33

STANDING COMMITTEE ON FINANCE (2010-2011)

FIFTEENTH LOK SABHA

MINISTRY OF FINANCE

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

DEMANDS FOR GRANTS (2011-2012)

THIRTY-THIRD REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

August, 2011/Shravana, 1933 (Saka)

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(2011-2012)

Presented to Hon'ble Speaker on 30 June, 2011
Presented to Lok Sabha on 2011
Laid in Rajya Sabha on 2011

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Shri Yashwant Sinha — *Chairman*

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Lok Sabha

2. Dr. Baliram (Lalganj)
3. Shri Sudip Bandyopadhyay
4. Shri C.M. Chang
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7. Shri Khagen Das
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17. Shri N. Dharam Singh
18. Shri Manicka Tagore
19. Dr. M. Thambidurai
20. Shri Anjankumar M. Yadav

*21. Dr. Kavuru Sambasiva Rao

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*Nominated to this Committee *w.e.f.* 28.01.2011 *vice* Shri Y.S. Jagan Mohan Reddy, ceased to be a member of the Committee on his resignation from Lok Sabha.

Rajya Sabha

22. Shri S.S. Ahluwalia
23. Shri Raashid Alvi
24. Shri Vijay Jawaharlal Darda
25. Shri Piyush Goyal
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27. Shri Satish Chandra Misra
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29. Dr. Mahendra Prasad
30. Dr. K.V.P. Ramachandra Rao
31. Shri Y.P. Trivedi

SECRETARIAT

1. Shri A.K. Singh — *Joint Secretary*
2. Shri R.K. Jain — *Director*
3. Shri T.G. Chandrasekhar — *Additional Director*
4. Shri Ram Kumar Suryanarayanan — *Deputy Secretary*
5. Shri Kulmohan Singh Arora — *Under Secretary*

INTRODUCTION

I, the Chairman of the Standing Committee on Finance (2010-11), having been authorized by the Committee, present this Thirty-third Report (15th Lok Sabha) on the 'Demands for Grants (2011-12) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment).

2. The Demands for Grants (2011-12) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) were laid on the Table of the House on 11 March, 2011. 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 (2011-12) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) were passed by Lok Sabha 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 (2011-12) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) and issues arising therefrom.

3. The Committee took oral evidence of the representatives of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) on 08 April, 2011.

4. The Committee considered and adopted this Report at their sitting held on 25 May, 2011. Minutes of the sittings of the Committee are given in appendix to the Report.

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 (2011-12).

NEW DELHI;
20 June, 2011
30 Jaishtha, 1933 (Saka)

YASHWANT SINHA,
Chairman,
Standing Committee on Finance.

PART I

BACKGROUND ANALYSIS

CHAPTER I

BUDGETARY ALLOCATION

1.0 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

u

(iii) Department of Revenue

(iv) Department of Disinvestment; and

(v) Department of Financial Services

1.1 The Ministry of Finance is responsible in all for 13 Demands for Grants, which cover the above 5 Departments. These Demands are namely:

(a) Demand No. 32 –Department of Economic Affairs

(b) Demand No. 33 – Department of Financial Services

(c) Demand No. 34 – Appropriation – Interest Payments

(d) Demand No. 35 – Transfers to State and Union Territory Governments

(e) Demand No. 36 – Loans to Government Servants etc.

(f) Demand No. 37 – Appropriation – Repayment of Debt

(g) Demand No. 38 – Department of Expenditure

(h) Demand No. 39 – Pensions

(i) Demand No. 40 – Indian Audit and Accounts Department

(j) Demand No. 41 – Department of Revenue

(k) Demand No. 42 – Direct Taxes

(l) Demand No. 43 – Indirect Taxes

(m) Demand No. 44 – Department of Disinvestment

The Detailed Demands for Grants and the Outcome Budget of the Ministry for 2011-12 were laid on the Table of the House on 11.3.2011.

1.2 This Report deals with four out of five Departments under the Ministry of Finance covering 10 Demands. Matters relating to one Department *viz.* Department of Revenue and three Demands for Grants concerning the Department are dealt with in a separate report.

A. Department of Economic Affairs

1.3 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, Loans 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.

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

1.4 Total Budget provision for 2011-12 is Rs. 10,233.24 crore. The break-up is for Plan Rs. 2040.00 crore and Non-Plan Rs. 8193.24 crore. The significant components of expenditure are:—

- Contribution to Railways for Safety Works – Rs. 1040.63 crore. These funds would be used for constructing road over bridges and under bridges and for ensuring safety at unmanned level crossings etc. There is a net increase in the allocation for this scheme by Rs. 110.82 crore over RE 2010-11.

- Assistance for Infrastructure Development through Public Private Partnership (PPP) by providing Viability Gap Funding –

Rs. 499.37 crore. The allocation for BE 2011-12 has been stepped up by Rs. 374.37 crore over the RE 2010-11 of Rs. 125 crore.

- National Social Security Fund for Unorganised Sector workers–Rs. 500 crore. During 2010-11 Rs. 1000 crore was deposited in the Fund.

NON-PLAN

- Subsidies to Railways towards dividend relief and other concessions from general revenue–Rs. 3022.61 crore. The support has been enhanced over the previous year.

- Reimbursement of losses on operating strategic Railway lines–Rs. 657.92 crore. There is an increase in allocation over the previous year.

- Purchase of coins from Security Printing and Minting Corporation of India Ltd. for supply to Reserve Bank of India–Rs. 1584.80 crore.

- Investment in Security Printing and Minting Corporation of India Limited (SPMCIL) as equity–Rs. 400 crore.

- Transfer to Guarantee Redemption Fund–Rs. 300 crore.

- Interest Equalization Support to EXIM Bank of India for lines of credit extended to developing countries and supported by Government of India–Rs. 139.69 crore.

- Investment in International Financial Institutions including provisions for India's subscription to International Bank for Reconstruction and Development (IBRD) towards payment for General Capital Increase (GCI) and Selective Capital Increase (SCI); India's share of capital replenishments of the African Development Fund and contributions towards the capital stock of the African Development Bank as well as IMF–Rs.12192.09 crore (net Rs. 3424.34 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. The Budget provision under Demand No. 32 Secretariat/ establishment expenditure of the Department of Economic Affairs including the newly created G-20 Secretariat and the Department of Currency, National Savings Institute and its network of regional offices, Securities Appellate Tribunal (SAT), in addition to establishment expenditure of the Economic wings of the Embassy of India, Washington, Tokyo and Beijing.

New initiatives

- The Financial Sector Legislative Reforms Commission (FSLRC) has been set up under the chairmanship of Justice (retd.) BN Srikrishna with a view to review the existing legislative and regulatory system governing the financial sector in India, and to bring it in tune with the current requirements.

- The Directorate of Currency has been set up with the mandate to monitor and review the integrity of existing security features of Indian Bank Notes for revision and updating and also undertake technology transfer for all key inputs required for indigenization of currency and coinage *e.g.* paper, ink, machinery software etc.

- An Economic and Commercial Wing in the Embassy of India, Beijing, China has been created in May, 2010.

- A National Capacity Building Programme has recently been launched to enhance capacities of public functionaries in identifying, conceptualizing, structuring and managing PPPs.

- Membership of the Financial Action Task Force (FATF) in June 2010—an important initiative of the G-20 for anti money laundering. India has also joined the Task Force on Financial Integrity and Economic Development, Eurasian Group (EAG) and Global Forum on Transparency and exchange of Information for Tax purposes.

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

1.5 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. The net expenditure projected for 2011-12 is Rs. 2,67,986.17 crore which is 11.3 % over the RE 2010-11. The increase is mainly due to higher requirement for interest on market loans, discount on treasury bills, market stabilization scheme, Insurance and Pension funds, Small Savings deposits/Certificates and operational expenses, and State Provident Funds.

(iii) Demand No. 36 : Loans to Government Servants etc.

1.6 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. Total budget provision under Non Plan is Rs. 300 crore for this demand.

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

1.7 Repayment of Debt 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 Budget allocation in this Demand is netted against the receipts into Government account of fresh internal/ external debt and cash balance adjustment. The net expenditure on this demand is nil for the year ending 2010-11. The BE 2011-12 provisions is Rs. 31,55,216.93 crore.

B. Department of Expenditure

1.8 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.

1.9 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.

1.10 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 relates to the two main transfers. One is the Central Assistance 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. A net provision of Rs. 1,30,365.23 crore has been made in BE 2011-12 for the Grant.

1.11 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. The total budget provision under this demand is Rs. 101.97 crore for 2011-12.

1.12 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. This Demand is administered by the Central Pension Accounting Office (CPAO). The net budgetary provision is Rs. 16,000.00 crore in the year 2011-12.

1.13 The budget provision under Demand No. 40 includes establishment related expenditure of the office of the C&AG and the Civil Audit and Accounts offices under his control. This also includes expenditure on audit of Postal and Telecommunication Department, Defence Audit offices and Overseas Audit offices. The budget provision kept for BE 2011-12 is Rs. 2398.56 crore. This will be netted against the recoveries from UN organizations towards audit functions performed by the C&AG, reimbursement of Postal and telecommunication audit costs and Railway audit. The net expenditure is slated at Rs. 2253.08 crore.

C. Department of Financial Services

1.14 The Department of Financial Services has only one Demand *viz.* Demand No. 33. The total budget provision for 2011-12 is Rs. 23,705.94 crore which includes Rs. 78 crore under Plan and Rs. 15,855.94 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.

- Contribution for constitution of Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF) (Rs. 10 crore each).

- Payment of subsidy towards interest subvention of 1 per cent on Housing Loans up to Rs. 10 lakh (Rs. 500 crore).

- Payment to LIC for implementation of pension Plan for senior citizens scheme (Rs 199.61 crore).

- Payment to Farmers Debt Relief Fund for implementation of Agricultural Debt Waiver and Debt Relief Scheme, 2008 (Rs 6,000.00 crore).

- Financial Inclusion Plans—Swabhiman Scheme (Rs. 50 crore).

- Payment of subsidy towards interest subvention for providing short term credit to Farmers (Rs. 4868.00 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).
- Swavalamban Scheme under New Pension System (NPS) (Rs. 220.00 crore).
- Equity support to India Infrastructure Finance Company Ltd. (IIFCL) (Rs. 1000.00 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).
- Recapitalisation of Public Sector Banks (Rs. 6000.00 crore).
- Recapitalisation of Regional Rural Banks (RRBs) (Rs. 500.00 crore).

D. Department of Disinvestment

1.15 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 2011-12 is Rs. 62.63 crore.

1.16 The Government has in November, 2005 constituted "National Investment Fund" (NIF) to be maintained outside the Consolidated Fund of India into which the proceeds from disinvestments of Central Public Sector Enterprises would be channelized. The Government has decided that all proceeds from disinvestment of CPSEs deposited in the NIF over a period of three years from April, 2009 to March, 2012, would be utilized in full to support social sector schemes to be decided by Planning Commission/ Department of Expenditure.

CHAPTER II

DEPARTMENTS OF ECONOMIC AFFAIRS AND EXPENDITURE

A. Demand No. 35 — Transfer to States and Union Territories: Underutilization of funds under major State Plan Schemes

2.0 Demand No. 35 deals with Plan Transfers to States apart from provision for grants payable to States under Article 275 (1) of the Constitution on the basis of recommendations of successive Finance Commissions, Block grants for State Plan Schemes, short term Ways and Means Advances to States, assistance from National Calamity Contingency Fund (NCCF) and Debt Relief to States. The major State Plan Transfers include Schemes like Jawaharlal Nehru National Urban Renewal Mission (Rs.12522 crore), Accelerated Irrigation Benefits Programme (Rs.12,620 crore) and the National Social Assistance Programme (Rs. 6107.61 crore). A net provision of Rs.1,30,365.23 crore has been made in BE 2011-12 for the Grant.

2.1 Asked to furnish the details of savings under major State Plan schemes and Non-Plan schemes, the Ministry, in their post evidence submission, informed as under:

(Rs. in crore)

Sl. No.	Scheme	Nodal Ministry*	Shortfall against BE			
			2007-08	2008-09	2009-10	2010-11
1	2	3	4	5	6	7
1.	Accelerated Irrigation Benefits Programme (AIBP)	MoWR	-	-	1175.61	2742.47
2.	National Social Assistance Programme (NSAP)	MoRD	-	-	-	516.14

1		2	3	4	5	6	7
3.		ACA for Jawaharlal Nehru National Urban Renewal Mission	-	-	-	-	-
3.1	(i)	Sub Mission on Urban Infrastructure and Governance (SMUIG)	MoUD	0.90	-	1340.78	4432.70
3.2	(ii)	Urban Infrastructure Development for Small and Medium Towns (UIDSSMT)	MoUD	-	-	2797.62	276.56
3.3	(iii)	Sub Mission on Basic Services to Urban Poor (SMBSUP)	Mo HUPA	300.34	183.86	934.47	297.63
3.4	(iv)	Integrated Housing and Slum Development (IHSD)	Mo HUPA	-	-	331.73	127.27

*MoWR — Ministry of Water Resources; MoRD — Ministry of Rural Development; MoUD — Ministry of Urban Development; MoHUPA — Ministry of Housing and Urban Poverty Alleviation

Releases for implementation of schemes are made from Demand No. 35 on the recommendations of line ministries. Savings occur when the line ministries are unable to recommend releases to the full extent of available funds. Recommendations can only be made if the projects posed by State Governments fulfil the eligibility criteria prescribed in the scheme guidelines and demonstrate significant expenditure of earlier releases. Under JNNURM, releases were also held back on account of short release or non-release of matching shares by State Governments or Urban Local Bodies (ULBs), withdrawal of projects and delay in commencement. In the case of projects under the Urban Infrastructure and Governance sub-mission of JNNURM, release of funds is also linked to progress in reforms by ULBs/State Governments.

Details of savings under major Non-Plan Schemes operated by Ministry of Finance

(Rs. in crore)

Sl. No.	Scheme	Shortfall against BE			
		2007-08	2008-09	2009-10	2010-11
1.	Maintenance of Roads and Bridges	113.27	1052.32	858.76	-
2.	State Specific Needs	531.30	1179.78	445.78	-
3.	Local Bodies Grant	1196.90	2224.47	1320.39	339.23

These non-plan transfers are based on the recommendations of Finance Commissions. Such non-plan releases are linked to prescribed pre-conditions like preparation of duly approved Action Plan, utilisation certificates of earlier releases and adequate outlays in the States' budgets. Savings occur when budgeted amounts are not released to States on account of non-fulfilment of requirements.

The releases for maintenance of roads & bridges under the Twelfth Finance Commission (award period 2005-10) required the States to make a minimum budgetary provision and demonstrate that expenditure has been incurred. Some States do not fulfil these conditions.

Subsequent releases for State Specific Grants require expenditure of the previous installments. Some States did not provide utilization/ completion certificates for previous releases.

The main requirement for release of local bodies grants was that the previous grant should have been released by the States to local bodies within a prescribed period. In case the release was delayed, interest was to be released for the delayed period along-with the principal amount of the grant to qualify further for next releases. Some States did not comply with this requirement."

B. Inflation

2.2 At present, the major pressure on prices is emanating from the food and energy sectors. After remaining in double digit for four successive months (April-July), headline inflation came down to single digit and stood at 8.2 per cent in January 2011.

2.3 In Manufactured Products, out of the 12 sub groups, Wholesale Price Index (WPI) has increased in 9 sub-groups in January 2011 as compared to December 2010 (Table 1). However, in January 2011 WPI inflation in 8 sub-groups had remained below 5 per cent. In the remaining 3 sub-groups inflation was in the range of 5-10 per cent. It may be noted that in Food Products (Wt. 9.97 %), both index and inflation has declined in January 2011 as compared to corresponding month of last year.

Table 1: WPI and inflation in Manufactured Products Group

	Weight (%)	Index			Inflation	
		Jan-10	Dec-10	Jan-11	Jan-10	Jan-11
1	2	3	4	5	6	7
Manufactured Products	64.97	125.2	128.9	129.9	4.77	3.75
(A) Food Product	9.97	145.5	142.7	144.0	19.16	–1.03
(B) Beverages, Tobacco and Tobacco Products	1.76	137.4	144.4	146.0	6.02	6.26
(C) Textiles	7.33	110.2	118.9	120.4	6.47	9.26
(D) Wood & Wood Products	0.59	143.7	150.8	149.2	5.51	3.83
(E) Paper & Paper Products	2.03	119.8	125.6	125.4	2.39	4.67
(F) Leather & Leather Products	0.84	126.4	128.0	128.6	1.77	1.74
(G) Rubber & Plastic Products	2.99	119.1	125.1	127.1	2.94	6.72

1	2	3	4	5	6	7
(H) Chemicals and Chemical Products	12.02	119.3	123.5	124.2	2.49	4.11
(I) Non-Metallic Mineral Products	2.56	140.7	144.4	143.5	4.22	1.99
(J) Basic Metals, Alloys & Metal Products	10.75	128.2	134.5	136.5	–0.47	6.47
(K) Machinery & Machine Tools	8.93	118.4	121.1	121.4	0.25	2.53
(L) Transport, Equipment and Parts	5.21	118.1	119.7	119.9	1.20	1.52

2.4 The Department of Industrial Policy and Promotion (DIPP) has introduced new Wholesale Price Index (WPI) series on 14 September 2010 with 2004-05 as the base year. The new series consists of 676 items as against 435 items in the old series. The total number of price quotations has also increased from 1918 in the old series to 5482 in the new series, indicating better representation of the prices in the wholesale market. DIPP has also started disseminating detailed information on inflation month over month, build up from March and year-on-year basis for all 676 commodities in the WPI basket with breakdown for three major groups, *viz.* primary articles (weight 20.12%), fuel group (weight 14.91%) and manufactured products (weight 64.97%). Further, DIPP also releases WPI based inflation on weekly basis for primary articles (weight 20.12%) and fuel group (weight 14.91%). DIPP in their monthly release of WPI data also indicate inflation in food articles in primary group (weight 14.34%) and food products in manufactured group (weight 9.97%). Similarly in the weekly releases also, DIPP provides information regarding inflation in food articles in primary group (weight 14.34%).

2.5 The all India Consumer Price Index for Industrial Workers (CPI-IW) is compiled and released by Labour Bureau, Ministry of Labour & Employment. The existing series of index numbers for CPI-IW has 2001=100 as the base year and covers 392 items and 289 markets spread over

78 centers. Under CPI-IW, the indices at disaggregated level are available for six major groups and food is one of them with a weight of 46.20%. The food index in CPI-IW, which reflects the movement in retail prices of food items and food index in WPI which reflect movement in wholesale prices of food items are used in the formulation of Government policy and the management of food economy.

2.6 While tendering his oral evidence, the Chief Economic Adviser, summed up the inflation scenario as under:—

> "Inflation continues to be high. The last monthly figure that we have, it stands at 8.31 per cent overall inflation, that is WPI inflation. It is high but one has also to remember that it was even higher earlier in the year and if you look at the two of the most important indicators which is overall inflation WPI, it was 11 per cent last year in April, it is now 8.31 per cent. It is high but it is on a downward trajectory. The overall food was at 20.22 per cent last year in February and now it is down to 6.45 per cent and this 6.45 per cent for a country where there are so many people who are below the poverty line is a high food inflation. But one again has to remember that it has come down from 20.22 per cent… Let me start on the new normal on which a lot has been written and it is also related to the question put earlier. It was asked whether it is a fact that India is growing fast and whether that does mean that we have to get used to higher inflation. The Department of Economic Affairs did some calculation which we put out in the Economic Survey and it did cause a little bit of misunderstanding. We argued that if India grows very rapidly in the next 20 to 30 years and drawing a little bit of experience in China and South Korea, there is a bit of higher pressure on the inflation caused by that. In fact, our calculations are done with a lot of assumptions. There will be a two per cent extra inflation caused by the rapid growth. But that does not mean — and this was a misunderstanding — that inflation caused has to be plus two per cent or it has to be higher. In the end, we are following a whole lot of policies like monetary policies, fiscal policies and specifically interventions in agricultural products. If we keep the base very low, then the additional two could be on a base of one per cent or even zero per cent. So, the new normal may not be six or

seven per cent and we could keep it wherever it was. We will get the additional inflation caused by the growth but it is additional to a base which we should try our best to keep very low.

2.7 When asked about the reasons for inflation, the Ministry, in their post evidence submission, replied as under:—

"During the first half of 2010-11, the headline year-on-year inflation started with a double-digit level and remained substantially high due to low base effect and unfavourable agricultural supply conditions. However, the second half showed a moderation in overall inflation due to decline in food prices. In December 2010 and January 2011, WPI inflation remained sticky at 9.41 per cent and 9.35 per cent respectively mainly on account of high inflation in fruits, vegetables and protein rich items. The average headline inflation has increased to 9.39 per cent during current fiscal as against 3.57 per cent last year. In March 2011, WPI inflation recorded at 8.98 per cent, which is significantly lower than 10.23 per cent in March 2010. Inflation in the month of March is mainly contributed by non-food, manufactured and fuel items. The high international crude oil prices are also putting pressure on the headline inflation.

Food inflation

A major concern in the domestic economy has been food price inflation during the year 2010-11. At the beginning of the year, food inflation was high in some of the food items like sugar, some cereals and pulses, however, the trend has moderated at the end of the year. The overall WPI food inflation (weight 24.31%) has significantly declined to 6.8 per cent in March 2011 after reaching a peak of 20.22 per cent in February 2010. Inflation continues to be a cause of concern and the Government is taking a number of steps, both structural and macroeconomic, to combat the inflation."

2.8 On being asked about reasons for retail prices being very high *vis-à-vis* wholesale price index, the Chief Economic Advisor stated following:—

"There were questions raised about WPI being the wholesale price whereas the retail is what the people suffers from. That is right. So, what we should look at to check on that is the consumer price index that we collect…Now, if you look at CPI, your guess was right that the inflation is bigger. So, the retail inflation is bigger than the inflation that is taking place at the wholesale level. However, even here the situation is bad but it is better than what it was because we nowadays give three consumer price indexes for different segments of population and one wholesale price index. All these four indexes in October came to a single digit. So, inflation from October whether you are looking at wholesale price index or consumer price index, all were into single digit from October. Now, the single digit does not mean that it is a comfort level that we should feel good about. But, nevertheless, that is indeed the case."

2.9 Asked about the measures taken to prevent spiraling prices, the Ministry in their written replies, informed as under:—

"The Government monitors the price situation regularly as price stability remains high on its agenda. In order to mitigate the effects of inflation on common man the Government has taken several measures that include selective ban on exports and futures trading in food grains, zero import duty on select food items, permitting import of pulses and sugar by public sector undertakings, distribution of imported pulses and edible oils through the PDS and release of higher quota of non-levy sugar. State Governments are empowered to act against black marketers and hoarders of food items by holding in abeyance the removal of restrictions on licensing, stock limits and movement of food articles under the Essential Commodities Act 1955. In addition, the Government has been rolling back the fiscal stimulus and the Reserve Bank of India has taken policy measures to curb excess liquidity. In response to these measures, the WPI food inflation has declined to 9.3 per cent in January 2011 from its peak of 20.2 per cent in February 2010."

2.10 In a post evidence reply, the Ministry, further informed:—

"Reflecting the underlying inflationary pressures, the Reserve Bank of India has revised its inflation projection for March 2011 from 5.5 per cent to 7.0 per cent in its Third Quarter Review of Monetary Policy of January 2011. In addition, it also pointed out several upside risks to inflation such as risk of persistent high food inflation spilling over to the general inflation process. The Reserve Bank of India, therefore, has indicated that it would continue to persist with anti-inflationary stance."

2.11 On the issue of leakages in public distribution system, the Chief Economic Advisor stated following during the course of oral evidence:—

"PDS and leakage, I do want to touch on. Here I feel, in fact, all parties should get together and make the appeal for the same kind of change because the leakage is indeed very heavy. When the FCI is collecting food and then trying to give it through PDS to ordinary people, there are good studies, and I have to once again refer to statistical studies, which do show and this is using the age-old techniques of Prasanta Mohalanobis statistical techniques, which show that a lot of leakage takes place. The poor do not get the food that is sent to the poor. The Hon. Minister of Finance has announced a change for this and this one I think is in the correct direction. These kinds of changes were suggested earlier that some of subsidies like for kerosene, which has been announced, should be given directly to the people who are supposed to be getting the subsidy instead of trying to keep the price low because that causes all the leakage. So, this is a personal view on this matter. Of course, on kerosene it is a governmental position now because the Government has announced for kerosene, for LPG and for fertilizers, the subsidy should be direct."

2.12 Questioned on the relation of growth and inflation, the Ministry, in their post evidence submission, replied as under:—

"The economy remained on the path of rapid resurgence which began in 2009-10 and has virtually returned to the high growth path that it had achieved during 2005-08, before the global financial crisis and economic meltdown. India's growth story this year has been remarkable by any standards. What makes it even more significant is that this is happening on the heels of a year in which growth was a robust 8 per cent; so there is no base effect to lay claims on this year's achievement. Further, as the growth prospect over the medium to long term looks excellent. However, as often happens with strong recovery, the economy has come under strain from high inflation. Since the growth is in real terms, the average person has the cushion of more goods and services. Nevertheless, inflation, especially when it is centred on food, as has been the case in recent times in India, can be a cause of considerable distress for the common man and woman.

When growth is as high as it has been for India this year, if it were the case that all segments of the population were partaking in the growth in exactly the same way, then inflation would not be a matter of great concern. This is because the growth being real, everybody is better off and the inflation does not take away anything from this. It is when the average growth is unevenly distributed that we have to worry about the worse-off and vulnerable segments of society. Hypothetically it is possible that while the average Indian is better off by the per capita income growth of approximately 7 per cent per annum that the country has had, some poor people are actually worse off because their nominal incomes have hardly grown and inflation has negated that growth.

In designing inflation control measures it is important to be aware that sudden, sharp policy induced contractions in demand can cause unemployment to rise. Given that India's inflation data are remarkably comprehensive and are published on a weekly and monthly basis, whereas our employment statistics come out with long intervals and timelag, the trade off between inflation and employment escapes public awareness and slants discourse. There is however, enough evidence from around the world that, at least in the short run, there is a negative relation between inflation and unemployment. This is what makes it critical for Government to carefully calibrate the demand management measures when bringing down inflation. There is no known formula for doing this."

C. Budgetary Reforms

3.0 Ministry of Finance have taken various measures towards budgetary process reforms, expenditure management, monitoring and the structure/format of the presentation of Budget with a view to bringing transparency and accountability to the process. The steps initiated by the Ministry are as follows:—

Expenditure management and monitoring

3.1 Ministry of Finance holds mid-year review-meetings with all Ministries/ Departments in the month of October/November of each financial year to fix the expenditure ceiling for Plan and Non-Plan expenditure for the current year and Non-Plan expenditure in the ensuing financial year. While finalizing the expenditure ceiling of the Ministries/Departments, the pace of expenditure by the Ministries/Departments, the expenditure incurred by Ministries/Departments upto September of that financial year, committed liabilities/contractual obligations during the remaining part of financial year and the absorptive capacity of the Ministry/Department are taken into account and the expenditure ceiling fixed accordingly. Similarly, the Non-Plan expenditure ceiling for the ensuing financial year is also fixed taking into consideration the above fiscal parameters. The expenditure ceiling of Ministry/Department in the current financial year and in the next financial year are fixed strictly based on the performance, requirements of the administrative Ministry/Department. In case, the expenditure of a particular Ministry/Department is not keeping pace, the expenditure ceiling of that Ministry/Department is reduced and the savings occurred therefrom are re-allocated to Ministries/Departments where additionalities are required.

D. Budgetary process reforms and structure/format of presentation of Budget

3.2 Till Budget 2010-2011, Statements of Budget Estimates of Ministries/Departments depicted Budget Estimates, Revised Estimates of the current financial year and Budget Estimates for the next financial year. From Budget 2011-2012, the scheme-wise actual expenditure for the previous year are shown in the Statements of Budget Estimates alongside Budget Estimates, Revised Estimates of the current financial year and Budget Estimates for the next financial year. This ensures transparency and brings out the expenditure trends of a Ministry/Department. This is brought out in Expenditure Vol.II wherein scheme-wise details of allocations/expenditure of the Ministries/ Departments are brought out.

3.3 While giving his budget speech, 2011-12 the Finance Minister stated following with regard to reforms in budgeting and management of economy:—

> "I see the Budget for 2011-12 as a transition towards a more transparent and result oriented economic management system in India. We are taking major steps in simplifying and placing the administrative procedures concerning taxation, trade and tariffs and social transfers on electronic interface, free of discretion and bureaucratic delays. This will set the tone for a newer, vibrant and more efficient economy."

3.4 While explaining the shortcomings of the existing classification of revenue and capital expenditure, the Finance Secretary, in her deposition before the Committee, stated as below:—

> "Sir, there is one clarification. When we have indicated it as an object head under revenue expenditure, it is not necessarily only Non-Plan, it is also Plan because last time when we had appeared before the Standing Committee on Finance, a concern was expressed that capital expenditure was going down over the years. At that time, it was clarified that under Bharat Nirman and other schemes, which have been launched by the Government, a major part of the grants to States, which has to be shown necessarily as revenue expenditure, is going for capital formation and we would like to show it in a transparent fashion in the Budget and that is why, an object head was created under grants-in-aid to the States where grants specifically given for capital formation were indicated. There is a separate statement, Statement VI in Volume I which indicates the money which is going for formation of capital assets and it is also reflected in the individual Detailed Demands for Grants of the concerned Ministries. So, it is more an exercise in transparency and also to show that in effect, it is going for capital formation, but we cannot show that in the Government of India books because these are not the assets which are owned by the Union Government."

3.5 Asked whether the Government maintains separate information on savings effected through economy measures and savings made due to non utilisation of funds, the Ministry, in their post evidence submission stated as below:—

> "In Government Accounting System, there are two types of accounts prepared by the Government. In the case of Union Government, the same are prepared in the form of (i) Union Government Finance Accounts and (ii) Union Government Appropriation Accounts.
>
> Union Government Finance Accounts shows the details of expenditure (net of recoveries) and receipts (net of refunds) by Major and Minor Heads of Account. This account is a compiled accounts across all Ministries/Departments showing the expenditure and receipts by heads of account. This account shows the expenditure and receipts based on the account received from the Ministries/Departments in the form of Statement of Central Transactions and a consolidated account is prepared. This does not show the comparison between the amount authorised through the Appropriation Act and the actual expenditure. It is a compilation of accounts showing expenditure and receipt as reported by Public Sector Banks authorised to handle Government transactions and other accounting adjustments authorised through accounting devices such as 'Transfer Entries', 'Journal Entries', etc. as carried out by the Ministries/Departments.
>
> As regards Union Government Appropriation Accounts, such accounts are prepared Demand/Appropriation-wise, on gross basis, showing the comparison between the amounts authorised by Appropriation Acts including the Supplementary Demands for Grants, Re-appropriations made, actual expenditure and the resultant savings or excess as the case may be under the units of appropriation. This account is exclusively for expenditure account and does not contain the details of revenue and capital receipts. It may be mentioned here that the amounts authorised through Appropriation Act under different units of appropriation (including the amount authorised through Supplementary Demands for Grants and amount authorised through re-appropriation) will be shown under total Grants/Appropriation. Against this total Grant/Appropriation, actual expenditure is shown for comparison. The resultant savings or excess expenditure is also shown for better appraisal. It may also be mentioned that amount of respective sections, such as Revenue voted,

Revenue charged, Capital voted and Capital charged of the Demands/ Appropriation concerned, irrespective of the re-allocation of funds done through technical supplementary. While doing the re-allocation of funds from one section to another section within the same Grants/ Appropriation, the additionalities authorised through Appropriation Act get added to the respective sections whereas the reductions (effected through technical supplementary) are reflected either in the surrenders or in the savings (unutilised amounts). This system also enables line Ministries/Departments to explain the non-utilisation of funds under units of appropriation against the amounts authorised through Appropriation Act. This system is amply in order and time tested one and hence does not call for review.

In so far as distinction between savings due to economy measures and savings on account of non-implementation of schemes/programmes and this Ministry's initiative/proposal to classify savings as such, to achieve better allocation of resources, it may be mentioned that mandatory cut are generally imposed on establishment expenditure such as OTA, Domestic/Foreign Travel Expenses, Publications, Professional services, Office Expenses, POL, etc. Mandatory payments like interest payments, repayment of debt, Defence Capital, salaries, pension and the Finance Commission grants to the State Governments are exempt from the economy measures stipulated by this Ministry. Largely, the savings arising out of mandatory economy measures are absorbed in the additionalities allowed in the same Grants due to higher expenditure on account of salaries (due to grant of higher scales, dearness allowance, increment), pension, higher outlays on flagship programmes (depending on the pace of expenditure), subsidies, grants to State Government and other committed payments peculiar to each Demand/ Appropriations. Thus, the savings arising out of economy measures are largely not visible in the Demands/Appropriations and resultant accounts of the Government.

As regards this Ministry's initiative/proposal to capture savings on non-implementation of schemes/programmes, it may be mentioned that the same is clearly visible in the Statement of Budget Estimates in respect of each Demand/Appropriation. While presenting the budget for the next year, the Expenditure Budget Volume 2 shows the schematic expenditure provided in the current year (both budgeted and revised estimates) together with budgeted expenditure for the next financial year. Further, in the overall scheme of things, savings captured in a particular grant/appropriation/schemes/programmes are reflected in the revised estimates and the same get distributed in other Demands/ Appropriations where additionalities are allowed. The additionalities allowed in other Demands/Appropriations or in schemes/programmes are provided through Supplementary Demands for Grants either as cash supplementary in case of different grants/appropriations, or as technical supplementary within the same grant/appropriation requiring re-allocation of funds to different sections (Revenue voted, Revenue charged, Capital voted and Capital charged) of the grant/appropriation. Thus, the present system of budgeting and accounting is adequate to take care of the re-allocation of funds and explain the re-allocations in a transparent manner. While the re-allocation of funds within the same section of the Grant/Appropriation is explained in the body of the Supplementary Demands for Grants, the re-allocation of savings across the Demands/Appropriation is not possible as there is no one-to-one correspondence between the savings effected in one Demand and the additionality allowed in another Demand."

3.6 Questioned about the measures taken to initiate public expenditure reforms, the Ministry, in a post evidence reply stated as under:

"Government has constituted a High Level Expert Committee (HLEC) to suggest measures for efficient management of public sector expenditure *vide* order no. 12/1/2009-FR dated 22nd April 2010.

The composition of the HLEC is as below:

1. Dr. C Rangarajan, Chairman, Economic Advisory Council to Prime Minister – **Chairman**
2. Member (FR), Planning Commission
3. Secretary, Planning Commission
4. Deputy Governor, Reserve Bank of India
5. Secretary, Department of Expenditure, Ministry of Finance
6. Chief Economic Advisor, Department of Economic Affairs, Ministry of Finance

7. Controller General of Accounts, Ministry of Finance

8. Representative of Comptroller General of India

9. Dr. M.G. Rao, Director, National Institute of Public Finance & Policy, New Delhi

10. Dr. Nitin Desai, Honorary Professor, ICRIER, New Delhi

11. Prof. D.K. Srivastava, Director, Madras School of Economics

12. Prof. Ravinder Dholakia, Professor, IIM Ahmedabad

13. Principal Finance Secretary, Government of West Bengal

14. Principal Finance Secretary, Government of Tamil Nadu

15. Principal Finance Secretary, Government of Madhya Pradesh

16. Principal Finance Secretary, Government of Assam

17. Principal Finance Secretary, Government of Maharashtra

18. Adviser (FR), Planning Commission – **Member Secretary**

The Terms of Reference of HLEC are as follows:—

1. **TOR-1:** To clearly define the scope of the Public Sector Plan and the expenditures incurred there-under keeping in view the changes in the administrative machinery for implementation of the Plan and the new mechanisms that have evolved such as SPVs and PPPs.

2. **TOR-2:** To suggest an action plan for the abolition of the classification of expenditure into Plan and non-plan which includes the detailing of the changes in the mandates of the various organizational units in the Government that deal with allocation of public resources and the management of public expenditure.

3. **TOR-3:** To suggest a proper framework for taking a comprehensive view of the total transfer of resources from the Centre to the States including ensuring its accounting and reporting in a uniform manner.

4. **TOR-4:** To examine the accountability concerns arising out of the direct transfer of the funds to the States/district level bodies

under CSS and to suggest an appropriate mechanism to guard against dilution of accountability.

5. **TOR-5:** To examine the classification of expenditure into Revenue and Capital in the context of the constitutional provisions and requirements under the Fiscal Responsibility Acts and to suggest measures to address the inconsistencies in our current system of classification so as to ensure rational and effective public expenditure management. In this context, the Committee should consider the merit of classifying the expenditure as revenue or capital depending on the end use.

HLEC has held four meetings so far. The report of the HLEC is yet to be finalized. Government will consider the report of the HLEC as and when it is finalized."

D. Rate of Interest on General Provident Fund

4.0 The rate of interest applicable to General Provident Fund has remained static at 8 percent for the last few years. While the interest rate on Employees Provident Fund has been increased to 9.5 percent for the year 2010-11. When asked for the reasons for this anomaly, the Ministry in their written submission stated as under:

"The rate of interest on Employees Provident Fund has been increased to 9.5 % in 2010-11 based on the reported returns on their investments and availability of surpluses in 'interest-suspense' account of EPF. However, since the actual surplus in interest suspense account (ISA) will be known after updating all the member accounts in six months, it has been stipulated that if any shortfall is noticed in ISA, then the same should be adjusted in the interest rate to be fixed for 2011-2012.

The rate of interest on Government employees' General Provident Fund remaining static at 8%, may be seen in the context of the same rate being given during previous years also, when the market interest rates were lower than 8%."

CHAPTER III

DEPARTMENT OF FINANCIAL SERVICES

A. Expansion of Banking Services

5.0 The Finance Minister in his Budget Speech 2010-11 directed all banks to provide appropriate banking facilities to habitations having population in excess of 2000 by March, 2012 using various models and technologies including branchless banking through Business Correspondents (BCs).

5.1 Accordingly, the banks through the forum of State Level Banker's Committees have formulated their road maps for Financial Inclusion and have identified approximately 73,000 habitations having a population of over 2000 for providing banking facilities by March, 2012. These habitations have been allocated to Commercial Banks, Regional Rural Banks, Private Sector Banks and Cooperative Banks for providing banking facilities in a time bound manner. The Private Sector banks have been allocated 1785 habitations across the country under this campaign, which is estimated to provide new bank accounts to around 5 crore rural households across the country. This Financial Inclusion Campaign has been named "Swabhimaan" and aims at providing branchless banking through use of technology. Banks will provide basic services like deposits, withdrawals and remittances using the services of Business Correspondents (Bank Saathi). The initiative enables Government subsidies and social security benefits to now be directly credited to the accounts of the beneficiaries who would be able to draw the money from the Business Correspondents in their village itself.

5.2 At present there are around 6 lakh villages across the country and about 85000 total bank branches/offices. Of this, around 30,000 are in the rural areas. Thus, large portions of the country, particularly in rural areas are outside the formal banking system. The Financial Inclusion Programme will use various models and technologies including branchless banking through Business Correspondents. The total number of no-frill accounts in the country are 5.06 crore (as on March 31, 2010). The Financial Inclusion Programme estimates that an additional 5 crore new accounts in the rural areas will be opened as a result of steps taken to provide banking facilities in the 73,000 new habitations.

5.3 Asked to furnish the total number of BCs/BFs employed by banks, the Ministry informed as under:—

> "As per the information received from Banks, and State Level Bankers' Committee (SLBC), the total number of BCs/BFs employed by public sector, private sector, RRBs and cooperative banks as on 31.03.2011 is 26,123."

5.4 The Committee were informed about the recent reports on BCs appointed by SBI indulging in malpractices. SBI noticed that while conducting the cash transactions *i.e.* deposit/withdrawal/remittances, some Customer Service Point operators (CSPs) have been found to indulge in malpractices such as asking for unauthorized money (over and above the Bank's approved rates of charges from the customers, for the service they are rendering, particularly in remittances transaction). Considering that this behavior poses serious risk to the reputation of the Bank and needs to be checked *ab-initio*, the SBI on their part as a proactive step has taken following risk mitigation measures and issued instructions to the operating units:-

(i) Due diligence to be exercised at the time of selection of BC/CSP.

(ii) Involvement of Link Branch/CMFs in the process of selection of CSPs and carrying out due diligence as applicable for BC.

(iii) Displaying Do's and Dont's for customers while dealing with BCs/ CSPs at the outlet.

(iv) Displaying the structure of fees/charges to be borne by the customers at CSP outlet.

(v) Close monitoring of the activities of CSPs/BCs by Channel Management Facilitators (CMF)/ Link Branch/ CM (Rural)/AGM of the Region including periodical visits.

(vi) Obtaining of feedback from customers at periodic interval by CMFs/Link Branch and analysis thereof.

(vii) Audit of the CSP outlet by Circle Auditors while conducting the audit of the Link Branch.

(viii) Imparting training to CSPs/BCs and hand holdings.

(ix) Customer education and financial literacy- Awareness campaign in the villages where CSPs are functioning by CMFs/Link Branch/ District coordinator.

(x) Identifying opinion leaders in the villages and keeping contacts with them for knowing the functioning of CSPs/BCs.

(xi) The contact numbers of Link Branch Managers/CMFs/ CM (Rural) AGM (Region) should be prominently displayed in the CSP with an advice to customers to contact any of the officials for any instance of overcharging/unauthorized charges by the CSPs.

The Bank has a dedicated cadre of Channel Management Facilitators to monitor and mentor the BCs.

5.5 Questioned about any study of the performance of BCs, the Ministry, in a post evidence reply, stated as under:—

"Reserve Bank of India, in the year 2009, had constituted a Working Group to examine the experience of the business correspondents (BC) model and suggest measures, to enlarge the category of persons that can act as BCs, keeping in view the regulatory and supervisory framework and consumer protection issues. The report, *inter-alia*, examined ways for improving the BC model and suggested additional entities that could be considered as BCs.

The terms of reference of the Working Group were:—

a. To review the experience so far of the business correspondents (BC) model.

b. To suggest measures to enlarge the category of persons that can act as BCs, keeping in view the regulatory and supervisory framework and consumer protection issues with special focus on the North Eastern Region.

c. To examine any other matter relevant to the above.

While many banks had taken some steps to adopt the BC model, only a few of them had scaled-up beyond the pilot stage. The difficulty experienced by banks in scaling up had been attributed to several factors including credit, operational, legal and reputation risks faced by banks in engaging a large number of BCs, low coverage by individuals acting as BCs due to their financial and other constraints, difficulty in assessing integrity of individuals acting as BCs, general lack of professionalism of BCs in matters of regularity, punctuality, maintenance of various records, delays in loan processing, disbursements, low volume of business generated by BCs and cost associated with low volume small value transactions.

Keeping in view the difficulties, the guidelines for engaging Business Correspondents were reviewed and revised on September 28, 2010 by RBI which, apart from providing for Internal Control & Monitoring and Consumer Protection measures, also permit banks to engage Companies registered under the Indian Companies Act, 1956 (Except Non- Banking financial Companies) with large and widespread outlets as BC.

It is expected that these measures would enable banks to deliver banking services to the far lying areas of the country which are not served by traditional bank branches."

5.6 On the issue of measures taken by RBI to ensure that BCs do not indulge in malpractices, the Ministry, in their post evidence submission, stated as under:—

"Reserve Bank of India has issued Guidelines for engaging Business Correspondents (BCs) to all commercial banks on September 28, 2010 which *inter-alia* contain—

- **Internal Control & Monitoring** that the banks should carry out a detailed review of the performance of various BCs engaged by them at least once in a year and they should monitor the activities of BCs through Controlling Offices and also through various fora under Lead Bank Scheme *i.e.* (SLBC,DLCC,BLBC). The internal control mechanism in the bank should include visit to BCs and interface with customers at periodical intervals.

- **Consumer Protection Measures** that the banks should take all measures to protect the interests of the customers."

5.7 Asked about the Government policy for planning rural financial architecture in coordination with the overall financial sector, the Ministry in a written reply informed as below:—

"The SLBC plays a very important role in coordinating and supervising developmental efforts of Government agencies and banks in the State/ Union Territory. As per the extant instructions issued by RBI, the meetings of these committees are required to be held at quarterly intervals and should be chaired by the Chairman & Managing Director (CMD) of the convenor bank or additionally co-chaired by Additional Chief Secretary or Development Commissioner of the State concerned. High levels of participation in SLBC/UTLBC meetings ensure an effective and desired outcome with meaningful discussion on issues of public policy focus of both the Government of India and Reserve Bank of India.

The District Level Consultative Committee (DLCC), constituted in the early seventies, marked a significant step towards co-ordination of activities of all commercial banks and other financing agencies on the one hand and Government departments on the other. This is conceived to be a common forum for bankers as well as government agencies/ departments to come to a common platform to find solutions to the problems arising hindering the smooth functioning of the various developmental activities under the Scheme at the district-level. All the commercial banks, co-operative banks including DCCB and SLDB, RRBs, NABARD, etc. and various State Government departments and allied agencies constitute the members of the DLCC. The Lead District Manager (LDM) of the lead bank is the convenor of DLCC. The Lead District Officer (LDC) of Reserve Bank is also a member of the DLCC. The District Collector functions as the Chairman of this Committee. RBI has reported that out of the 624 districts in the country, meetings were held in 562 districts in December, 2010 quarter.

With a view to ensuring greater financial inclusion and increasing outreach of Banking Sector and on the basis of the recommendations of the High Level Committee to review Lead Bank Scheme and as announced in Paragraph 147 of the Governor's statement in the Second

Quarter Review of the Monetary Policy 2009-10, the steps initiated by RBI are as under:

- Lead banks have been advised *vide* RBI Circular No. RPCD.CO.LBS.HLC.BC.No.43/02.19.10/2009-10 dated November 27, 2009 to constitute a Sub-Committee of the District Consultative Committees (DCCs) to draw up a roadmap to provide banking services through a banking outlet in every village having a population of over 2000 by March 2011.

- Such banking services may not necessarily be extended through a brick and mortar branch but can be provided through any of the various forms of ICT-based models including through BCs.

- The target date for achievement of the above has been revised to March 2012 in alignment with the budget announcements *vide* RBI Circular No. RPCD.CO.LBS.HLC.BC.No.21/02.19.10/2010-11 dated September 16, 2010. Accordingly, 72813 unbanked villages having a population of more than 2000 have been identified and allocated to various banks for provision of banking facilities in the country. As at the end of December, 2010, banking outlets have been opened in 8448 villages across the various States in the country."

5.8 When the Committee asked why Rs. 50 crore allocated for opening bank branches in unbanked blocks remained unutilized, the Ministry, in a post evidence submission informed as under:

"Rs. 50 crore allocated in the BE/RE 2010-11 as assistance to Public Sector banks for opening Bank branches in unbanked blocks have not been utilized. The Planning Commission has accorded 'in-principle' approval for the "Swabhimaan" scheme proposal and has also approved that the existing allocation to support the opening of bank branches in unbanked blocks may be discontinued and the funds available under the Scheme may be subsumed in the new scheme. Accordingly, amount of Rs. 50 crore was surrendered.

Out of 129 unbanked blocks identified by the SLBCs, so far 58 unbanked blocks have been provided banking services and 71 blocks are remaining out of which 70 blocks are in the North-Eastern Region and one in Jammu & Kashmir.

RBI has devised a special scheme for opening bank branches at agreed centres in NE Region where the RBI, as its contribution, would bear one time capital cost and recurring cost per annum for a limited period of five years as per the lowest bid offered by the bank and the State Government would provide premises and security for the branch and arrange for the rental accommodation of the staff. A commitment to this effect is made by the concerned State Government in the notification issued while furnishing the list of agreed centres.

However, the banks have generally reported that State Government have not been able to provide the promised infrastructural requirements coupled with security concerns have hampered the rate of progress in opening of branches. The bottlenecks, as reported by banks mainly relate to lack of suitable premises for banking, accommodation for employees, BSNL connectivity, electricity & water connections, metalled road connectivity security etc.

This Department has also requested the Home Ministry to provide the necessary premises in Government buildings preferably near the police station for opening of bank branches in the unbanked blocks of North-Eastern States. The Home Ministry has requested the Chief Secretaries of the North-Eastern States to provide necessary premises, in Government building, preferably near the police stations, for opening bank branches in the unbanked blocks in these States."

B. Lending to agriculture and weaker sections

6.0 Under the priority sector lending guidelines issued by RBI, target of 18% and 10% respectively of Adjusted Net Bank Credit (ANBC) or credit equivalent amount of off balance sheet exposure (OBE), whichever is higher has been fixed for domestic scheduled commercial banks for lending to agriculture and weaker section respectively. Further, sub-targets for direct and indirect agriculture lending have been fixed at 13.5% and 4.5% of ANBC respectively.

6.1 The data on lending to agriculture and weaker sections by individual banks on last reporting Friday of March, 2010 is as below:

AS ON LAST REPORTING FRIDAY OF MARCH 2010 (Amount in Rs. crore)

Public Sector Banks	Adjusted Net Bank Credit (ANBC) as on March 31, 2009	Total Agricultural advances		Direct Agri. Adv.		Indirect Agri. Adv.		Weaker Sections	
	Amount	Amount	% to ANBC with 4.5 Indirect (max.)	Amount	% to ANBC	Amount	% to ANBC	Amount	% to ANBC or OBE
1	2	3	4	5	6	7	8	9	10
S B I	461939.00	83239.00	18.02	62452.00	13.52	20787.00	4.50	56085.00	12.14
S B B J	30091.21	6038.72	20.07	5283.68	17.56	755.04	2.51	5077.32	16.87
S B HYD	44087.02	8160.31	18.51	6202.19	14.07	1958.12	4.44	5368.41	12.18

1	2	3	4	5	6	7	8	9	10
S B INDORE	21738.55	4119.76	17.78	2886.89	13.28	1232.87	5.67	2224.21	10.23
S B MYSORE	25881.00	3833.21	14.81	3135.09	12.11	698.12	2.70	2580.00	9.97
S B PATIALA	43961.00	8058.00	18.33	6079.00	13.83	1979.00	4.50	4545.00	10.34
S B TRA'CORE	33058.00	3130.00	9.47	2985.00	9.03	145.00	0.44	3447.00	10.43
ALL 'BAD BANK	58801.76	10985.86	18.68	8339.81	14.18	2646.05	4.50	6150.00	10.46
ANDHRA BANK	44427.60	8824.80	19.86	7579.46	17.06	1245.34	2.80	5989.56	13.48
B O BARODA	109283.00	21617.30	16.70	13329.06	12.20	8288.24	7.58	10945.30	10.02
B O INDIA	112364.00	18256.00	16.25	13958.00	12.42	4298.00	3.83	12987.00	11.56
B O MAHARASHTRA	34817.28	6107.22	14.52	3489.93	10.02	2617.29	7.52	2154.27	6.19
CANARA BANK	135050.00	25052.00	18.55	19069.00	14.12	5983.00	4.43	14631.00	10.83
CENTRAL BANK OF INDIA	85934.83	18306.06	17.85	11468.41	13.35	6837.65	7.96	8697.12	10.12
CORPN BANK	48512.16	6585.82	12.26	3763.15	7.76	2822.67	5.82	2877.81	5.93
DENA BANK	29185.36	4826.22	15.83	3307.50	11.33	1518.72	5.20	2049.54	7.02

INDIAN BANK	48812.02	9091.27	18.63	7598.00	15.57	1493.27	3.06	5205.97	10.67
I O B	67104.36	12007.81	17.89	9171.29	13.67	2836.52	4.23	6855.19	10.22
O B C	68500.37	11032.23	13.93	6457.42	9.43	4574.81	6.68	4109.79	6.00
P N B	152679.00	29820.97	19.53	23170.87	15.18	6650.10	4.36	15779.03	10.33
P & S BANK	24698.00	5063.00	18.23	3390.00	13.73	1673.00	6.77	2141.00	8.67
SYNDICATE BANK	71297.03	13135.16	18.42	9926.79	13.92	3208.37	4.50	7497.41	10.52
UNION BANK	96959.49	17701.28	15.54	10704.92	11.04	6996.36	7.22	9319.87	9.61
UNITED BANK	35727.00	4758.00	11.96	2664.00	7.46	2094.00	5.86	3750.00	10.50
UCO BANK	49774.00	13629.46	20.94	8185.20	16.44	5444.26	10.94	6350.36	12.76
VIJAYA BANK	35875.00	5221.89	14.56	3607.51	10.06	1614.38	4.50	3461.67	9.65
IDBI Ltd.#	103914.00	12129.00	11.11	6867.00	6.61	5262.00	5.06	1936.00	1.86
TOTAL	**2074472.04**	**370730.35**	**17.28**	**265071.17**	**12.78**	**105659.18**	**5.09**	**212214.83**	**10.23**

For IDBI Ltd. concessional priority sector lending and agriculture lending targets have been fixed at 34% and 14% of NBC/ANBC respectively at the end of the last reporting Friday of March, 2010

Public Sector Banks	Adjusted Net Bank Credit (ANBC) as on March 31, 2009	Total Agricultural advances		Direct Agri. Adv.		Indirect Agri. Adv.		Weaker Sections	
		Amount	% to NBC with 4.5 Indirect (max.)	Amount	% to ANBC	Amount	% to ANBC	Amount	% to ANBC or OBE
1	2	3	4	5	6	7	8	9	10
Bank of Rajasthan Ltd.	7780.75	1454.13	8.37	301.39	3.87	1152.74	14.82	136.72	1.76
Catholic Syrian Bank Ltd.	3719.70	669.49	18.00	502.10	13.50	167.39	4.50	453.22	12.18
City Union Bank Ltd.	5686.22	672.84	11.83	556.44	9.79	116.40	2.05	384.64	6.76
Dev. Credit Bank	3480.05	916.78	18.02	470.47	13.52	446.31	12.82	290.81	8.36

Dhanalakshmi Bank Ltd.	3231.61	759.35	18.31	446.33	13.81	313.22	9.69	478.36	14.80
Federal Bank Ltd.	22392.00	3333.36	14.89	2361.80	10.55	971.56	4.34	894.35	3.99
HDFC Bank	99039.30	17131.51	10.94	6376.74	6.44	10754.77	10.86	1190.50	1.20
ICICI Bank @	122263.03	30664.79	18.67	17329.04	14.17	13335.75	10.91	5629.79	4.60
Indusind Bank	15570.64	3201.43	18.19	2131.74	13.69	1069.69	6.87	1630.33	10.47
ING Vysya Bank Ltd.	16751.00	1953.66	11.66	1263.40	7.54	690.26	4.12	448.88	2.68
Jammu & Kashmir Bank	18412.05	2291.98	12.45	1484.77	8.06	807.21	4.38	2547.38	13.84
Karnataka Bank Ltd.	12122.97	1590.27	11.56	855.64	7.06	734.63	6.06	284.68	2.35
Karur Vysya Bank Ltd.	10563.01	1592.39	15.08	1179.03	11.16	413.36	3.91	1019.67	9.65
Kotak Mahindra Bank	16959.21	3586.44	19.53	2549.79	15.03	1036.66	6.11	1395.36	8.23
Lakshmi Vilas Bank Ltd.	5319.51	980.26	18.10	723.67	13.60	256.59	4.82	569.26	10.70
Nainital Bank	1131.46	226.93	19.25	166.85	14.75	60.08	5.31	90.55	8.00

1	2	3	4	5	6	7	8	9	10
Ratnakar Bank Ltd.	699.20	110.01	14.57	70.42	10.07	39.60	5.66	25.58	3.66
SBI Commercial Bank	315.34	33.33	5.63	3.57	1.13	29.76	9.44	0.00	0.00
South Indian Bank Ltd.	12144.86	2647.10	21.80	2474.51	20.37	172.59	1.42	2133.86	17.57
Tamilnadu Merc. Bank	6666.87	1447.94	20.99	1153.99	17.31	245.42	3.68	706.15	10.59
AXIS Bank	71953.89	10536.66	14.64	7298.73	10.14	3237.93	4.50	4763.60	6.62
Yes Bank	12446.86	3968.53	23.87	2410.52	19.37	1558.01	12.52	616.34	4.95
TOTAL	468649.53	89769.18	15.62	52110.94	11.12	37609.93	8.03	25690.03	5.48
TOTAL B/f	2074472.04	370730.35	17.28	265071.17	12.78	105659.18	5.09	212214.83	10.23
GRAND TOTAL (A+B)	2543121.57	460499.53	16.97	317182.11	12.47	143269.11	5.63	237904.86	9.35

@Priority sector lending target fixed at 50 per cent of the net bank credit on the residual portion of the bank's advances.

6.2 With effect from 18th October, 1994, the Reserve Bank of India (RBI) has deregulated the interest rates on advances, including advances under Priority Sector, by all Scheduled Commercial Banks including Public and Private Sector Banks. The Banks determine these rates themselves with the approval of their Board. With a view to enhance transparency in lending rates, the Banks are required to adopt Base Rate system introduced by RBI with effect from 1st July, 2010. The actual lending rate charged by banks includes the Base Rate and other customer specific charges as considered appropriate. Thus the lending rates may vary from bank to bank. Under Differential Rate of Interest (DRI) Scheme the banks including Public and Private Sector Banks are required to provide loans to eligible borrowers at concessional rate of interest at 4% per annum.

6.3 Asked whether public and private sector banks have achieved the stipulated percentage of lending, the Ministry, in their written replies, stated as under:—

> "As on the last reporting Friday of March, 2010, the total agricultural advances in respect of Public Sector Banks are 17.28% to ANBC or OBE. Out of this the advances to direct agriculture stood at 12.78% of ANBC and the advances to indirect agriculture at 5.09% of ANBC. As regards Private Sector Banks, the total agricultural advances are 16.97% of ANBC. Out of these advances to direct agriculture formed 12.47% of ANBC and the advances to indirect agriculture were 5.63% to ANBC. As per information furnished by RBI the achievement of Public Sector Banks under lending to weaker section stood at 10.23% of ANBC or OBE as on last reporting Friday of March, 2010. The achievement of Private Sector Banks as on last reporting Friday of March, 2010 was 5.48% of ANBC or OBE. However, information is not available separately for landless labourers, unorganized sector, etc."

6.4 Specifically asked to state reasons for poor performance of private sector banks in lending to weaker sections, the Ministry, in their post evidence replies stated as follows:—

> "As reported by RBI, Indian Private Sector banks have greater branch network in the urban centres and have limited number of branches in the semi-urban and rural areas of the country. Therefore, opportunity

for this category of banks to lend to weaker sections of the society, who reside in larger numbers in the semi-urban and rural areas of the country, are limited to that extent.

However, the trend in quantum of loans given to weaker sections of the society by the private sector banks is rising over the last few years. This can be seen from the following data:

Year	Amount of loan (Rs. crore)	As % of ANBC
2008	7227.76	2.10
2009	15842.92	3.90
2010	25690.03	5.48

Source: RBI."

6.5 Asked about the measures to pursue banks to achieve desired percentage of lending to agriculture and weaker sections, the Ministry, in their replies, stated as under:—

"The Government of India and RBI have taken several measures in order to ensure the proper availability of credit to farmers through banks. These include:—

- The Government of India, since 2006-07 is providing an Interest Subvention to all Public Sector Banks, Regional Rural Banks and Cooperative Banks for short term crop loans upto Rs. 3 lakh, so as to ensure that short term agriculture credit is available at 7% to farmers. In 2010-11, an additional 2% interest subvention is being provided to those farmers, who repay their short term crop loans timely. Thus the short term crop credit is available to prompt payee farmers @ 5% p.a. for loans upto Rs. 3 lakh. Similarly, for the year 2011-12 the Interest Subvention Scheme proposes to provide prompt repaying farmers short term crop credit @ 4% p.a.;
- The Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS), 2008 de-clogged the lines of credit that were clogged due to the debt burden on the farmers;

- Banks have been advised to dispense with the requirement of "no due" certificate for small loans up to Rs. 50,000 to small and marginal farmers, share-croppers and the like and instead obtain a self-declaration from the borrower;

- Banks (including RRBs), have been advised that wherever there are difficulties in getting certification from the local administration/panchayati raj institutions regarding the cultivation of crops, etc., they may accept an affidavit submitted by landless labourers, share-croppers and oral lessees giving the occupational status (*i.e.*, details of land tiled/crop grown) for loans up to Rs. 50,000; and

- RBI has advised the banks to waive margin/security requirements for agricultural loans upto Rs.1,00,000."

Differential Rate of Interest Scheme

6.6 Under DRI Scheme, domestic Scheduled Commercial Banks are required to lend minimum 1% of their outstanding advances as at the end of the previous year. However, none of the scheduled commercial banks have achieved the target. The position for the last three years is as under:

Year	Achievement in %
2008	0.05
2009	0.04
2010	0.04

Source: RBI.

6.7 Eligibility conditions for loan availing under DRI scheme:—

As per extant guidelines of RBI, eligibility conditions for availing loan under the DRI Scheme are as under:

(a) The family income of the borrower from all the sources does not exceed Rs. 24,000/- per annum in urban and semi-urban areas and Rs.18,000/- per annum in rural areas;

(b) He does not own any land or size of his holding should not exceed one acre in case of irrigated land and 2.5 acres in case of unirrigated land;

(c) Members of Scheduled Castes and Scheduled Tribes are eligible for loan irrespective of their land holding, provided they satisfy the other criteria;

(d) The borrower can be helped to rise above present economic level through productive endeavour with assistance from banks, the productive endeavour being such as would become economically viable with in a period of, say three years;

(e) He does not incur liability to two sources of finance at the same time; and

(f) The borrower should work largely on his own and should not employ paid employees on a regular basis.

6.8 Categories of Eligible persons:

Persons who satisfy the income and land holding criteria and *inter-alia* the following categories indicated below will be eligible for the benefits of the Scheme:

(i) Scheduled Tribes, Scheduled Castes and other engaged in on a very modest scale, in agriculture and/or allied agricultural activities;

(ii) People who themselves collect or do elementary processing of forest products and people who themselves collect fodder in difficult areas and sell them to farmers and traders;

(iii) People physically engaged on a modest scale in the field of cottage and rural industry and vocations;

(iv) Indigent students of merit going for higher education who do not get scholarship/maintenance grants from Government or educational authorities; and

(v) Physically handicapped persons pursuing a gainful occupation.

6.9 Asked whether all banks have achieved targets stipulated under the scheme, the Ministry furnished following post evidence reply:

> "The DRI Scheme targets the weaker sections, for whom there are a number of Government Sponsored Schemes with subsidy component. Therefore, the other Government Sponsored Schemes may be deemed to be more attractive to the target group as compared to DRI Scheme which is not backed by any subsidy component.
>
> Further, under the DRI Scheme, banks provide finance up to Rs. 15,000/- at a concessional rate of interest of 4 per cent per annum to the weaker sections of the community for engaging in productive and gainful activities. In order to ensure that persons belonging to SCs/STs also derive adequate benefit under Differential Rate of Interest (DRI) scheme, banks have been advised to grant to eligible borrowers belonging to SCs / STs such advances to the extent not less than 2/5th (40 %) of the DRI advances."

C. Debt Recovery Tribunals

7.0 The Central Government has established 33 Debt Recovery Tribunals (DRTs) and 5 Debt Recovery Appellate Tribunals (DRATs) all over the country under the provisions of the Recovery of Debts due to Banks and Financial Institutions Act, 1993 for expeditious adjudication and speedy recovery of debts due to banks and financial institutions and matters connected therewith. The amendments made in 2000 and 2003 to the above Act and the Rules framed thereunder have strengthened the functioning of Debt Recovery Tribunals.

7.1 DRTs are providing valuable services to the banks and financial institutions for effective recovery of non-performing assests. The role of the DRTs has been further enhanced after enactment of Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002, which provides for aggrieved parties to make appeals before the DRTs.

7.2 Asked to furnish the details of total number of cases referred, disposed and pending with DRTs, the Ministry, in one of their replies stated as under:—

The details of cases disposed off, cases filed and cases pending during the last five years by DRTs are as follows:—

Sl. No.	Year	No. of cases disposed	Amount involved (Rs. in Crores)	No. of cases filed	No. of cases pending	Amount involved (Rs. in Crores)
1.	2006-07 (01.04.2006 to 31.03.2007)	10481	19779.87	7902	25268	99273.92
2.	2007-08 (01.04.2007 to 31.03.2008)	10255	24693.49	10999	26712	93290.59
3.	2008-09 (01.04.2008 to 31.03.2009)	10699	18490.07	13194	29357	93263.15
4.	2009 (1.04.2009 to 31.12.2009)	9585	13028.40	11264	31572	95261.41
5.	2010 (1.01.2010 to 31.12.2010)	11801	21079.33	18914	37616	113081.40

It has been observed that although the number of cases filed in the DRTs depict an increasing trend, there has been an increase in the number of cases disposed off in the year 2010 and the amount involved therein as compared to the year 2006-07."

7.3 When asked about the problems noticed/ shortcomings found in the performance of DRTs, the Ministry, in their written replies, informed as follows:

"During a review meeting taken by Secretary (Financial Services) on 19.07.2010, the problems/shortcomings which were identified included large number of vacancies at all levels, lack of proper training to the Officers and staff taken on deputation by the DRTs and submission of incomplete cases/applications by the banks and financial institutions.

In order to overcome these problems and shortcomings in the functioning of the DRTs, following steps are being/ have been taken:

a. Concerted efforts are being made to fill up the vacancies in Gr. 'A' and 'B' posts. DRTs have also been advised to meet the requirements of group 'C' and 'D' posts by outsourcing, if need be;

b. Training programmes for Registrars, Assistant Registrars and Recovery Officers are being organized by the Government regularly so as to improve the overall working of DRTs/DRATs; and

c. Banks/financial institutions have been advised to send complete original applications so as to avoid delay in adjudication."

D. Repudiation of Insurance policies

8.0 It has been observed that in recent years number of insurance policies repudiated by the insurance companies have increased significantly.

Asked to furnish data on such policies, the Ministry, in their post evidence replies, stated as under:

"The IRDA does not call for this information from the insurance companies routinely. However, on receipt of this Department's letter dated 18.4.2011, IRDA called for the necessary data from all the insurance companies. The data received from the various companies is as per the following table. Out of the total of 47 insurance companies, 5 companies have not submitted the data.

Details of Claims Repudiated by Life Insurance Companies

Sl. No.	Name of the Company	Last 5 Years	Number of Claims Repudiated
1	2	3	4
1.	Canara, HSBC, Oriental Bank of Commerce and Life Insurance Company Limited	2010-11	53
		2009-10	15
		2008-09	3
		2007-08	0
		2006-07	0
2.	Bajaj Allianz Life Insurance Company Limited	2010-11	1947
		2009-10	1223
		2008-09	1116
		2007-08	712
		2006-07	630
3.	India First Life Insurance Company Limited	2010-11	34
		2009-10	1
		2008-09	0
		2007-08	0
		2006-07	0
4.	Max New York Life Insurance Company Limited	2010-11	1339
		2009-10	741

1	2	3	4
		2008-09	306
		2007-08	221
		2006-07	263
5.	Bharti AXA Life Insurance Company Limited	2010-11	104
		2009-10	116
		2008-09	96
		2007-08	12
		2006-07	0
6.	Sahara India life Insurance Company Limited	2010-11	50
		2009-10	50
		2008-09	54
		2007-08	9
		2006-07	4
7.	DLF Pramerica Life Insurance Company Limited	2010-11 (unaudited)	16
		2009-10	1
		2008-09	0
		2007-08	Company not in existence
		2006-07	Company not in existence
8.	Shriram Life Insurance Company Limited	2010-11	407

1	2	3	4
		2009-10	230
		2008-09	192
		2007-08	76
		2006-07	1
9.	Aviva Life Insurance Company India Limited	2010-11	278
		2009-10	183
		2008-09	278
		2007-08	121
		2006-07	53
10.	AEGON Religare Life Company Limited	2010-11	88
		2009-10	22
		2008-09	5
		2007-08	Company not in existence
		2006-07	Company not in existence
11.	Birla Sun Life Insurance Company Limited	2010-11	497
		2009-10	640
		2008-09	288
		2007-08	117
		2006-07	111
12.	Tata AIG Life Insurance Company Limited	2010-11	972

1	2	3	4
		2009-10	646
		2008-09	399
		2007-08	252
		2006-07	230
13.	SBI Life Insurance Company Limited	2010-11	2497
		2009-10	1877
		2008-09	1561
		2007-08	1018
		2006-07	1089
14.	Kotak Mahindra Old Mutual Life Insurance Co. Limited	2010-11	110
		2009-10	108
		2008-09	125
		2007-08	198
		2006-07	70
15.	Star Union Dai-ichi Life Insurance Company Limited	2010-11	7
		2009-10	3
		2008-09	0
		2007-08	0
		2006-07	0
16.	HDFC Standard Life Insurance Company Limited	2010-11	189
		2009-10	165
		2008-09	156

1	2	3	4
		2007-08	281
		2006-07	284
17.	Reliance Life Insurance Company Limited	2010-11	1429
		2009-10	623
		2008-09	200
		2007-08	83
		2006-07	1429
18.	Life Insurance Corporation of India	2010-11	7899
		2009-10	8227
		2008-09	7846
		2007-08	6222
		2006-07	8767
19.	ING Vysya Life Insurance Company Limited	2010-11	55
		2009-10	56
		2008-09	49
		2007-08	14
		2006-07	51
20.	IDBI Federal Life Insurance Company Limited	2010-11	160
		2009-10	80
		2008-09	13
		2007-08	0
		2006-07	Company not in existence

1	2	3	4
21.	ICICI Prudential Life Insurance Company Limited	2010-11	996
		2009-10	772
		2008-09	801
		2007-08	468
		2006-07	220
22.	Metlife India Insurance Company Limited	2010-11	157
		2009-10	105
		2008-09	187
		2007-08	139
		2006-07	84

Data not submitted by the following Companies

1. Future Generali India Life Insurance Company Limited

Details of Claims Repudiated by Non-Life Insurance Companies

Sl. No.	Name of the Company	Last 5 Years	Number of Claims Repudiated
1	2	3	4
1.	Apollo Munich Health Insurance Company Limited	2010-11	4113
		2009-10	2209
		2008-09	706
		2007-08	19
		2006-07	0

1	2	3	4
2.	Bajaj Allianz General Insurance Company Limited	2010-11	19711
		2009-10	13851
		2008-09	41364
		2007-08	27035
		2006-07	23609
3.	Bharti AXA General Insurance Company Limited	2010-11	1332
		2009-10	639
		2008-09	45
		2007-08	0
		2006-07	0
4.	Future Generali India Insurance Company Limited	2010-11	0
		2009-10	0
		2008-09	0
		2007-08	0
		2006-07	0
5.	HDFC ERGO General Insurance Company Limited	2010-11	1320
		2009-10	505
		2008-09	3843
		2007-08	5025
		2006-07	1652
6.	ICICI Lombard General Insurance Company Limited	2010-11	223070

1	2	3	4
		2009-10	143301
		2008-09	86242
		2007-08	11968
		2006-07	17722
7.	Max Bupa Health Insurance Company Limited	2010-11	92
		2009-10	0
		2008-09	Company not in existence
		2007-08	Company not in existence
		2006-07	Company not in existence
8.	The Oriental Insurance Company Limited	2010-11	56530
		2009-10	60955
		2008-09	48560
		2007-08	34670
		2006-07	38150
9.	Raheja QBE General Insurance Company Limited	2010-11	0
		2009-10	0
		2008-09	0
		2007-08	0
		2006-07	0

1	2	3	4
10.	Reliance General Insurance Company Limited	2010-11	14617
		2009-10	18319
		2008-09	9190
		2007-08	8245
		2006-07	4934
11.	Royal Sundaram Alliance Insurance Company Limited	2010-11	10841
		2009-10	11609
		2008-09	10542
		2007-08	11269
		2006-07	8603
12.	SBI General Insurance Company Limited	2010-11	1
		2009-10	0
		2008-09	0
		2007-08	0
		2006-07	0
13.	Shriram General Insurance Company Limited	2010-11	791
		2009-10	379
		2008-09	60
		2007-08	Company not in existence
		2006-07	Company not in existence

1	2	3	4
14.	Star Health and Allied Insurance Company Limited	2010-11	76984
		2009-10	15216
		2008-09	6635
		2007-08	1192
		2006-07	192
15.	Tata AIG General Insurance Company Limited	2010-11	4738
		2009-10	3168
		2008-09	2846
		2007-08	3103
		2006-07	3115
16.	Universal Sompo General Insurance Company Limited	2010-11	1736
		2009-10	283
		2008-09	26
		2007-08	0
		2006-07	0
17.	Cholamandalam MS General Insurance Company Limited	2010-11	17323
		2009-10	26821
		2008-09	15470
		2007-08	9792
		2006-07	6223

1	2	3	4
18.	IFFCO Tokio General Insurance Company Limited	2010-11	11993
		2009-10	13722
		2008-09	10431
		2007-08	9011
		2006-07	7823

Data not submitted by the following Companies

1. Agriculture Insurance Company of India Limited
2. Export Credit Guarantee Corporation of India Limited
3. The New India Assurance Company Limited
4. United India Insurance Company Limited
5. National Insurance Company Limited
6. L&T General Insurance Company Limited

CHAPTER IV

DEPARTMENT OF DISINVESTMENT

Disinvestment policy

9.0 On 5th November 2009, Government approved the following action plan for disinvestment in profit making Government companies:

(i) Already listed profitable CPSEs (not meeting mandatory shareholding of 10%) are to be made compliant by 'Offer for Sale' by Government or by the CPSEs through issue of fresh shares or a combination of both.

(ii) Unlisted CPSEs with no accumulated losses and having earned net profit in three preceding consecutive years are to be listed.

(iii) Follow-on public offers would be considered taking into consideration the needs for capital investment of CPSE, on a case by case basis, and Government could simultaneously or independently offer a portion of its equity shareholding.

(iv) In all cases of disinvestment, the Government would retain at least 51% equity and the management control of the CPSE.

(v) All cases of disinvestment are to be decided on a case to case basis.

(vi) The Department of Disinvestment is to identify CPSEs in consultation with respective administrative Ministries and submit proposal to Government in cases requiring Offer for Sale of Government equity

9.1 The target fixed by the Government, for disinvestment during the year 2010-11 was Rs. 40,000 crore. When asked as to why only Rs. 22,144 crore of disinvestment proceeds were received, the Ministry, in a written submission stated as under:

"Finance Minister had mentioned in his Budget Speech on 28th February, 2011, a higher than anticipated realization in non-tax revenues has led the Government to reschedule some of the disinvestment Issues planned for the current year. Accordingly, the Revised Estimates were scaled down to Rs. 22,144.79 crore.

The following disinvestment transactions earlier scheduled for 2010-11 are now to be completed in 2011-12:

(i) The disinvestment of 5 per cent paid-up equity capital of Oil and Natural Gas Corporation Limited (ONGC) out of Government shareholding through a further public offering in domestic market.

(ii) Disinvestment of 5 per cent paid-up equity capital of Steel Authority of India Limited (SAIL) out of Government shareholding in conjunction with issue of fresh equity of equal size by the Company through a further public offering in domestic market.

(iii) Disinvestment of 10 per cent paid-up equity capital of Hindustan Copper Limited (HCL) out of Government shareholding in conjunction with issue of fresh equity of equal size by the Company through a further public offering in domestic market."

9.2 Asked whether the Government will be able to fulfill the disinvestment target for the current year, the Ministry furnished following written reply:

"Some of the Issues expected to be completed in 2010-11, *e.g.* Oil and Natural Gas Corporation Limited (ONGC), Steel Authority of India Limited (SAIL) and Hindustan Copper Limited (HCL), have been rescheduled for 2011-12. The disinvestment in Power Finance Corporation Limited (PFC) is also expected to be completed during 2011-12. Other Initial Public Offerings and Further Public Offerings are expected to be added to this pipeline of public offerings for 2011-12 in the course of the next few months.

The Department has a streamlined system of appointment of merchant bankers which is transparent and competitive, based on a two-envelope system. Technical bids are evaluated first and the financial bids of only those bankers who meet the minimum technical benchmark are opened.

> While the Department has been able to attract the best of the merchant bankers, these bankers have been quoting low or near zero fees. This is perhaps due to the intense competition among them to win the mandates of the Government. The Department keeps a close watch on the performance of these bankers, who are also graded in the selection process on their past performance with the Department.
>
> The Department has also taken active measures to remain in constant touch with the investor community, both retail and institutional by meeting brokers and SEBI registered investors associations across the country. In addition, the Department has held meetings with domestic institutional investors. A similar exercise has been undertaken for foreign institutional investors by holding "non-deal" road shows abroad.
>
> In the above background, the Government expects to get Rs. 40,000 crore from disinvestment proceeds during the year 2011-12."

9.3 When asked, why there is no plan for loss making PSUs, the Ministry, in their post evidence reply, stated as under:

> "The disinvestment policy envisages disinvestment in profit making CPSEs by way of initial public offering and further public offering as loss making CPSEs are not likely to evoke investor interest.
>
> So far as loss making CPSEs are concerned, it may be mentioned that the Government constituted Board for Reconstruction of Public Sector Enterprises (BRPSE) in December 2004 for revival of loss making CPSEs. All loss making CPSEs stand referred to BRPSE for revival. The BRPSE is functioning under the Department of Public Enterprises."

PART II

RECOMMENDATIONS/OBSERVATIONS

Underutilisation of funds under major State Plan Schemes

1. A provision of Rs. 1,30,365.23 crore has been made in Budget 2011-12 for the major State Plan Schemes. It is a matter of serious concern for the Committee that huge amounts of shortfall *vis-à-vis* the Budget Estimates have been reported for the years 2009-10 and 2010-11 (Rs. 6580.21 crore and Rs. 8392.77 crore respectively) in respect of grants transferred to States and UTs under these major Plan Schemes such as Accelerated Irrigation Benefit Programme, National Social Assistance Programme, Jawaharlal Nehru National Urban Renewal Mission, Sub-Mission on Basic Services to Urban Poor and Integrated Housing and Slum Development Scheme. Similarly, large shortfalls have also been reported – Rs. 1841.47 crore in 2007-08, Rs. 4456.57 crore in 2008-09, Rs. 2624.93 crore in 2009-10 and 339.23 crore in 2010-11 – in respect of major non-Plan Schemes as well. According to the Ministry, such shortfall occur when the line Ministries are unable to recommend releases to the full extent of available funds on account of non-fulfillment of requirements by States. The Committee desire that the Ministry of Finance should urgently take up this matter with the line Ministries with a view to reviewing these unutilized grants instead of providing for them year after year routinely without any reference to its utilization. The Committee would not like a situation where grants remain confined to the budget document without showing visible results on the ground. The Ministry of Finance should, therefore, set up an internal monitoring mechanism, whereby quarterly review meetings may be convened involving both the line Ministries and the State Governments so as to keep close vigil and to ensure a much better utilization of funds. In this context, the

Committee would also like to draw the attention of the Government to a contrasting situation being witnessed with regard to central funds which are shown as fully utilised for budgetary purposes without any visible outcomes on the ground. The Committee would thus recommend that the Ministry of Finance should sensitize the line Ministries in this regard so that the proposals formulated by them are more sharply focused on the results. They should also avoid expending major chunk of allocations towards the end of the year while ensuring spreading of expenditure evenly through the year.

Inflation

2. From the submissions of the Chief Economic Advisor, it is found that while in April 2010, the WPI index was 11 per cent, it came down to 8.31 per cent in April this year. However, the Ministry, in their replies have admitted that this fall has been managed by changing the base year. Nevertheless, the food index which was at 6.45 per cent in April, 2011 continues to be a major component of overall inflation. Although the Ministry have stated that food index in CPI-IW and in WPI are guiding factors in formulation of Government policy and management of food economy, the Committee are surprised to note that the approach of the Government in redefining these indices has been piecemeal in as much as while base year for WPI has been changed to year 2004-05, year 2001 is still used as base year for CPI-IW. This clearly shows that contradictory scenarios emerging from these indices are being used for policy formulation, which obviously cannot thus be expected to yield the desired results of curbing inflation. Since it is not the wholesale prices, but retail prices represented by CPI which is more affecting the common man, the Committee would recommend the Government to formulate a more representative CPI on an urgent basis, which will reflect more accurately the prevailing inflationary trend.

3. Further, from the submissions of the Chief Economic Advisor, the Committee observe that the Government "accepts additional

two per cent of inflation as corollary of economic growth". Though the Government has taken measures to bring down prices, their inadequacy is well reflected in RBI's outlook on inflation, which shows that there are several upside risks to inflation such as risk of persistent high food inflation spilling over to the general inflation including the manufacturing sector. The Committee would like to caution that there is thus no room for complacency to treat the issue of rising prices as simply growth related and arising out of increasing per capita incomes. Specific policy measures coupled with strong enforcement action is thus urgently called for to tackle inflation, which if left unattended, will leave an adverse impact on the economy in all its dimensions including a negative impact on growth.

Budgetary Reforms

4. The Committee note that the Government have initiated budgetary reforms by making expenditure corresponding to outcome. While comparison with actual expenditure during budgeting/planning of future expenses is a necessary input, the Committee note that there are still several areas which require reforms to bring more transparency in the budgetary process and for fixing accountability, such as classification of expenditure, uniformity in expenditure allocations throughout the year, delineation of savings resulting from economic use of resources or due to inaction on the part of parent Ministry/Department in not implementing/delaying Projects/Schemes, distinction of 'savings' from 'surrenders' made etc.

5. From the submissions of the Finance Secretary, the Committee find that classification of revenue and capital expenditure is not properly reflected in the Union Government accounts as grants given to States for onward incurring of capital expenditure are shown as revenue expenses in the account of Government of India. The Committee believe that such accounting creates only avoidable confusion and is not reflective of actual budgeting. Therefore, Government must initiate measures to review the existing

classification of expenditure to better project the expenditure and reflect the policies accurately. Further, the Committee are surprised to find that there is no accurate system to capture the savings/ surrenders which result from non-implementation of intended Plans/ Schemes. The existing system of reflecting savings is very vague and does not fix accountability of the delinquent Ministry/Department. In view of the Committee, savings is a misnomer as most of it relates to inefficient planning and ineffective monitoring. Thus, it would be more appropriate if the three heads, namely, savings, under/non-utilization and surrender of funds are clearly segregated in the budget. This would also help the Government in more efficient re-allocation of available funds.

Rate of Interest on General Provident Fund

6. The Committee note that the rate of interest on Employees Provident Fund has been increased to 9.5 per cent. The Committee desire that rate of interest on General Provident Fund (GPF), which is pegged at 8 per cent, may also be reviewed so that government employees are not put to any disadvantage more so now when the interest rate for bank deposits have also been raised.

Expanding Banking Services

7. The Committee note that for extending banking services to approximately 73000 habitations, by March, 2012, the Government is relying on use of Banking Correspondents/Facilitators (BCs/BFs) to a great extent to enable reach of branchless banking. As in March 2011, banks had 26,123 BCs/BFs. It is seen that out of 129 unbanked blocks, 58 blocks so far, have been provided banking services. So there are still 71 unbanked blocks, majority of which (70 blocks) are in the North-Eastern region and one in Jammu and Kashmir. Therefore, extending banking services in these areas is heavily centered on providing branchless banking, which can be through the use of technology and BCs/BFs. However, the experience of some banks in expanding banking

network through the use of this model has not been very encouraging. The Committee find that the Working Group appointed by RBI to study the experience of this model highlighted some of the problems of banks in using this channel extensively *viz.* **cost of credit and volume of credit, operational, legal and reputation risks faced by banks in employing larger number of BCs, low coverage by individual BCs, difficulty in assessing integrity of individuals acting as BCs, lack of professionalism, delay in loan processing, disbursements, low volume of business generated by BCs etc. Consequently RBI issued revised guidelines for engaging BCs on September 28, 2010, providing for internal central monitoring and consumer protection measures and enlarging the scope of entities for acting as BCs. The Committee believe that although RBI has initiated measures to strengthen BC/BF model, the efficacy of this model, so far, in extending banking facilities is still doubtful. Therefore, the Committee would urge the Government/RBI to critically review the performance of BCs/BFs to develop them as a viable source of expanding banking network in remote and inaccessible areas. In this regard, the Committee would like to point out that banks should not look at BCs as a mere 'cost centre' but should look beyond and treat them as a 'service centre'.**

The Committee also desire that banks should have a sub-division of lending targets for different categories of weaker sections under priority sector lending, so that all sections/categories are evenly covered in financial inclusion. Such a sub-category should also include the extent of coverage of the economically disadvantaged among minorities. Similarly, time-bound targets should also be fixed for the village adoption scheme of banks.

8. The Committee observe that in expanding banking services and achievement of financial inclusion, District Level Consultative Committee (DLCC) has a crucial role. The DLCC has members from all commercial banks, co-operative banks, RRBs, NABARD, RBI and various State Government departments and agencies. This Committee

is chaired by District Collector. They note that the High Level Committee to review Lead Bank Scheme appointed by RBI has recommended to constitute a sub committee of DLCC with a view to drawing up a roadmap to provide banking services through a banking outlet in every village having a population of over 2000 by March 2011. In this regard, Committee are of the opinion that DLCC needs to function more effectively to become the main instrument of implementing policies and planning. The Committee would therefore, recommend review of the functioning of DLCC and its re-constitution and make the MP of the area to head the same.

Lending to agriculture and weaker sections

9. The Committee note with concern the fact that both public and private sector banks have failed to achieve the targeted percentage of agricultural lending. Out of 17.28% of total agricultural lending by public sector banks, in March 2010, 12.78% of adjusted net bank credit (ANBC) was provided for direct lending and 5.09% was given as indirect lending as against the stipulated 13.5% and 4.5% respectively. On the other hand, private sector banks made total agricultural lending of 16.97% of which 12.47% was given as direct credit and 5.63% was given as indirect credit. The Committee further observe from the data for individual banks that as many as 15 public sector and 11 private sector banks have made less than 18% of total agricultural lending. It is further seen that 12 public sector and 13 private sector banks have made indirect agricultural lending in excess of the prescribed 4.5%. Thus it is clear that while banks are still short of achieving required agricultural lending, many of them have shown greater propensity to disburse indirect agricultural credit. Though the Government have stated to have taken several measures to increase agricultural lending, they have still failed to persuade banks to achieve the desired percentage of lending.

10. In case of lending to weaker sections, the performance of private sector banks is very poor. In March, 2010, these banks achieved

only 5.48% of weaker section lending vis-à-vis the required 10 percent. The principal reason for such performance is stated to be less number of branches of these banks in semi-urban and rural areas. The Committee would expect the RBI to ensure that private sector banks also fulfil their social mandate.

11. Besides, the Committee find that the performance of banks under Differential Rate of Interest Scheme (DRI Scheme), intended for weaker sections, to be not very encouraging. As against the stipulated 1 percent lending under the scheme, the banks have achieved only 0.05%, 0.04% and 0.04% in the last three years. The reason for low disbursement is stated to be the availability of other more attractive Government sponsored schemes. The Committee would thus recommend that this scheme should be reviewed to make it more attractive for availing loan by intended groups under this scheme.

Debt Recovery Tribunals

12. Debt Recovery Tribunals (DRTs) were established with a view to ensuring fast adjudication and recovery of non-performing assets. However from the data furnished to the Committee, it is found that these tribunals have not been very effective in speedy disposal of cases. Since the year 2006-07 to year 2010, the number of cases pending with DRTs has grown from 25268 to 37616 cases. However the Ministry are merely deriving satisfaction that in the year 2010, the number of cases disposed of by DRTs have increased as against the year 2006-2007. The Committee further note that DRTs are facing several problems such as acute shortage of personnel, lack of proper training of officers and staff taken on deputation and submission of incomplete cases/ applications by banks and financial institutions etc. The Committee are inclined to believe that the Government has become apathetic to the functioning of the DRTs. The Committee would therefore, recommend that the government should immediately conduct a

thorough review of the functioning of the DRTs with a view to making them more vibrant and purposeful. The Committee should be apprised of the steps taken in this regard within one month.

Repudiation of insurance policies

13. The Committee observe that the number of insurance policies repudiated have increased in the last three years as seen in the data furnished by the Ministry. The Committee are surprised to note that IRDA does not maintain information on this aspect which is vital for protection of policyholder's interest. The Committee would like to know the reasons for the rising number of repudiated policies in recent years. They would recommend that IRDA should carry out an analysis of such policies to establish the reasons and take remedial measures to reduce the instances of policy repudiation.

Disinvestment policy

14. The Committee note that the Government has been announcing disinvestment of profit making PSUs to generate revenue and to finance a part of its social expenditure programme. They find that last year, a target of Rs. 40,000 crore was fixed to be procured through disinvestment. However, subsequently this target was revised, as additional resources were raised through other avenues. The Committee find that this year, the Government has rescheduled its target and again a target of Rs. 40,000 crore has been fixed to be received as disinvestment proceeds.

15. The Committee observe that the disinvestment policy of the Government is principally governed by the motive of revenue generation instead of a rational policy to offload Government stake in public sector undertakings. This shows adhocism in Government policy towards disinvestment.

16. Further, while the policy direction for profit making PSUs is to offload Government stake, no concrete policy has been formulated

with respect to loss making PSUs. They have been simply referred to Board for Reconstruction of Public Sector Enterprises (BRPSE) functioning under Department of Public Enterprises for revival. The Committee, therefore, recommend that Government should formulate Disinvestment policy with clear direction and vision encompassing all categories of public sector undertakings.

NEW DELHI;
20 *June*, 2011
30 *Jaishtha*, 1933 *(Saka)*

YASHWANT SINHA,
Chairman,
Standing Committee on Finance.

APPENDIX

MINUTES OF THE FIFTEENTH SITTING OF THE
STANDING COMMITTEE ON FINANCE
(2010-11)

The Committee sat on Friday, the 8th April, 2011 from 1100 hrs to 1630 hrs.

PRESENT

Shri Yashwant Sinha — *Chairman*

MEMBERS

Lok Sabha

2. Dr. Baliram (Lalganj)
3. Shri C.M. Chang
4. Shri Khagen Das
5. Shri Gurudas Dasgupta
6. Shri Nishikant Dubey
7. Shri Bhartruhari Mahtab
8. Shri Mangani Lal Mandal
9. Shri Rayapati Sambasiva Rao
10. Dr. Kavuru Sambasiva Rao

Rajya Sabha

11. Shri S.S. Ahluwalia
12. Shri Raashid Alvi
13. Shri Piyush Goyal
14. Shri Moinul Hassan
15. Shri Mahendra Mohan
16. Dr. Mahendra Prasad
17. Dr. K.V.P. Ramachandra Rao

SECRETARIAT

1.	Shri A.K. Singh	—	*Joint Secretary*
2.	Shri R.K. Jain	—	*Director*
3.	Shri Ramkumar Suryanarayanan	—	*Deputy Secretary*

Part I
(1100 to 1330 hours)

WITNESSES

MINISTRY OF FINANCE

(i) Department of Expenditure

1. Smt. Sushma Nath, Finance Secretary
2. Shri C.R. Sundermurti, Controller General of Accounts
3. Smt. Vilasini Ramachandran, Additional Secretary
4. Shri H. Pradeep Rao, Joint Secretary & FA
5. Smt. Madhulika P. Sukul, Joint Secretary (Personnel)
6. Smt. Anjuli Chib Duggal, Joint Secretary (PF-I & FCD)
7. Smt. Meena Aggarwal, Joint Secretary (PF-II)

(ii) Department of Economic Affairs

1. Shri R. Gopalan, Secretary
2. Dr. Kaushik Basu, Chief Economic Adviser (Secretary Level Officer)
3. Shri Dipak Dasgupta, Principal Economic Adviser
4. Shri Shaktikanta Das, Additional Secretary (Budget)
5. Shri Bimal Julka, Additional Secretary & DG (DOC)
6. Ms. S. Bhavani, Senior Economic Adviser
7. Dr. H.A.C. Prasad, Senior Economic Adviser
8. Dr. Alok Sheel, Joint Secretary (MR)

9. Shri Rajesh Khullar, Joint Secretary (I&I)

10. Shri Prabodh Saxena, Joint Secretary (ABC)

11. Shri Venu Rajamony, Joint Secretary (MI)

(iii) Department of Financial Services

1. Shri Shashi Kant Sharma, Secretary (FS)
2. Shri Rakesh Singh, Additional Secretary (FS)
3. Shri Alok Nigam, Joint Secretary (BO)
4. Smt. Ravneet Kaur, Joint Secretary (IF)
5. Shri V.P. Bhardwaj, Joint Secretary (VPB)

Indian Banks' Association (IBA)

Dr. K. Ramakrishnan, Chief Executive, Indian Banks' Association (IBA)

NABARD

Shri S.K. Mitra, Executive Director, NABARD

Reserve Bank of India (RBI)

Shri C.D. Srinivasan, CGM, RBI

Pension Fund Regulatory and Development Authority (PFRDA)

Shri Puskal Upadhyay, GM, Pension Fund Regulatory and Development Authority (PFRDA)

(iv) Department of Disinvestment

1. Shri Sumit Bose, Secretary
2. Shri Sidhartha Pradhan, Additional Secretary
3. Smt. Kalpana Mittal Baruah, Joint Secretary
4. Shri H.P. Rao, JS & FA

2. The Committee took oral evidence of the representatives of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) in connection with the examination of

the Demands for Grants (2011-12). Major issues discussed included problem of inflation, particularly food inflation, need to invoke Essential Commodities Act, removing leakages in public distribution system, direct cash transfer to the intended group of people rather than direct subsidy, stipulation of targets for adoption of villages by banks, poor performance of banks with regard to lending to agriculture and weaker sections, State-wise identification of unbanked locations/habitations etc. The Chairman directed the representatives of the Department to furnish written replies on the points raised by Members at an early date.

The witnesses then withdrew.

A verbatim record of proceedings was kept.

Part-II
(1430 hrs. to 1630 hrs.)

WITNESSES

3. *** *** *** ***

The witnesses then withdrew.

A verbatim record of the proceedings was kept.

The Committee adjourned at 1630 hours.

MINUTES OF THE EIGHTEENTH SITTING OF THE STANDING COMMITTEE ON FINANCE (2010-11)

The Committee sat on Wednesday, the 25th May, 2011 from 1100 hrs to 1730 hrs.

PRESENT

Shri Yashwant Sinha — *Chairman*

MEMBERS

Lok Sabha

2. Shri C.M. Chang
3. Shri Harishchandra Chavan
4. Shri Nishikant Dubey
5. Shri Bhartruhari Mahtab
6. Shri Mangani Lal Mandal
7. Shri Rayapati Sambasiva Rao
8. Shri Magunta Sreenivasulu Reddy
9. Dr. Kavuru Sambasiva Rao
10. Shri Manicka Tagore

Rajya Sabha

11. Shri S.S. Ahluwalia
12. Shri Raashid Alvi
13. Shri Vijay Jawaharlal Darda
14. Shri Piyush Goyal
15. Shri Moinul Hassan
16. Shri Satish Chandra Misra
17. Shri Mahendra Mohan

18. Dr. Mahendra Prasad

19. Dr. K.V.P. Ramachandra Rao

SECRETARIAT

1.	Shri A.K. Singh	—	*Joint Secretary*
2.	Shri R.K. Jain	—	*Director*
3.	Shri T.G. Chandrasekhar	—	*Additional Director*
4.	Shri Ramkumar Suryanarayanan	—	*Deputy Secretary*
5.	Shri Kulmohan Singh Arora	—	*Under Secretary*

Part I
(1100 to 1400 hours)

2. The Committee took up the draft report on Demands for Grants (2011-12) of the Ministry of Finance (Departments of Economic Affairs, Financial Services, Expenditure and Disinvestment) for consideration and adoption. The Committee adopted the draft report with some modifications/ changes as suggested by Members. The Committee authorised the Chairman to present this Report to Parliament.

WITNESSES

3. *** *** *** ***
*** *** *** ***

A verbatim record of the proceedings was kept.

The witnesses then withdrew.

Part II
(1500 hrs. to 1730 hrs.)

WITNESSES

4. *** *** *** ***
*** *** *** ***

A verbatim record of the proceedings was kept.

The witnesses then withdrew.

5. The Committee then took up the following draft reports for consideration and adoption:—

(i) Draft Report on Demands for Grants (2011-12) of the Ministry of Finance (Department of Revenue);

(ii) Draft Report on Demands for Grants (2011-12) of the Ministry of Planning; and

(iii) Draft Report on Demands for Grants (2011-12) of the Ministry of Statistics and Programme Implementation.

6. The Committee adopted the draft reports relating to the Ministry of Finance (Department of Revenue) and Ministry of Statistics and Programme Implementation without any modifications/amendments. The Committee adopted the draft report relating to the Ministry of Planning with some changes as suggested by Members. The Committee authorised the Chairman to present these Reports to Parliament.

The Committee then adjourned at 1730 hours.

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The Souvenir Items with logo of Parliament are also available at Sales Counter, Reception, Parliament House, New Delhi. The Souvenir items with Parliament Museum logo are available for sale at Souvenir Shop (Tel. No. 23035323), Parliament Museum, Parliament Library Building, New Delhi. List of these items are available on the website mentioned above."