.

18. The Committee regret to note that the Insurance Regulatory and Development Authority (IRDA) continues to retain its surplus funds, instead of depositing it into the Public Account of India, despite the Committee's recommendation to this effect earlier. This is also contrary to the advice of the Ministry of Law, which suggested that the surplus funds be kept in the Public Account of India. Similarly, even in the case of Securities and Exchange Board of India (SEBI), it is seen that penalty proceeds are credited to the Consolidated Fund of India, while all other funds are being transferred to SEBI General Fund. The Committee note that following the advice of the Director General of Audit Central Revenue (DGACR) to keep the SEBI fund also in the Public Account, the

Government is presently considering the issue. The Committee would expect the Ministry to take an early decision to thrash out this lingering issue once and for all, so as to maintain uniformity in approach for all regulators including IRDA and SEBI. The Committee would like to be apprised of the decision in the matter.

19. The Committee are concerned to note that there has been huge savings/unspent funds by various Ministries/Departments during the last five years on both revenue and capital accounts. Ministries/Departments such as Department of Food and Public Distribution, Ministry of Defence, Ministry of Environment, Department of Economic Affairs, Department of Health, Ministry of Home Affairs, Ministry of Information and Broadcasting, Department of Urban Development have reported savings in both accounts consecutively during the last five years. More disturbing is the fact that Departments such as Heavy Industry, Space, Urban Development, Department of Revenue- Indirect Taxes, Ministry of Power, Ministry of Road Transport and Highways etc. have registered huge savings in the capital account during the same period, indicating either improper projections of budgetary requirements or gross underutilization of funds. Under-utilisation of funds under the capital account also points to the fact that development oriented activities/investments have been seriously curtailed. The reasons furnished for repeated occurrence of huge savings also appear to be perfunctory and routine. The Committee also disprove of the Government's failure to maintain centralised records preventing it from ascertaining whether the savings have been effected through cost-reduction/economy measures or due to faulty projections. In their view, given the huge occurrence of savings/unspent funds, it is imperative on the part of the Government to analyse the causes, so as not to continue disbursing grants in a

routine manner each year, even when these are not being utilised. The Committee, therefore, recommend that expenditure data should be maintained and monitored in a centralized manner to enable analysis of the reasons for savings. In this connection, the Committee also desire to know the debt liability implications of the amount remaining unspent and measures taken by the Government to reduce the same.

New Delhi;	**Dr. Murli Manohar Joshi**
17 November, 2009	**Chairman,**
26 Kartika, 1931 (Saka)	**Standing Committee on Finance**

Credit card Complaints Received at Banking Ombudsman Office
(For the period 2006-07)

Sr. No.	Name of the Bank	Total no. of Complaints Receive	Credit Cards related complaints	Percentage
	I.			%
	Scheduled Commercial Banks	**34,499**	**7,669**	**22.23**
	Public Sector Banks	**21,660**	**3,265**	**15.07**
	Nationalised Banks	**10,543**	**611**	**5.80**
1.	Allahabad Bank	410	**17**	**4.15**
2.	Andhra Bank	411	**79**	**19.22**
3.	Bank of Baroda	837	**79**	**9.44**
4.	Bank of India	698	**40**	**5.73**
5.	Bank of Maharashtra	202	**13**	**6.43**
6.	Canara Bank	929	**74**	**7.96**
7.	Central Bank of India	908	**38**	**4.18**
8.	Corporation Bank	223	**20**	**8.97**
9.	Dena Bank	251	**3**	**7.96**
10.	Indian Bank	391	**38**	**9.72**
11.	Indian Overseas Bank	392	**31**	**7.90**
12.	Oriental Bank of Commerce	411	**19**	**4.62**
13.	Punjab National Bank	1837	**61**	**3.32**
14.	Punjab & Sind Bank	191	**1**	**0.52**
15.	Syndicate Bank	451	**29**	**6.43**
16.	UCO Bank	432	**7**	**1.62**
17.	Union Bank of India	671	**18**	**2.68**
18.	United Bank of India	180	**5**	**2.77**
19.	Vijaya Bank	179	**15**	**8.38**
20.	IDBI Bank	539	**24**	**4.45**
	State Bank Group	**11,117**	**2654**	**23.87**
21.	State Bank of India	8,579	2476	28.86
22.	State Bank of Bikaner & Jaipur	986	71	7.20
23.	State Bank of Hyderabad	262	46	17.56
24.	State Bank of Indore	343	11	3.20
25.	State Bank of Mysore	127	10	7.87
26.	State Bank of Patiala	288	21	7.28
27.	State Bank of Saurashtra	147	12	8.16
28.	State Bank of Travancore	385	7	1.82

Credit card Complaints Received at Banking Ombudsman Office

(For the period 2006-07)

Sr. No.	Name of the Bank	Total no. of Complaints Received	Credit Cards related complaints	Percentage
	II.			%
	Private Sector Banks **Old Private Sector Banks**	**9036** **825**	**2217** **54**	**24.53** **6.55**
1.	Bank of Rajasthan Ltd.	175	9	5.14
2.	Bharat Overseas Bank Ltd.	13	-	-
3.	Catholic Syrian Bank Ltd.	39	1	2.56
4.	City Union Bank Ltd.	11	1	9.09
5.	Dhanalakshmi Bank Ltd.	22	1	4.54
6.	Federal Bank Ltd.	133	1	0.75
7.	ING Vysa Bank Ltd.	162	20	12.35
8.	Jammu & Kashmir Bank Ltd.	44	-	-
9.	Karnataka Bank Ltd.	28	2	7.14
10.	Karur Vysya Bank Ltd.	42	5	11.90
11.	Laxmi Vilas Bank Ltd.	18	2	11.11
12.	Lord Krishna Bank Ltd.	22	-	-
13.	Nainital Bank Ltd.	15	-	-
14.	Ratnakar Bank Ltd.	3	-	-
15.	Sangli Bank Ltd.	25	-	-
16.	SBI Commercial and International Bank Ltd.	2	-	-
17.	South Indian Bank Ltd.	47	7	14.89
18.	Tamilnad Mercantile Bank Ltd.	24	5	20.83
	New Private Sector Banks	**8211**	**2163**	**26.34**
19.	Axis Bank	456	51	11.18
20.	Centurian Bank of Punjab Ltd.	435	31	7.13
21.	Development Credit Bank Ltd.	47	2	4.26
22.	HDFC Bank Ltd.	2048	621	30.32
23.	ICICI Bank Ltd.	5048	1451	28.74
24.	Indus Ind Bank Ltd.	63	2	3.17
25.	Kotak Mahindra Bank Ltd.	113	5	4.42
26.	Yes Bank Ltd.	1	-	-

Credit card Complaints Received at Banking Ombudsman Office
(For the period 2006 - 07)

Sr. No.	Name of the Bank	Total no. of Complaints Received	Credit Cards related complaints	Percentage
	III.			%
	Foreign Banks	**3083**	**2187**	**57.50**
1.	ABN Amro Bank Ltd.	842	520	61.76
2.	Abu Dhabi Commercial Bank Ltd.	-	-	-
3.	American Express Bank Ltd.	83	56	67.47
4.	Antweap Bank Ltd.	-	-	-
5.	Arab Bangladesh Bank Ltd.	-	-	-
6.	Bank of America NA	5	-	-
7.	Bank of International Indonesia	-		-
8.	Bank of Bahrain & Kuwait B.S.C.	-	-	-
9.	Bank of Ceylon	-	-	-
10.	Bank of Nova Scotia	-	-	-
11.	Bank of Tokyo-Mitsubishi UFJ Ltd.	1	-	-
12.	Barclays Bank PLC	-	-	-
13.	BNP Paribas	3	-	-
14.	Caylon Bank	-	-	-
15.	Chinatrust Commercial Bank	-	-	-
16.	Citibank N.A.	1182	636	53.80
17.	Development Bank of Singapore Ltd.	-	-	-
18.	Deutsche Bank AG	41	19	46.34
19.	HSBC Ltd.	676	427	63.17
20.	JP Morgan Chase Bank	-	-	-
21.	Krung Thai Bank Public Co. Ltd.	-		-
22.	Meshreqbank PSC	1	-	-
23.	Mauritious Bank	-	-	-
24.	Mizuhho Corporate Bank Ltd.	-	-	-
25.	Oman International Bank S.A.O.G.	1	-	-
26.	Shinhan Bank	-	-	-
27.	Societe Generale	-	-	-
28.	Sonali Bank	1	-	-
29.	Standard Chartered Bank Ltd.	967	529	54.70

Credit card Complaints Received at Banking Ombudsman Office
(For the period 2007-08)

Sr. No.	Name of the Bank	Total no. of Complaints Received	Credit Cards related complaints	Percentage
	I.			%
	Scheduled Commercial Banks	**45772**	**10107**	**22.08**
	Public Sector Bank	**25694**	**3939**	**15.32**
	Nationalised Banks	**12163**	**697**	**5.73**
1.	Allahabad Bank	506	10	**1.98**
2.	Andhra Bank	397	80	**20.15**
3.	Bank of Baroda	1070	98	**9.16**
4.	Bank of India	930	65	**6.99**
5.	Bank of Maharashtra	309	9	**2.91**
6.	Canara Bank	1102	90	**8.17**
7.	Central Bank of India	1013	24	**2.37**
8.	Corporation Bank	205	14	**6.83**
9.	Dena Bank	292	12	**4.10**
10.	Indian Bank	479	28	**5.85**
11.	Indian Overseas Bank	435	17	**3.91**
12.	Oriental Bank of Commerce	425	16	**3.76**
13.	Punjab National Bank	2006	104	**5.18**
14.	Punjab & Sind Bank	224	3	**1.34**
15.	Syndicate Bank	550	30	**5.45**
16.	UCO Bank	543	16	**2.95**
17.	Union Bank of India	778	31	**3.98**
18.	United Bank of India	195	11	**5.64**
19.	Vijaya Bank	195	11	**5.64**
20.	IDBI Bank	509	28	**5.50**
	State Bank Group	**13531**	**3239**	**23.94**
21.	State Bank of India	10867	3047	28.03
22.	State Bank of Bikaner & Jaipur	949	55	5.79
23.	State Bank of Hyderabad	275	59	21.45
24.	State Bank of Indore	396	21	5.30
25.	State Bank of Mysore	178	13	7.30
26.	State Bank of Patiala	298	29	9.73
27.	State Bank of Saurashtra	155	7	4.51
28.	State Bank of Travancore	413	8	1.93

Credit card Complaints Received at Banking Ombudsman Office
(For the period 2007-08)

Sr. No.	Name of the Bank	Total no. of Complaints Received	Credit Cards related complaints	Percentage
	II.			%
	Private Sector Banks **Old Private Sector Banks**	**13950** **929**	**3084** **49**	**22.10** **5.27**
1.	Bank of Rajasthan Ltd.	195	4	2.05
2.	Catholic Syrian Bank Ltd.	-	-	-
3.	City Union Bank Ltd.	43	1	6.97
4.	Dhanalakshmi Bank Ltd.	30	1	3.33
5.	Federal Bank Ltd.	30	-	-
6.	ING Vysa Bank Ltd.	124	5	4.03
7.	Jammu & Kashmir Bank Ltd.	197	25	12.69
8.	Karnataka Bank Ltd.	25	3	12.00
9.	Karur Vysya Bank Ltd.	42	3	7.14
10.	Laxmi Vilas Bank Ltd.	56	5	8.92
11.	Lord Krishna Bank Ltd.	34	1	2.94
12.	Nainital Bank Ltd.	2	-	-
13.	Ratnakar Bank Ltd.	11	-	-
14.	Sangli Bank Ltd.	5	-	-
15.	SBI Commercial and International Bank Ltd.	4	-	-
16.	South Indian Bank Ltd.	1	-	-
17.	Tamilnad Mercantile Bank Ltd.	-	-	-
	New Private Sector Banks	**13021**	**3035**	**23.30**
19.	Axis Bank	1043	210	20.13
20.	Centurian Bank of Punjab Ltd.	473	49	10.35
21.	Development Credit Bank Ltd.	61	-	-
22.	HDFC Bank Ltd.	3480	963	27.67
23.	ICICI Bank Ltd.	7576	1795	23.69
24.	Indus Ind Bank Ltd.	109	3	2.75
25.	Kotak Mahindra Bank Ltd.	261	12	4.59
26.	Yes Bank Ltd.	18	3	16.66

Credit card Complaints Received at Banking Ombudsman Office
(For the period 2007 - 08)

Sr. No.	Name of the Bank	Total no. of Complaints Received	Credit Cards related complaints	Percentage
	III.			%
	Foreign Banks	**6128**	**3087**	**50.37**
1.	AB Bank Ltd.	-	-	-
2.	ABN Amro Bank Ltd.	1162	612	52.66
3.	Abu Dhabi Commercial Bank Ltd.	-	-	-
4.	American Express Bank Ltd.	63	38	60.31
5.	Antweap Bank Ltd.	-	-	-
7.	Bank of America NA	3	-	-
8.	Bank of International Indonesia	-		-
9.	Bank of Bahrain & Kuwait B.S.C.	-	-	-
10.	Bank of Ceylon	1	-	-
11.	Bank of Nova Scotia	1	-	-
11.	Bank of Tokyo-Mitsubishi UFJ Ltd.	1	-	-
12.	Barclays Bank PLC	252	106	42.06
13.	BNP Paribas	3	2	66.66
14.	Caylon Bank	3	3	100
15.	Chinatrust Commercial Bank	-	-	-
16.	Citibank N.A.	1901	943	49.60
17.	DBS Bank Ltd.	-	-	-
18.	Deutsche Bank AG	134	49	36.56
19.	HSBC Ltd.	1291	722	55.92
20.	JP Morgan Chase Bank	-	-	-
21.	Krung Thai Bank Public Co. Ltd.	-		-
22.	Meshreq Bank PSC	1	-	-
23.	Mauritious Bank	1	-	-
24.	Mizuhho Corporate Bank Ltd.	-	-	-
25.	Oman International Bank S.A.O.G.	1	-	-
26.	Shinhan Bank	-	-	-
27.	Societe Generale	-	-	-
28.	Sonali Bank	-	-	-
29.	Standard Chartered Bank Ltd.	1310	612	46.71

Annexure II

Unutilised Grants of Ministries/Departments

(In Rs. crores)

Grant Name	Years 2003-04		Years 2004-05		Years 2005-06		Years 2006-07		Years 2007-08	
	Savings		Savings		Savings		Savings		Savings	
	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital
Department of Agriculture and Co-operation										
Charged		555.96		0.07		8.60		10.60	0.01	15.6
Voted	161.94	34.04	562.80	26.96	366.25	13.72	111.30	16.34	74.80	14.70
Department of Agriculture Research and Education										
Charged										
Voted	24.40		98.03		42.78		15.52		155.65	
Department of Animal Husbandry and Dairying										
Charged					7					
Voted	63.81	14.83	41.95	1.03	100.85	18.52	133.35	12.30	88.67	15.88
Ministry of Micro, Small and Medium Enterprises										
Charged										

Voted									115.50	4.00
Ministry of Agro and Rural Industries										
Charged										
Voted	47.94	0.01	79.08		3.10	0.65	81.26	1.02		
Atomic Energy										
Charged	0.03				0.43	0.03	0.79	1.08	0.94	5.87
Voted	41.67	174.,65	57.19	298.60	19.03	298.17	107.36	164.03	65.40	458.65
Nuclear Power Schemes										
Charged										
Voted	205.49	6.72	743.14	41.59	4.73	1013.46	205.83	713.39	709.47	1241.01
Department of Chemicals and Petrochemicals										
Charged										
Voted	9.59	59.85	132.88	15.60	49.49	102.41	59.35	32.11	69.41	3.23
Department of Fertilizers										
Charged	0.01		0.01							
Voted	1581.23	34.04	1.71	95.45		6.83	13.52	25.18	6.03	0.05
Ministry of Civil Aviation										
Charged										
Voted	5.67	18.63	2.09	12.26	3.78	1.81	6.75	45.29	9.05	34.51
Ministry of Coal										
Charged										
Voted	208.24	0.49	35.80	6.26	29.02	0.05	32.00	3.51	99.68	7.05
Ministry of Mines										

Charged	0.01		0.09						0.07	
Voted	262.60	0.23	88.05	30.20	29.74	15.05	30.37	49.07	35.78	15.23
Department of Commerce										
Charged	0.22		0.22		0.09		1.01		0.40	
Voted	360.30	23.16	154.40	0.24	97.30	2.05	77.87	78.18	124.73	3.57
Department of Industrial Policy and Promotion										
Charged	0.26		0.24				0.06			
Voted	73.50		72.68	4.10	174.90		54.47	2.00	23.56	0.10
Department of Telecommunication										
Charged										
Voted		1.00	59.90		60.52	102.27	70.66	50.40	1033.79	78.77
Department of Information Technology										
Charged										
Voted	5.83		107.39	0.86	51.57	0.10	34.39	4.33	238.62	2.14
Ministry of Company Affairs										
Charged										
Voted	16.70	1.74	8.64	2.57	43.88	0.80	49.23		38.59	48.75
Department of Consumer Affairs										
Charged										
Voted	2.55	1.24			38.22	6.16	50.93	1745	97.54	30.21
Department of Food and Public Distribution										

Charged	0.02		0.03		0.02		0.27		0.12	
Voted	2732.76	256.56	293.21	209.78	3299.01	199.09	205.13	134.24	495.87	60.38
Ministry of Culture										
Charged										
Voted			99.11	8.88	157.94	36.46	94.31	35.19	147.09	36.03
Ministry of Defence										
Charged	0.24				0.25		0.16		0.19	0.40
Voted	30.01	139.76	278.72	118.44	1496.67	92.55	1038.97	310.91	252.08	493.83
Defence Pensions										
Charged	0.04		0.07		0.06		0.15		0.19	
Voted	0.30		0.98		0.05		6.09		0.30	
Department of Development of North Eastern Region										
Charged		0.08								
Voted	0.92		7.88	0.45	25.02	0.11	14.32	1.75	17.05	8.35
Ministry of Earth Science										
Charged									0.15	..
Voted									89.81	235.35
Ministry of Environment										
Charged							0.21			
Voted	117.67	6.20	148.23	4.94	150.19	1.98	147.17	5.29	54.56	1.47
Ministry of External Affairs										
Charged	0.03		0.03		0.03		0.03			

Voted	77.79	0.27	123.60	14.21	139.68	40.62	118.37	54.97	164.43	113.07
Department of Economic Affairs										
Charged										
Voted	2083.74	3.87	578.60	1278.60	653.08	826.71	132.75	47.98	86.46	59.14
Currency, Coinage and Stamps										
Charged	0.60		0.62							
Voted	42,80	139.47	71.35	243.09	379.08	274.59	0.92	96.45		
Payment to Financial Institutions										
Charged										
Voted	1165.65	2427.04	1534.01	0.09	1523.18	478.18	1688.00	78.74	1224.47	3710.03
Interest Payment										
Charged	290.50		2541.63						815.53	
Voted										
Transfer to State and Union Territory Govt.										
Charged	4317.55	950.65	4538.77	3674.37	740.51	350.53	1161.69	1000.00	3748.34	1000.15
Voted	415.58		38.33		1106.34		722.37		1481.30	
Loans to Govt. Servants etc.										
Charged										
Voted		241.94		200.85		171.50		176.90		77.02
Payment of Debt										
Charged										70108.62
Voted										
Department of										

Expenditure										
Charged										
Voted	0.56		1.38		1.06		2.10		106.97	
Pensions										
Charged			0.26		0.42		0.15		0.51	
Voted	104.73		8.34		32.75		53.20			
Indian Audit and Accounts Department										
Charged	0.38		0.77		7.33		2.70		0.92	
Voted	8.04	4.75	58.66	5.05	43.31	2.05	27.52	2.64	2.58	2.11
Department of Revenue										
Charged	0.02		0.02		0.02		2.09		0.02	.
Voted	68.73	8.30	14.56	1.66	2595.42	4.24	27.49	1.52	30.90	1.14
Direct Taxes										
Charged	0.02		0.02		0.02		0.02		0.02	
Voted	160.56	99.33	22.72	64.14	11.57	68.12	22.56	23.10	54.89	4.42
Indirect Taxes										
Charged	0.65		0.13		0.44		0.24		0.78	
Voted	7.81	223.63	53.68	170.90	98.33	181.90	153.79	53.37	113.42	77.93
Department of Disinvestment										
Charged										
Voted			26.01		0.67		6.66	7680.01	0.43	0.02
Ministry of Food Processing Industries										
Charged										

Voted	12.20		30.08		65.16		38.58	2.25	56.12	12.35
Department of Health										
Charged										
Voted	55.00	75.27	166.47	117.24	338.67	96.57	2274.91	144.39	1467.46	515.18
Department of Indian System of Medicine and Homeopathy										
Charged										
Voted	9.50	2.00	1.89		52.27		62.73		100.40	
Department of Family Welfare										
Charged										
Voted	791.31		1159.43		1067.83					
Department of Heavy Industry										
Charged									34	
Voted	44.30	64.01	77.28	23.59	1183.70	13.92	138.52	115.16	477.77	178.56
Department of Public Enterprises										
Charged										
Voted	1.27		8.54		3.23		3.52		1.17	
Ministry of Home Affairs										
Charged	0.06		0.05		0.03		64		2	
Voted	49.04	6.78	17.09	2.84	192.01	15.13	27.12	8.75	30.62	14.08
Cabinet										
Charged			0.06		0.16		0.14		0.08	

Voted	26.86	1.38	20.34	0.95	27.18	2.82	22.01	0.17	22.12	16.60
Police										
Charged	0.54	315.44	0.89	5.19	1,08	13.12	0.31	1.35	0.81	7.82
Voted	27.04	25.89	127.76	143.21	117.82	152.81	600.93	192.71	285.07	1788.67
Other Expenditure of the Ministry of Home Affairs										
Charged	0.02		0.02		0.03		0.02		0.02	
Voted	37.89		56.18		291.84		181.81		218.05	18.85
Transfer of Union Territory Governments										
Charged										
Voted	1.31	43.19	31.75		9.48		355.77		30.80	
Department of Elementary Education and Literacy										
Charged										
Voted	17.47		54.06		505.92		373.19		2668.29	
Department of Secondary Education and Higher Education										
Charged					67					
Voted	216.28	0.01	313.95	0.01	28.16	0.01	192.38	0.01	2952.13	1.00
Department of Women and Child Development										
Charged										
Voted	549.51		4.37		2.03		128.08			

Ministry of Information and Broadcasting										
Charged	0.05		0.03		0.03		0.02		0.03	
Voted	60.09	137.41	32.91	155.39	90.23	68.71	171.38	82.26	32.99	67.80
Ministry of Labour										
Charged	0.02		0.02		0.02		0.02		0.02	
Voted	52.37	0.15	41.25	0.06			105.40		45.66	
Election Commission										
Charged										
Voted	0.04		0.05		0.18		0.33		0.15	
Law and Justice										
Charged										
Voted	9.41	0.75	39.85	0.49	217.74	1.02	199.72	0.02	309.78	0.03
Appropriation – Supreme Court of India										
Charged	5.93		0.21		0.47		3.10		3.81	
Voted										
Ministry of Non-Conventional Energy Sources										
Charged										
Voted	205.84	43.00	328.97	36.00	276.18	30.35				
Ministry of New and Renewable Energy										
Charged										

Voted									139.67	8.10
Ministry of Overseas Indian Affairs										
Charged					14.75	2.79				
Voted			3.16	0.68			13.51	2.48	4.95	9.66
Ministry of Panchayati Raj										
Charged										
Voted			22.14		1.43		1826.07		1082.04	
Department of Ocean Development										
Charged						1,67				
Voted	29.84		38.46	1.00	106.76					
Ministry of Parliamentary Affairs										
Charged										
Voted	1.24		2.11		1.00		1.30		0.75	
Ministry of Personnel, Public Grievances and Pensions										
Charged			0.40		0.53		0.46		0.09	
Voted	12.16		28.49	5.08	31.88	20.28	38.70	26.45	20.89	14.21
Ministry of Petroleum and Natural Gas										
Charged										
Voted	1568.12		607.59		973.63		368.24		63.96	

Ministry of Planning										
Charged				1861.00						
Voted	35.40		6373.03	1823.00	13.52		37.97		43.29	4.13
Ministry of Power										
Charged	0.38									
Voted	422.51	1337.41	322.25	403.75	3.93	1417.13	556.41	737.70	576.21	775.28
Appropriation- Staff, Household and Allowances of the President										
Charged			0.12		0.07		6.65		0.69	
Voted										
Lok Sabha										
Charged	0.55		0.21		0.04		0.06		0.07	
Voted	46.48		46.79		15.91		29.93		24.90	
Rajya Sabha										
Charged	0.04		0.02		0.01		0.07		0.18	
Voted	6.98		10.68		9.10		17.59		8.86	
Appropriation – Union Public Service Commission										
Charged	0.59		0.26		0.09		0.93		3.73	
Voted										
Secretariat of the Vice-President										
Charged										
Voted	0.13		2.10		0.09		0.07		0.06	
Ministry of Road										

Transport and Highways										
Charged	0.07	1.28	0.28	4.76	0.24	1.03	0.54	2.78	0.26	0.26
Voted	149.46	957.19	427.31	1840.25	448.16	1563.63	515.54	281.18	335.62	175.80
Department of Rural Development										
Charged										
Voted	3.62		12.90		4.33	4.79	2624.31		6.81	
Department of Land Resources										
Charged										
Voted	96.47		250.89		2.08		10.24		98.16	
Department of Drinking Water Supply										
Charged										
Voted	0.50		265.88		23.92		704.61		101.68	
Department of Science and Technology										
Charged			0.07		0.07		0.06		0.01	
Voted	203.12	1.26	173.80	34.08	206.34	37.02	490.04	111.93	271.06	3.26
Department of Scientific and Industrial Research										
Charged										
Voted	38.23	8.10	52.99	11.04	84.45	2.49	263.51	0.08	9.46	0.21
Department of Biotechnology										
Charged										
Voted	10.82		30.60		55.70	2.00	27.51		66.38	

Ministry of Shipping										
Charged		0.15		20.00						
Voted	43.98	265.62	110.80	255.00	50.03	99.83	94.19	145.58	210.92	189.74
Ministry of Small Scale Industries										
Charged										
Voted	11.90		16.05		7.71	12.67	73.71	4.00		
Ministry of Small, Micro and Medium enterprises										
Charged										
Voted									103.14	1.04
Ministry of Social Justice and Empowerment										
Charged										
Voted	191.47	37.88	145.91	6.15	42.60		72.61	78.79	28.50	0.35
Department of Space										
Charged	0.10	0.03	0.20	0.23	0.38		0.18		0.12	0.03
Voted	77.56	22.39	195.34	1.91	435.95	44.49	505.09	116.58	374.80	205.85
Ministry of Statistics and Programme Implementation										
Charged										
Voted	27.94	21.44	304.11	13.98	154.41	14.37	145.50	11.31	138.76	1.97
Ministry of Steel										
Charged										
Voted	1.79		1.24		5.36	2.00	12.56	1.01	8.73	

Ministry of Textiles										
Charged		0.20				0.75				
Voted	164.69	43.99	239.55	5150	118.28	6.51	763.18	218.62	147.35	15.86
Department of Culture										
Charged										
Voted	12.49	2.74								
Department of Tourism										
Charged										
Voted	1.39	7.89	29.95	18.17	21.36	18.58	8.21	30.30	6.11	1.33
Ministry of Tribal Affairs										
Charged	118.38		20.61		62.99		0.09		150.53	
Voted	54.,24	23.97	50.16	25.51	10.83	36.01	32.33	14.01	31.51	35.02
Andaman & Nicobar Islands										
Charged										
Voted	43,86	2.34	12.25	15.60	59.17	21.71	41.40	229.06	17.33	3.98
Chandigarh										
Charged	0.02		2.27		1.26		0.76		0.08	
Voted	11.01	2.09	9.43	1.14	2.81		0.49	0.70		0.03
Dadra & Nagar Haveli										
Charged										
Voted	0.29	0.05	1.84		0.02	0.09	0.07	0.02	0.03	0.04
Daman & Diu										
Charged										
Voted	26.48		8.25	0.13	0.74	0.11	0.38	0.03	0.30	0.03

Lakshadweep										
Charged										
Voted	25.03	1.98	5.62	1.70		0.28	5.75	0.69	4.90	2.51
Department of Urban Development										
Charged	3.47	1.79		1.89	0.74	1.08	1.42	8.56	0.20	
Voted	16.53	113.59	1.57	16.89	718.29	10.16	197.19	78.11	118.11	50.22
Public Works										
Charged	0.63	0.62	0.36	0.25	0.46	0.86	0.70	0.26	0.36	0.52
Voted	31.52	68.86	5.91	31.61	73.40	11.88	99.72	37.05	89.91	97.37
Stationary and Printing										
Charged										
Voted	21.00	0.16	14.41	0.12	13.39	0.33	24.39	0.19	22.56	0.61
Department of Urban Employment and Poverty Alleviation										
Charged										
Voted	27.42	15.30	89.02	125.00	117.91		72.60	0.28		
Ministry of Water Resources										
Charged	0.02	3.43		1.57		157		0.52		2.05
Voted	152.35	1.51	179.59	7.72	112.53	3.80	195.08	9.12	102.75	6.94
Ministry of Youth Affairs and Sports										
Charged										
Voted	66.51	9.26	20.84	12.63	50.08	6.36	138.45	3.81	108.29	0.37
Ministry of Minority Affairs										

Charged										
Voted							11.49		304.46	
Ministry of Minority Affairs										
Charged										
Voted									257.45	

Minutes of the First sitting of the Standing Committee on Finance

The Committee sat on Monday, the 14th September, 2009 from 1100 hrs. to 1600 hrs.

PRESENT

Dr. Murli Manohar Joshi - Chairman

MEMBERS

LOK SABHA

2. Dr. Baliram (Lalganj)
3. Shri Sudip Bandyopadhyay
4. Shri C.M. Chang
5. Shri Bhakta Charan Das
6. Shri Gurudas Dasgupta
7. Shri Khagen Das
8. Shri Nishikant Dubey
9. Shri Bhartruhari Mahtab
10. Shri Mangani Lal Mandal
11. Shri M. Sreenivasulu Reddy
12. Shri Sarvey Sathyanarayana
13. Shri Manica Tagore
14. Shri Anjankumar M. Yadav

RAJYA SABHA

15. Shri Raashid Alvi
16. Dr. K.V.P. Ramachandra Rao
17. Shri S.S. Ahluwalia
18. Shri Moinul Hassan
17. Shri Mahendra Mohan
18. Shri S. Anbalagan
19. Dr. Mahendra Prasad
20. Y.P. Trivedi

SECRETARIAT

1. Shri R.C. Ahuja	-	Additional Secretary
2. Shri A.K. Singh	-	Joint Secretary
3. Shri T.G. Chandrasekhar	-	Additional Director
4. Dr. Ram Raj Rai	-	Additional Director
5. Shri R.K. Suryanarayanan	-	Deputy Secretary

Part I

(1100 to 1345 hours)

2. At the outset, the Chairman welcomed the Members of the newly constituted Standing Committee on Finance and congratulated them on their nomination to the Committee for the year 2009-10. The Members reciprocated by greeting the Chairman on his appointment as the Chairman of the Committee. The Chairman expressed hope that the members would actively participate in the deliberations of the Committee and sought their support in presenting unanimous reports to Parliament.

3. The Chairman then apprised the Committee that during the previous Lok Sabha, the Committee presented 80 Reports to Parliament, which besides highlighting the shortcomings of the Government had gone a long way in bringing about significant improvements in policies and programmes of the Government.

4. The Committee, then took up for consideration Memorandum No. 1 regarding Selection of Subjects for examination during 2009-10. The Chairman asked the Members to suggest the subjects for consideration. Members gave their suggestions and authorized the Chairman to finalise the subjects those could be taken up for examination by the Committee during the year.

5. The Chairman informed the members that the Committee would also be examining the following four Bills referred by the Hon'ble Speaker:-

(i) The Life Insurance Corporation of India (Amendment) Bill, 2009;
(ii) The Companies Bill, 2009;
(iii) The Indian Trusts (Amendment) Bill, 2009; and
(iv) The Securities and Exchange Board of India (Amendment) Bill, 2009.

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6. The representatives of Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services & Disinvestment) were then called in for giving evidence in connection with examination of Demands for Grants (2009-10) of the Ministry/Departments and issues connected therewith.

WITNESSES

Department of Economic Affairs

1. Dr. Arvind Virmani, Chief Economic Adviser
2. Shri R.C. Srinivasan, Principal Adviser
3. Shri Shakti Kant Das, Joint Secretary (Budget)
4. Dr. K.P. Krishnan, Joint Secretary, CM

Department of Expenditure

1. Smt. Sushma Nath, Secretary,
2. Shri C.R. Sundramurthy, Controller General of Accounts
3. Smt. Vilasini Ramachandran, Additional Secretary

Department of Financial Services

1. Shri G.C. Chaturvedi, Additional Secretary
2. Shri Amitabh Verma, Joint Secretary (Banking Operations)

Department of Disinvestment

Shri Sunil Mitra, Secretary

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

8. The major issues discussed during the evidence included, accrual of benefits of growth to different sectors of the population, Fiscal Responsibility and Budget Management Act, reference of the issue of management of fiscal deficit to Thirteenth Finance Commission, commitment charges on account of unutilized foreign aid, analysis of Demands for Grants, National Skill Development Corporation, KYC norms for rural household bank accounts, bank branch expansion in rural areas, Banking correspondents/banking facilitators' model in expanding banking services in unbanked areas etc. The Chairman directed the representatives of the Departments to furnish written replies to the points raised by members during the evidence at an early date.

A verbatim record of the proceedings was kept.

The witnesses then withdrew.

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Part II

(1430 to 1600 hours)

WITNESSES

Ministry of Finance

(Department of Revenue)

1. Shri P.V. Bhide, Revenue Secretary
2. Shri K. Jose Cyriac, Additional Secretary
3. Shri Mukul Singhal, Joint Secretary

Integrated Finance Unit

Shri M. Deenadayalan, Joint Secretary & Financial Advisor

Central Board of Excise and Customs (CBEC)

Shri P.N. Vittaldas, Member (P&V)

Central Board of Direct Taxes

1. Shri S.S. Khan, Member (IT)
2. Shri Shaikh Naimuddin, Member (P&V)
3. Shri Sudhir Chandra, Member (Inv.)

Directorate of Enforcement

Shri Arun Mathur, Director

Ministry of Labour and Employment

Shri P. Sudhakar Babu, ACC (Compliance), EPFO

Ministry of Law & Justice

Shri J.S. Chhilar, Registrar, ITAT

9. At the outset, the Chairman welcomed the representatives of Ministry of Finance (Department of Revenue) to the sitting of the Committee and invited their attention to the provisions contained in Direction 55 of the Directions by the Speaker.

10. The Committee then took oral evidence of the representatives of the Ministry of Finance (Department of Revenue) in connection with the examination of Demands for Grants (2009-10) of the Ministry and issues connected therewith. The major issues discussed during the evidence included, lacunae in the Demands for Grants, under-utilisation of allocations granted for setting up of Tax Information Exchange System (TINXSYS), uncollected revenue in respect of direct and indirect taxes, declining rate of new income tax assessees, quantum of unaccounted money in circulation in the country, increase in refund cases and interest paid on refunds, productivity per assessing officer, slow rate of disposal of appeals at CIT (A) level, cost of collection of taxes, status of computerization etc. The Chairman directed the representatives of the Department to furnish written replies on the points raised by the members which could not be answered during the evidence at an early date.

A verbatim record of the proceedings was kept.

The witnesses then withdrew.

The Committee then adjourned to meet again on 15 September, 2009.