ELEVENTH REPORT

STANDING COMMITTEE ON FINANCE (2001)

(THIRTEENTH LOK SABHA)

MINISTRY OF FINANCE

(DEPARTMENTS OF ECONOMIC AFFAIRS & EXPENDITURE)

DEMANDS FOR GRANTS (2000-2001)

[Action taken by the Government on the recommendations contained in the Sixth Report of the Standing Committee on Finance on Demands for Grants (2000-2001) of Ministry of Finance (Departments of Economic Affairs and Expenditure)]

Presented to Lok Sabha on 18.4.2001

Laid in Rajya Sabha on 19.4.2001

LOK SABHA SECRETARIAT
NEW DELHI

April, 2001/Chaitra, 1923 (Saka)

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Shri Shivraj V. Patil — *Chairman*

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3. Shri Sudip Bandyopadhyay
4. Shri Ajoy Chakraborty
5. Smt. Renuka Chowdhury
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25. Shri C.N. Singh
26. Shri Kirit Somaiya
27. Shri Kodikunnil Suresh
28. Shri Kharebela Swain
29. Shri Narayan Dutt Tiwari
30. Vacant

Rajya Sabha

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SECRETARIAT

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2. Shri P.K. Grover — *Deputy Secretary*
3. Shri S.B. Arora — *Under Secretary*
4. Shri Srinivasulu Gunda — *Committee Officer*

INTRODUCTION

I, the Chairman of the Committee on Finance (2001) having been authorised by the Committee to submit the Report on their behalf present this Eleventh Report on action taken by Government on the recommendations contained in the Sixth Report of the Committee (Thirteenth Lok Sabha) on Demands for Grants (2000-2001) of the Ministry of Finance (Departments of Economic Affairs and Expenditure).

2. The Sixth Report was presented to Lok Sabha/laid in Rajya Sabha on 25 April, 2000. The Government furnished the written replies indicating action taken on all the recommendations on 6 February, 2001. The Committee sought further information on the action taken replies which was furnished by the Government by 8 March, 2001. The Committee also took oral evidence of the representatives of the Ministry of Finance (Departments of Economic Affairs and Expenditure) on 12 March, 2001 to seek clarifications on some of the action taken replies. The draft action taken report was considered and adopted by the Committee at their sitting held on 19 March, 2001.

3. An analysis of action taken by Government on the recommendations contained in the Sixth Report (Thirteenth Lok Sabha) of the Committee is given in the Appendix.

4. For facility of reference observations/recommendations of the Committee have been printed in thick type in the body of the Report.

NEW DELHI;
26 *March*, 2001
5 *Chaitra*, 1923 *(Saka)*

SHIVRAJ V. PATIL,
Chairman,
Standing Committee on Finance.

CHAPTER I

REPORT

This report of the Standing Committee on Finance deals with action taken by Government on the recommendations contained in their Sixth Report (Thirteenth Lok Sabha) on Demands for Grants (2000-2001) of Ministry of Finance (Departments of Economic Affairs and Expenditure) which was presented to Lok Sabha on 25 April, 2000.

2. Action Taken Notes have been received from the Government in respect of all the 15 recommendations contained in the Report. These have been categorised as follows:—

(i) Recommendations/Observations which have been accepted by the Government:

Rec. Sl. Nos. 2, 4, 5, 6, 7 and 8

(Chapter II—Total 6)

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:

Rec. Sl. Nos. 9, 10, 11, 12, 13 and 15

(Chapter III—Total 6)

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:

Rec. Sl. Nos. 1, 3 and 14

(Chapter IV—Total 3)

(iv) Recommendation/Observation in respect of which final reply of the Government is still awaited:

Rec. Sl. No. Nil

(Chapter V—Total Nil)

3. The Committee desire that the replies to the recommendations contained in Chapter I should be furnished to the Committee expeditiously.

4. The Committee wish to point out that after presentation of their Sixth Report to Lok Sabha, the Government were asked to furnish their action taken replies within 3 months. However, it took about ten months for the Government to furnish the action taken replies. The Committee take a very serious view of the inordinate delay in furnishing the action taken replies and desire that henceforth the Ministry of Finance (Deptts. of Economic Affairs and Expenditure) should ensure that replies/information called for by the Committee is furnished to them within the prescribed time.

5. The Committee will now deal with the action taken by the Government on some of their recommendations.

A. Currency Note Press—Machinery and Equipment

Recommendation (Sl. No. 1, Para No. 5)

6. As there had been underutilisation of budgetary allocations even compared to revised estimates by Currency Note Press, Nasik for acquiring machinery & equipment since 1995-96, the Committee in their Sixth Report on Demands for Grants (2000-2001) of Ministry of Finance (Departments of Economic Affairs & Expenditure) recommended as under:—

> "It could be seen that due to non-finalisation of proposals for procurement of Air compressor and also other machinery required for modernisation of CNP a large amount of funds allocated for the purpose have remained unspent since 1995-96. The Committee would like to be apprised of the specific reasons as to why the proposals for procurement could not be finalised in the relevant years. The Committee also want the Ministry to inform them of cost escalation, if any, due to delay in finalising procurement proposals. The Committee recommend that the concerned authorities should be asked to be prompt in finalising the proposals involving utilisation of budgetary allocations so that the delays do not result in cost escalations and the money allotted is spent meaningfully."

7. The Ministry of Finance (Department of Economic Affairs) in their action taken reply have stated as under:—

> "The procurement process for machineries and Auxiliary Equipment is a complex task involving comprehensive technical/commercial scrutiny. Almost invariably several clarifications are required from the tenderer before finalisation and therefore the proposals take a lot of time to fructify. Moreover proposals initiated during the middle of the year cannot be finalised during the financial year resulting in savings. However, since the rate is already quoted by the tenderer at the time of submission of offer, there is no cost escalation due to such delay."

8. In written reply to a query seeking further clarification as to whether any action has been taken against the officials responsible for such budgetary allocations, Ministry of Finance (Deptt. of Economic Affairs) *inter-alia* stated as under:—

> "It is submitted that it is not possible to anticipate with any degree of certainty at the time of submission of proposals for budgetary allocation, which is normally done six months in advance of the beginning of the financial year, that a particular procurement will be delayed and the allocation meant for it will not be utilized fully or will be utilized only partly. This is because the reasons for delay are varied and, most times, unforeseen.
>
> The procedure of procurement in Government units is generally quite lengthy and time-consuming on account of considerations of transparency, equity and financial prudence. The procurement procedure followed at CNP is no exception...
>
> The delay was on account of unavoidable and unforeseen factors. In the circumstances, it is difficult to fix pointed responsibility on any official for failure to utilise the budgetary allocations in full."

9. The reply furnished by the Ministry amply makes it clear that due to complex nature of procurement process involving comprehensive technical and commercial scrutiny the same could not be completed during the years in which funds were earmarked. This implies that the management inspite of knowing fully well that the procurement process might not be finalised in a particular

year have been earmarking funds only to remain unutilised in the relevant years since 1995-96. The Committee are of the view that since procurement proposals are initiated six months in advance of the commencement of the financial year, the department should have fair idea of the likelihood of procuring/not procuring the said machinery and accordingly should be in a position to effect changes in budgetary allocations at revised estimates stage *i.e.* six months after the commencement of the financial year and one year since the initiation of the proposal. But, it could be seen from the data that the 'actuals' all these years have been falling short of even revised estimates. This clearly demonstrates not only their imprudence but also their grossly casual attitude in allocating budgetary grants for the last five years. Further, the Committee are of the opinion that though there might not be explicit cost escalation due to delay in procurement process, the same might by delaying the modernisation of the ageing machinery and equipment, denying the improved productivity of the press and thereby, indirectly contributing to higher costs. The Committee, therefore, reiterate their earlier recommendation that the concerned authorities should be prompt in finalising the proposals involving budgetary allocations.

B. Currency Note Press—Machinery and Equipment

Recommendation (Sl. No. 3, Para No. 13)

10. As there was stalemate between RBI and Ministry of Finance over terms payment for supplying machinery and equipment of Currency Note Press, Nasik and the consequent surrendering of/not allocating the budgetary grants for the purpose during 1997-98, 1998-99 and 1999-2000, the Committee in their Sixth Report on Demands for Grants (2000-2001) recommended as under:—

> "The Committee are concerned to note that even after three years it has not been possible to reach an agreement between RBI and Ministry of Finance over the mode of payment (either one time payment or leasing method) to RBI for procuring machinery for CNP and BNP. The Committee are of the view that RBI and Government of India, who are supposed to be monitoring and ensuring financial discipline have themselves failed to show such a discipline over a small matter pertaining to the method of payment which has resulted in surrendering of the funds during 1997-98 and 1998-99. They, therefore, recommend that RBI and Ministry of Finance should settle the mode of payment immediately without further loss of time. The Committee would also like to be apprised of the specific reasons as to why allocation has not been made for the purpose during 2000-2001."

11. The Ministry of Finance (Department of Economic Affairs) in their action taken reply have stated as follows:

> "Ministry of Finance has sent a letter dated 6-4-2000 (Annexure-I) to RBI indicating the arrangements envisaged for leasing of the machines purchased by RBI in connection with modernisation of CNP/BNP. This letter clearly indicated that the RBI should accept the lease charges @ Rs. 144.88 crores by CNP and Rs. 73.82 crores by BNP for a period of 8 years; the lease agreement will be renewable after 8 years; and CNP/BNP will undertake necessary maintenance of the machines and add the cost thereof to the production of notes and charge them from RBI. (These details have been worked out on the basis of information received through RBI.) Through the above letter, Ministry of Finance have also requested the RBI to indicate their concurrence to the above suggestion at the earliest so that the matter could be settled. However, the RBI's response to the same is awaited."

12. Furnishing further written clarification in response to a query as to why RBI has not responded to the above said letter written by Ministry of Finance on the issue, RBI/Ministry of Finance *inter-alia* stated as follows:—

> "The subject was discussed by Special Secretary (I&EF) and Joint Secretary (C&C) during their meeting with the Deputy Governor, RBI at Bombay on 21.7.2000. The RBI was informed that the Standing Committee on Finance had expressed concern over non-finalisation of terms of repayment and desired that steps should be taken to finalise it immediately.
>
> The RBI was reminded again on 4.8.2000 to expedite the lease arrangement.
>
> The RBI informed the Ministry on 6.10.2000 that they were considering putting in place a lease arrangement between CNP/BNP and BRBNML with a view to recovering the cost of the machines together with the accrued interest. The lease would be reflected in the books of BRBNML. The RBI requested the Ministry to seek a provision of Rs. 144.88 crores and Rs. 73.82 crores for CNP and BNP respectively in the RE. As the leasing arrangement was yet to take a final shape, the RBI was requested on 23.10.2000 to finalise the leasing scheme and forward the same to the Ministry by 15.11.2000 so as to enable the Government to make necessary budget provision.

Thereafter, the RBI on 21.12.2000 suggested that the recovery of the cost of machines could be effected from the payments due from the RBI to CNP/BNP for the notes supplied by them. However, this arrangement was not found appropriate from Audit point of view and the RBI was requested to continue payments to CNP/BNP in lieu of the notes supplied by them without adjusting the lease charges.

On 24.1.2001, the RBI intimated that the lease arrangement would be put in place by the end of the current financial year. Again, a reminder was issued on 12.2.2001 to Dy. Governor, RBI to finalise the lease arrangements.

The RBI have intimated on 26.2.2001 that the proposed lease arrangement was being structured with the help of a Chartered Accountant Firm who have submitted the modalities for the same. The lease will cover the cost of the machinery and the accrued/ accruable interest to be recovered during the primary lease period of 6 years in 12 half-yearly instalments. They have further informed that the draft lease agreement along with a copy of the Chartered Accountant Firm's report will be sent to the Ministry shortly. On receipt of the same, the Ministry will take steps to make necessary provision in the budgets of Currency Note Press, Nasik and Bank Note press respectively."

13. The Committee are surprised to find that the Ministry of Finance (Department of Economic Affairs) which have in their action taken reply furnished to them on 6.2.2001, intimated that RBI's response to their suggestion of 6 April, 2000 for making lease arrangement as a mode of payment for the said machinery was awaited, have, on a further clarification sought by the Committee intimated vide their letter dated 8.3.2001 that the matter was discussed with RBI on 21.7.2000. Further, RBI have informed the Ministry on 6.10.2000 that they were considering putting in place the lease arrangement and have in fact requested the Ministry to make provision of funds in the Revised Estimates (RE). However, the lease agreement which was being structured with the help of a Chartered Accountant Firm was yet to be finalised.

From the above, the Committee conclude that the Ministry of Finance (Department of Economic Affairs) have furnished the earlier replies in a very casual manner and have not cared to place the full facts before them which in turn shows that neither the Ministry nor the RBI are serious enough in maintaining financial prudence.

Taking serious note of the above, the Committee emphasise that the proposed lease arrangement may be finalised soon and the payment may not be allowed to linger on further. They would like to be apprised of the final position in this regard.

C. Priority Sector Lending to Agriculture by Private Sector Commercial Banks

Recommendation (Sl. No. 7, Para No. 33)

14. Since the attainment of targets for lending to agriculture by private sector commercial banks had been quite low *vis-a-vis* the prescribed targets the Committee in their Sixth Report on Demands for Grants (2000-2001) *inter-alia* recommended as under;-

"Since no amount of persuasion by RBI on these Banks seems to have yielded desired results on this front, the Committee keeping in view that agriculture is the predominant occupation in rural areas, recommended that RBI/Govt. should set out a time frame within which these banks have to improve their farm credit substantially in order to conform to prescribed targets.

Since there is no cogent explanation coming forth from either RBI or Govt. for low percentage *vis-a-vis* stipulated targets of lending to agriculture inspite of having about 60% of their total branch network in rural and semi-urban areas the Committee are led to believe that probably due the fear of incurring NPAs and high cost of transactions for agricultural loans these banks are deploying the funds meant for agriculture elsewhere. Hence, the Committee conclude that atleast certain portion of private sector banks profits can be attributed to their short lending to agriculture."

15. The Ministry of Finance (Department of Economic Affairs) have in their action taken reply *inter-alia* stated as under:-

"In order to achieve the stipulated targets of 18% of NBC in lending to agriculture, Government accept the recommendations of the committee to set to time frame within which the private sector banks would have to improve their farm credit substantially."

16. In response to a written query seeking further clarification as to whether RBI has fixed any specific time frame within which private sector commercial banks have to conform to prescribed targets for lending to agriculture Ministry of Finance stated as follows:-

> "RBI has advised banks to take concrete steps to improve the credit flow to the priority sector, agriculture and weaker sections in a time-bound manner to be fixed by banks themselves, so as to reach the stipulated targets. The need has re-emphasized in periodical meetings also. The action taken/proposed to be taken by the banks is being monitored by RBI and this Department."

17. The Committee are constrained to note that though the Govt. have accepted their recommendation to set a time frame within which the Private Sector Banks would have to achieve the stipulated target of 18% of NBC in lending to agriculture, yet no details of such time frame have been given and the banks have been allowed to fix the time frame by themselves. They would like to be apprised of specific reasons as to why no specific time frame has been fixed in this regard by RBI inspite of a lapse of about one year since the presentation of the Report by the Committee. They, therefore, reiterate their recommendation that a specific timeframe should be fixed by RBI within which the private sector banks would have to conform to the prescribed targets.

The Committee are perturbed to note that the Public Sector Banks (PSBs) inspite of having more than 70% of total branches in rural/ semi-urban areas are still lagging behind in achieving the stipulated lending to agriculture. They therefore recommend that Government should stipulate specific time limit within which the Public Sector Banks lending to agriculture which stands at 15.38% of Net Bank Credit (NBC) at the end of March, 2000 would have to conform to the prescribed target of lending *i.e.* 18% of NBC.

It is also seen that the reply furnished by Ministry of Finance is silent on the observation of the Committee that atleast certain portion of private sector commercial Bank's profit can be attributed to their short lending to agriculture under priority sector especially in the light of the fact that there is no cogent explanation from RBI/ Govt. for their low lending to agriculture despite having 60% of their branches in rural and semi-urban areas. They, therefore, would like to have written comments/clarification on the issue.

D. Modernisation of Ministry of Finance

Recommendation (Sl. No. 14, Para No. 65)

18. Stressing the need for modernisation of financial sector as well as the Ministry of Finance, the Committee in their Sixth Report on Demands for Grants (2000-2001) of Ministry of Finance *inter-alia* recommended as follows:-

> "In the realm of banking also the Committee recommend introduction of any where banking through inter-connectivity of the branches, speedy transfer of funds, automation of transactions using ATMs as these will result not only in reduced cost of operations but also in enhancing the convenience and satisfaction of the customers. To be able to effectively face the competition from their counterparts in private sector funds crunch should not be allowed to be an impediment in the progress and modernisation of the systems in the banks.
>
> The Committee also desire that effective steps should be taken by the Ministry of Finance to modernise its administration, its channels of communication, automation of filing system etc. In this context, the Committee recommend that a transponder on a communication satellite should be exclusively allocated for automation/modernisation/computerisation of the entire Ministry of Finance and its undertakings."

19. The Ministry of Finance in their action taken reply have stated as under:-

> "The Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC) with its four subsidiary companies have already undertaken a massive computerisation programme. LIC has almost completed computerisation of all their branches. 2,043 out of 2,048 branches have been provided with online computer systems. Metro Area Networking (MAN) has been completed in all the branches of LIC in Mumbai, Chennai, Bangalore, Pune, Hyderabad, Ahmedabad and Delhi. 30 more centres have been taken up for introduction of MAN. Inter-Active Voice Response System (IVRS) has been made operational in 27 cities. IVRS would be implemented in 31 more centres during the current year. Wide Area Network (WAN) is being established connecting all the seven zonal offices and 3 other MAN centres.

The subsidiary companies of GIC have identified Front Office Computerisation (FOC) as the priority area and equipped their operating units to issue policies through computerised process. The FOC in all the four subsidiary companies is expected to be completed by the end of the Financial Year. The Head Office level as also at unit levels where the front office systems are in place. Local Area Network (LAN) facility has already been established providing for multiple user access to the systems. The GIC, the holding company of the four subsidiaries, is connected using V-sat with the corporate office of all its four subsidiaries companies. The system provides for e-mail messaging and data transmission. The companies have been also established connectivity from their corporate office.

It is expected that both LIC and GIC will continue the computerisation/modernisation in the phases as planned by them until the job is fully accomplished. Since this is a priority area of the insurance industry fund crunch will not come in the way of computerisation and modernisation in these financial institutions."

20. In a subsequent reply on the modernisation/computerisation/automation of banking sector the Minister of Finance *inter-alia* furnished the followed:-

"The Central Vigilance Commission (CVC) had in November, 1998, directed all the banks to computerise 70 percent of their business before January 1, 2001 in order to improve vigilance administration. Accordingly IBA and banks union entered into an agreement for computerising 70 per cent of their total business.

Based on the information received from RBI a status of business captured through computerisation by public sector banks as on 31.12.2000 is detailed below:-

Parameter	Deposits	Advances	Total
Total business of the bank	716842.15	382687.96	1099530.11
Business captured through computerisation	452793.14	285819.11	738612.25
Percentage of computerised Business to total business	63.16	74.6	67.18

Public sector banks classified under different percentage bands:-

Band%	No of Banks	Name of the Bank
	13	State Bank of India, State Bank of Saurashtra, Andhra Bank, Bank of Baroda, Bank of India, Canara Bank, Corporation Bank, Dena Bank, Indian Overseas Bank, Oriental Bank of Commerce, Punjab and Sind Bank, Syndicate Bank and Union Bank.
65%-70%	4	State Bank of Patiala, Bank of Maharashtra, UCO Bank and Vijaya Bank.
60%-65%	5	State Bank of Hyderabad, State bank of Indore, Allahabad Bank, Central Bank and United Bank.
50%-60%	3	State Bank of Bikaner and Jaipur, State Bank of Travancore and Indian Bank.
	2	State Bank of Mysore and Punjab National Bank.

Branch-wise extent of computerisation in the Indian public sector banks for the period ended 30th September, 2000 was as follows:-

Total Branches	46,520	
Branches fully computerised	6982	(15%)
Branches partially computerised	9,304	(20%)
Branches not computerised	30,234	(65%)

21. The Committee note that the computerisation of LIC, GIC and banks is in progress. However, the reply furnished by the Ministry is conspicusouly silent as to providing a computerised network in Ministry of Finance which can help the Ministry to Anticipate Banking Scenario and undertake sensitivity analysis as a part of a decision support system or a transponder exclusively for automation/computerisation/modernisation of the entire Ministry of Finance and its Undertakings. The Committee would therefore like to have specific reply to their observations/recommendation on this issue.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 2, Para No. 8)

The Committee are of the opinion that there is fundamental flaw on the part of management of Security Printing Press (SPP) in formulating the budget proposals year after year. Due to unrealistic and faulty forecasting of the demand for its products from customers, basically Govt. agencies, not only the budgetary allocations have to be sharply revised downwards but the actuals incurred fall short of even downwardly revised estimates. The Committee express their concern over the fact that the anticipation of the quantum and value of indents from different customers has nowhere been close to the actual demand from different customers during these years. As a result, crores of rupees have remained unspent and had to be surrendered. Though the Committee conour with the view that its is not always possible to have perfect match between the revised estimates and actuals, they believe that the gap between the BE & RE should be kept at minimum, which, in turn, implies that there is a lot of scope for improvement so far as forecasting the demand for different products is concerned. The Committee, therefore, recommend that the management should improve their forecasting of market demand so that underutilisation can be minimised.

Reply of the Government

It is submitted that the Budget proposals are formulated about 6 months prior to the beginning of the financial years. At that time, the user Department (*i.e.* the Deptt. of post) does not make available their annual forecast. As result, this Department is compelled to make its own assessment of the likely requirement in the coming year. The indent from DOP arrives only after the financial year has begun. In such a situation, there is always the possibility of wide variation between budgeted figures and the indent. Besides, the actual off take has also been found to be falling far short of the indent which results in lower utilisation of the budget. In the circumstances, it is imperative that Department of Post intimate annual forecast at the time of budgeting *i.e.*, 6 months in advance of the budget year and also that this forecast is realistic so that the off take does not very widely from the forecast. This aspect has been discussed by Ministry of Finance in various meetings with the Department of Post also.

However, the concerns of the Hon'ble Committee have been noted and would be conveyed to the concerned Departments so as to avoid recurrence of such incidents in future.

[Ministry of Finance, Parliament Section, O.M. No. H-11013/5/2000, Parl. dated 6 February, 2001]

Recommendation (Sl. No. 4, Para No. 16)

The Committee are concerned to note that the management of Security Paper Mill are quite generous in allocating whatever amount of funds is asked for by CPWD for carrying out major works in Security Paper Mill (SPM) perhaps without even assessing the performance of CPWD in utilsing the allocated resources for the said purpose. The Committee desire the Ministry to apprise them as to why the CPWD could not spend the allocated amounts as a result of which funds had to be surrendered continuously during each of the last five years. The Committee recommend that this kind of financial imprudence should not be resorted to atleast in future and every effort should be made to ensure that the spending of the scarce funds in the same year earmarked for specified purposes receives utmost importance by the authorities concerned.

Reply of the Government

All the construction work in this organisation is carried out by CPWD and budget provisions are made on the basis of their demand. They assess the progress of individual work already on hand and finalise tenders and contracts to be awarded for new works. The demand list of budgetary allocations includes not only the ongoing work but also new work expected to be taken up during the respective years. Provisions for new works are included in anticipation of completion of all requisite formalities and expecting that the contract, will be awarded in time. However, there occur genuine delays in finalisation of tenders by CPWD and awarding the contracts. In many cases of ongoing works, even though the work was expected to progress corresponding to the provision available, the CPWD could not achieve that level due to slow progress of work by Contractors for various reasons at their end. The matter has already been taken up with the Chief Engineers of CPWD. The observations of the Standing Committee have been noted for further necessary remedial measures at our end and the CPWD has also been instructed to ensure that the budget allocations are fully utilised.

[Ministry of Finance, Parliament Section, O.M. No. H-11013/5/2000, Parl. dated 6 February, 2001]

Recommendation (Sl. No. 5, Para No. 19)

Despite the fact that the Committee since 1995-96 in their reports on Demands for Grants and Action Taken Reports on Demands for Grants have been recommending completion of the project for modernisation of Government of India mints as per schedule/revised schedule, yet, they regret to note that the same replies stating that all efforts are being made to complete the project and the Government are monitoring the progress to ensure timely completion, are given by the Ministry year after year. The result has been that even when scheduled dates of completion have been revised five times since March, 1992, the project work at Mumbai and Calcutta is still far behind the revised dates of completion mainly due to non-completion of civil works.

The Committee believe that since the time when unexpected concrete structures were discovered, which reportedly posed problems in completion of civil works, nothing much seems to have been done to remedy the situation. This is amply reflected in the observations of the Department of Programme Implementation in their successive Annual Reports, where it has been clearly reported that the civil works in Mumbai and Calcutta were running far behind the schedule, thereby implying that the projects might not be completed as envisaged.

The Committee take a serious note of the fact that the Ministry of Finance have been finalising the revised scheduled dates of completion without even taking into consideration the ground realities being faced on the implementation side, with the result that even though the Committee are promised every time that the project would be completed by a specified time, yet no progress actually takes place, resulting in the consequent postponement of the dates of completion.

The Committee feel that this kind of approach in project implementation indicates nothing but a very casual attitude of the management. The Committee, therefore, recommend that all out serious efforts should be made in order to ensure that the problems being faced in completion of the civil works both at Mumbai and Calcutta are overcome without further delay and the projects gets completed expeditiously.

Reply of the Government

The concern of the Hon'ble Committee is appreciated. The Ministry is making all out efforts for completion of the project at the earliest: of the three mints at Mumbai, Hyderbad and Calcutta, the project work for modernisation at the Mumbai Mint has been completed. In Hyderabad Mint, all equipments except one CCP have been commissioned. Work at IGM, Calcutta is at a fairly advanced stage and it is being closely monitored so that the project is completed at the earliest.

A total of 15 coining presses have been installed in three mints as part of the modernisation scheme and all of them have become operational.

[Ministry of Finance, Parliament Section, O.M. No. H-11013/5/2000, Parl. dated 6 February, 2001]

Recommendation (Sl. No. 6, Para No. 22)

The Committee take a serious note of the fact that crores of rupees allocated for procurement of machinery and equipment under plan as well as non-plan to various Government of India Mints, Currency Printing Presses and Security Paper Manufacturing Mills, have remained underutilised continuously for the last five years. The imprudence shown by the authorities in the Budget making exercise gets reflected in the fact that not only the budgetary allocations were revised sharply downwards in each of these years but also the actuals incurred fell far short of the Revised Estimates continuously from 1995 to 1999.

The Committee have been informed that since most of the equipments are to be imported on the basis of open global tenders which is a time consuming process, the actuals fall short of estimates at the Budget as well as Revised Estimates stage. The Committee are of the opinion that in such cases which particularly involve global tendering for procurement and where only preliminary work has been initiated, there is all the more reason that less amounts should be allocated at the Budget Estimate stage and in case of likelihood of all processes being completed, the allocation can be suitably enhanced at the Revised Estimate stage well before the close of the financial year so that unspent amount could be minimised if not eliminated totally.

The Committee however cannot help but remark that the Ministry of Finance which is supposed to set examples for others in prudent utlisation of allocated resources have miserably failed to do so particularly in the instant case which has come under the scrutiny of the Committee. They therefore recommend that top most priority should be accorded to removal/clearance of procedural bottlenecks so that the allocated resources are utilised in an effective manner.

Reply of the Government

The expert advice of the Hon'ble Committee is appreciated and has been noted for future. All the Mints & Presses have been advised to comply with the directions of the Hon'ble Committee without fail.

[Ministry of Finance, Parliament Section, O.M. No. H-11013/5/2000, Parl. dated 6 February, 2001]

Recommendation (Sl. No. 7, Para No. 33)

The data furnished by the Government reveal that though various proactive measures such as simplification of procedural norms, formulation of Special Agricultural Credit Plans (SACPs) introduction of Kisan Credit Card (KCC) Scheme, creation of Rural Infrastructure Development Fund (RIDF) resulted in increase in flow of farm credit from private sector commercial banks from 6.7% of NBC at the end of March, 1996 to 9.5% of NBC at the end of March, 1999, these banks have to go a long way in achieving the stipulated target of 18% of NBC.

The Committee observe that allocations made to private sector banks as their contribution to RIDF are also either actually not deposited at all or even if the same are deposited the amount contributed falls far short of allocated amounts. The Committee would like to be informed of the specific reasons for not actually depositing the allocated amounts.

Since no amount of persuasion by RBI on these banks seems to have yielded desired results on this front, the Committee keeping in view that agriculture is the predominant occupation in rural areas, recommend that RBI/Govt. should set out a time frame within which these banks have to improve their farm credit substantially in order to conform to prescribed targets.

Since there is no cogent explanation coming forth from either RBI or Govt. for low percentage *vis-a-vis* stipulated targets of lending to agriculture inspite of having about 60% of their total branch network in rural and semi-urban areas the Committee are led to believe that probably due to the fear of incurring NPAs and high cost of transactions for agricultural loans these banks are deploying the funds meant for agriculture elsewhere. Hence, the Committee conclude that atleast certain portion of private sector banks' profits can be attributed to their short lending to agriculture.

The Committee also desire the RBI to maintain and furnish data on industry-wise NPAs (both in absolute terms and as % of total NPAs) as well as NPAs due to agriculture lending by the private sector banks as a whole to the Committee to arrive at appropriate conclusion on this important issue.

The Committee also recommend that percentage attainment of targets for lending to farm sector under priority sector by individual private sector banks should be incorporated every year in their publication—'Report on Trend and Progress of Banking in India' from next year onwards as this will help improve transparency in their operations and also generate informed public debate on the issue.

Reply of the Government

It is true that while private sector banks outstanding advances to agriculture has increased in absolute terms from Rs. 1,233 crore in March, 1996 to Rs. 3,176 crore in March 1999, the increase as percentage of NBC has only been from 6.7% in March 1996 to 9.5% in March 1999. In order to achieve the stipulated target of 18% of NBC in lending to agriculture, Government accept the recommendation of the Committee to set a time frame within which the private sector banks would have to improve their farm credit substantially. The RBI would be advised to set out a time frame accordingly.

Under the RIDF Scheme, allocations are made to private sector banks for contribution to RIDF depending on their shortfall in lending to agriculture. While allocations are made at the beginning of the financial year depending on the performance of the banks in the previous financial year, the demand for deposits is made by NABARD only on the basis of receipt of claims for reimbursement from State Governments subsequently during the course of implementation of schemes. Thus the demand for funds from banks depends on progress of implementation. The shortfalls in deposits made by banks under RIDF, when compared with the allocations made, is not on account of banks failure to provide funds, but due to the phased implementation of projects (over 2 to 3 years) and delay in execution of projects by State Governments due to various factors like land acquisition formalities, obtaining forest/environmental clearances, tendering formalities etc. Government accept the recommendations to maintain data by RBI on industry-wise NPAs (both in absolute term and as per percentage of total NPAs) as well as NPAs due to agriculture lending by the private sector banks. Regarding furnishing this data to this Committee, RBI has reported that they are seized of the matter and they will be able to collect the data by March 2001. Government also accepts the recommendation that percentage attainment of targets for lending to farm sector under priority sector by individual private sector banks be incorporated every year in "Report on Trend and Progress of Banking in India" published by the RBI. The RBI would be advised accordingly.

[Ministry of Finance, Parliament Section, O.M. No. H-11013/5/2000, Parl. dated 6 February, 2001]

In response to a written query seeking further clarification as to whether RBI has fixed any specific time frame within which private sector commercial banks have to conform to prescribed targets for lending to agriculture Ministry of Finance stated as follows:—

> "RBI has advised banks to take concrete steps to improve the credit flow to the priority sector, agriculture and weaker sections in a time-bound manner to be fixed by banks themselves, so as to reach the stipulated targets. The need has been re-emphasized in periodical meetings also. The action taken/proposed to be taken by the banks is being monitored by RBI and this Department."

[Ministry of Finance, Deptt. of Economic Affairs, Banking Division, OM No. 6-1/2001-AC (PQ) dated 7 March, 2001]

Comments of the Committee

(Please *See* Para No. 17 of Chapter I of this Report)

Recommendation (Sl. No. 8, Para No. 40)

The Committee are perturbed to note that the Public Sector Banks (PSBs) inspite of having more than 70% of total branches—in rural/ semi-urban areas are still lagging behind in achieving the stipulated lending to agriculture. This is more so in the light of the data furnished by the Government which shows that total NPAs in agriculture as per cent of gross NPAs have declined from 17.56% as on 31 March, 1997 to 15.5% as on 31 March, 1999. Further, the Secretary, Department of Economic Affairs has admitted that as far as the NPAs are concerned priority sector lending is not any worse compared to non-priority sector.

The Committee also observe that some of the public sector banks whose lending to agriculture stood continuously way below the directed percentage were made eligible for autonomous status. Since the Committee are of view that autonomy has to be accompanied by accountability they recommend that those banks, whose lending to agriculture is way below the prescribed percentage, and who are otherwise eligible for autonomous status may not be accorded such status till they improve their credit to farm sector substantially within a set time framework—say three to four years. The Committee recommend that for granting autonomy fulfilment of targeted lending to agriculture should be made a pre-condition.

The Committee also want the Ministry to furnish an explanation as to why in the case of some of the public sector banks' lending has been continuously lower than the stipulated percentage even after taking into account their contribution to RIDF. They would like to be apprised of the concrete steps taken to improve the farm credit by these banks.

The Committee are constrained to note that in the absence of data on NPAs industry-wise/major sector-wise meaningful comparison of NPAs in agriculture lending could not be made with those of non-agriculture/industry-wise. Hence, they recommend that RBI should compile and maintain data on Industry-wise/major sector-wise NPAs as well as NPAs in agriculture. These data should be incorporated in RBIs publication 'Report on Trend and Progress of Banking in India' to improve transparency and to have meaningful debate on the issue.

Reply of the Government

It is true that while public sector banks outstanding advances to agriculture has increased in absolute terms from Rs. 26,351 crore in March, 1996 to Rs. 40,077 crore in March 1999, the increase as percentage of NBC has only been from 14.2% in March 1996 to 16.2% in March 1999. It is also true that more than 70% branches of public sector banks are in rural/semi-urban areas and total NPAs in agriculture as percentage of gross NPAs of public sector banks has declined from 17.56% in March 1997 to 15.57% in March 1999. Therefore, the public sector banks have wherewithal to achieve the stipulated target of 18% of NBC in lending to agriculture sector. In view of above, Government accept the recommendations on lending to agriculture being made a condition precedent for grant of autonomy to public sector banks. Accordingly, steps would be taken to revise the existing norms for granting autonomy to the public sector banks as well as the list of public sector banks who would be able to avail autonomy. The RBI has reported that they have taken up the issue with the public sector banks whose performance in lending to agriculture has been consistently low over the years. The Committee would be apprised of the reasons as well as the concrete steps taken by these banks to improve credit flow to agriculture. Government accept the recommendation regarding compilation and maintenance of data by RBI on industry-wise/major sector-wise NPAs as well as NPAs in agriculture. Government also accepts the recommendations to publish this data in the RBI's publication—"Report on Trend and Progress of Banking in India". The RBI would be advised accordingly.

[Ministry of Finance, Parliament Section, O.M. No. H-11013/5/2000, Parl. dated 6 February, 2001]

CHAPTER III

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

Recommendation (Sl. No. 9, Para No. 46)

It is seen that the main reason of very low percent of lending *vis-a-vis* targets set for advancing loans to weaker sections has been ascribed by RBI to lack of wide network of branches of private sector banks in rural and semi-urban areas. This stand is diametrically opposite to the admission made by Special Secretary (Banking), as quoted elsewhere in the report, to the effect that as far as old private sector is concerned they have got adequate network in the rural and semi-urban areas.

As the RBI have not attributed any other reason so far as pronounced shortfall in the case of lending to weaker sections by the private sector banks is concerned, the Committee are led to believe that these banks are not willing to lend to the weaker sections against the prescribed percentage, despite the directives issued by the RBI in this regard. They are of the opinion that the private sector banks by not lending even the meager amount fixed to weaker sections have been deploying funds probably in other areas which are more lucrative from return point of view. A certain amount of their profits over the years therefore can be attributed to their short lending in the case of weaker sections. As the Committee believe that there is no dearth of credit worthy borrowers among the weaker sections, they desire that these banks which are violating RBI norms with impunity should not be allowed to go scot free. It is therefore desirable that a time frame should be set within which these banks must be asked to improve their flow of credit to weaker sections and the same should be monitored.

The Committee believe that the allocations made to private sector banks towards contribution to RIDF on account of their short lending to weaker sections does not serve the desired purpose. It is because the allocations made to RIDF corpus are not matched by actual contribution by the private sector banks as there is lack of demand from beneficiaries of the schemes—State Governments. When these banks are unable to meet their contributions towards RIDF on account of shortfall in lending to agricultural credit, it is futile to expect that they will fulfil their obligation so far as shortfall in their lending on account of weaker sections is concerned. Hence, the Committee recommend that the possibility of devising a scheme on the lines of RIDF with funds contributed by banks having shortfall under weaker section lending may also be considered by the Government.

The Committee would like RBI to maintain data on NPAs arising out of lending to weaker sections (both in absolute as well as percent of NBC) as the same would help the policy makers to come to a conclusion as to why the banks in general and private sector banks in particular are not willing to lend to weaker sections. The Committee further recommend that data (both in absolute and percentage terms) on lending to weaker sections by private and public sector banks should be incorporated in the RBI's publication—Report on Trend and Progress of Banking in India from next year onwards.

In respect of public sector banks, the Committee are of the opinion that though their performance in this regard *vis-a-vis* their counterparts in private sector is much better, they are still falling short of the required percent of lending to weaker sections. The Committee also observe that some of the public sector banks' lending under this category has been worsening since March, 1995. The Committee would like to be apprised of the specific reasons for these banks' declining percent of weaker sections lending over the years. For example, banks namely Corporation Bank, Dena Bank, Punjab and Sindh Bank, State Bank of Saurashtra, State Bank of Indore, have witnessed continuous slide in their lending to weaker sections since March, 1995. The Committee therefore recommend that RBI should not be content merely by deciding allocations of various banks to RIDF but should take proactive steps to ensure that the banks especially private sector ones meet their targets in this regard.

Reply of the Government

RBI has reported that it has been pursuing with private sector banks having shortfall in lending to priority sector/agriculture/weaker sections to improve their performance. The responses received from many banks show that they are taking steps to improve credit flow to the weaker sections. However, lending to weaker sections by private sector banks as percentage of NBC remain low. Therefore, Government accept the recommendation to set up a time frame within which private sector banks would increase their lending to weaker sections substantially. The RBI would be advised accordingly. The RBI would also be asked to monitor the progress in lending by private sector banks closely.

Government is not in favour of creating another fund by way of contributions from banks. However, RBI is being advised to examine that shortfall in lending to weaker sections against the target of 10% of NBC could also be made a criteria for deciding contribution to RIDF.

Government accepts the recommendation for compilation and maintenance of data on NPAs arising out of lending to weaker sections (both in absolute as well as percent of NBC). Government also accepts the recommendations to publish the above data in respect of private as well as public sector banks in "Trends and Progress of Banking in India" The RBI would be advised accordingly.

RBI has taken up the issues of decline in percentage of NBC in lending to agriculture with the concerned banks to furnish specific reasons for the declining percentage of weaker sections lending over the years.

[Ministry of Finance, Parliament Section, O.M. No. H-11013/5/2000, Parl. dated 6 February, 2001]

Recommendation (Sl. No. 10, Para No. 49)

The Committee express their concern at the dismal performance of DRTs in disposing off the cases referred to them. They would like to be apprised of the specific stumbling blocks coming in the way of DRTs in improving their performance. They are of view that once huge amount of NPAs are unlocked it will contribute to improve not only the profitability of the banks but also bring down overall interest rates in the economy. Hence, the Committee recommend that no stone should be left unturned in alleviating the problems faced by DRTs, in quick disposal of cases referred to them.

Reply of the Government

Government earlier decided to set up 15 DRTs at Delhi, Calcutta, Bangalore, Ahmedabad, Chennai, Jaipur, Jabalpur, Patna, Guwahati, Mumbai, Chandigarh, Allahabad, Ernakulam, Hyderabad and Cuttack and five DRATs at Mumbai, Delhi, Calcutta, Chennai & Allahabad. Out of the above, 14 DRTs and 4 DRATs are in operation as on date. The process of establishment of DRT at Cuttack and DRAT at Allahabad is under way.

As on 31.3.2000 37889 cases have been filed in 12 operational DRTs, on an average there were 3000 cases per DRT. Keeping in view that the DRTs are loaded with much more cases than the recommended optimum load of 800 cases as recommended by the working group set up by RBI to review the functioning of DRTs, the Government has further initiated the process of establishment of 7 more DRTs, one each at Delhi, Calcutta, Chennai and four at Mumbai.

Delhi High Court Bar Association filed a writ petition in the High Court of Delhi challenging the validity of the Act and the notification establishing the DRT at Delhi. The High Court of Delhi quashed the notification *vide* which the Tribunal was constituted at Delhi and declared the DRT Act as unconstitutional and void. The Govt. filed an SLP in the Supreme Court for staying the orders of Delhi High Court. Hon'ble Supreme Court while granting the special leave also ordered for the interim stay on the order of Delhi High Court. Apart from the above case, hundred of cases have been filed in various High Courts challenging the constitutional validity of the Act. This has hampered the working DRTs. Keeping in view the objections raised by Delhi High Court and suggestions emerged during the course of hearing of SLP from time to time and recommendations made by the working group set up by RBI to review the functioning of DRTs, the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 has been amended comprehensively. The amendments made in the Act, 2000, have addressed many of the infirmities.

It is reported by DRATs/DRTs that they are experiencing much difficulties in getting basic infrastructure facilities for smooth working. CPWD have to be approached for petty matters like electric work and provisions of partitions in the premises of DRATs/DRTs. Committee constituted under the Chairmanship of Shri T.R. Andhyarujina, former Solicitor General has suggested for active involvement of RBI in providing infrastructural facilities to DRATs/DRTs. Matter has been examined and it has been decided that minimum infrastructural facilities to DRATs/DRTs be provided by public sector banks.

Norms for hiring office premises for DRATs have been revised from present limit of 3000 sq. ft. to 4000 sq. ft.

With a view to improve the recovery process, one additional post of Recovery Officer has been sanctioned for each DRT.

With these measures it is expected that functioning of DRTs and DRATs would become more effective for quick disposal of cases.

[Ministry of Finance, Parliament Section, O.M. No. H-11013/5/2000, Parl. dated 6 February, 2001]

Recommendation (Sl. No. 11, Para No. 53)

The Committee are aware of the SEBI Regulation which permit the mutual funds to launch the assured return schemes, if the returns are guaranteed by the sponsor or the asset management company. The committee are of the view that huge amount of about Rs. 1,700 crore spent by public sector banks and insurance companies in bailing out their respective mutual funds indicates that the sponsor or asset management company allowed the fund managers to run the schemes in such a way that they failed to generate expected results due to their negligence and incompetence. The Committee therefore, would like to emphasize that the Public Sector commercial banks and insurance companies should not be allowed to sponsor the mutual funds if their investment strategies are not in tune with the objectives of the scheme and where they are not likely to generate the expected returns to redeem the units at the fixed price.

Reply of the Government

The Boards of Trustees of Mutual Funds floating assured return schemes would be required to certify to SEBI that the investment strategies are in tune with the objectives of the schemes. Shortfalls, if any, are to be met by the AMC and or by the sponsor. RBI as the regulatory authority for banks, and the insurance companies (LIC/GIC) would take into account the track record and the impact of assured return schemes on the liabilities of the sponsoring bank/insurance company while granting approval.

[Ministry of Finance, Parliament Section, O.M. No. H-11013/5/2000, Parl. dated 6 February, 2001]

Recommendation (Sl. No. 12, Para No. 58)

It could be seen that out of five Members, four are bureaucrats—either retired or serving. The Committee are of the view that the majority of the Members should have been professionals in Finance and Economics disciplines. They are also of the opinion that one year period given for completion of the Report appears to be on higher side especially in the light of the fact that considerable amount of research work on the need as well as ways and means for downsizing the Govt. has already been done by the Fifth Central Pay Commission also as the Government have already published a White paper on subsidies.

Reply of the Government

The Expenditure Reforms Commission has been constituted with Chairman & Members keeping in view their experience in the field of functioning of the Government. One of the Members is an eminent economist.

2. The Chairman of the Commission, Shri K.P. Geethakrishnan is a former Finance Secretary who has vast experience in the field of Expenditure & Financial Management.

3. A period of one year has been fixed for submission of the Report keeping in view the objectives and terms of reference assigned to the Commission. However, it has been stipulated in the Resolution that the Commission may send recommendations to the Government on quarterly basis so that action can be taken as and when these recommendations are received.

[Ministry of Finance, Parliament Section, O.M. No. H-11013/5/2000, Parl. dated 6 February, 2001]

Recommendation (Sl. No. 13, Para No. 60)

The Committee note that from March, 1994, there has been continuous increase in number of posts of Director, Joint Secretary, Additional Secretary and Secretary level Officers except in March, 1995 in the case of Director and Joint Secretary level posts, in March, 1995 & 1997 in the case of Secretary level posts and in March 1996 in respect of Additional Secretary level posts. The committee would like to be apprised of the specific reasons as to why there has been continuous increase in the number of Director and above level officers especially in the light of the fact that instructions have been issued to reduce posts by 10% with reference to the strength obtaining as on 1.1.92 and the period within which the 10% reduction will be made effective.

Reply of the Government

It is Government's constant endeavour to reduce posts to the minimum level. However, along with reduction of posts which are no longer required, new posts to meet emerging functional requirement are required to be created. It may, however, be added that selection of the posts to be abolished as part of 10% reduction was left to the Departments and it was not necessary to apply a uniform 10% cut at every level.

[Ministry of Finance, Parliament Section, O.M. No. H-11013/5/2000, Parl. dated 6 February, 2001]

Recommendation (Sl. No. 15, Para No. 66)

The Committee are of the opinion that the ever growing fiscal deficit cannot be but a matter of grave concern to all of us.

Though the Committee accept that there may be a need for right sizing the Government and better targeting of subsidies and discreet disinvestment, they are of the opinion that huge amount of savings can be effected by ensuring good governance which would include measures such as projecting correct estimates, plugging loopholes in the power distribution system, preventing and containing huge cost and time overruns in mega and major projects undertaken by the Government, disposal of pending cases by income tax and excise authorities, reducing NPAs, improving productivity through innovative methods and increased capacity utilisation etc. What is of paramount importance is that the Government must put a cap on the ever increasing borrowing and at the same time take into account the parallel economy of unaccounted money which is ruining the very health of our economy.

In the last financial year, the estimates of revenue collection remained unfulfilled by an amount of Rs. 4000 crores. The 220 Mega projects have suffered from time and cost overruns. The cost overruns by 31.12.98, amount to Rs. 17,767 crores. The tax disputes involving Rs. 52,000 crores remain undecided. The non-performing assets of Banks of the end of financial year 1998-99 amount to Rs. 51,700 crores. The electricity lost in transmission in some cases amount to 40% of the electricity generated. The losses may be because of pilferage and mismanagement also. The capacities established in the units producing goods etc. is not used fully. Their capacity utilisation in some cases is as law as 20% of the capacity established.

If steps are taken to remedy the deficit of the kind high lighted above, in a concerted manner, the scourge of financial deficit can be done away with. The Government as a whole should pay attention to these aspects. In view of the importance of the issue of fiscal deficit, the Committee intend to examine the issue in greater depth and come out with a Report on the subject, at a later date.

Reply of the Government

The Government shares the concern of the Committee on the issue of reining in the fiscal deficit. The Expenditure Reforms Commission is examining issues of expenditure management and the scope for expenditure curtailment. A Committee has also been set up for examining the possibility of an institutional mechanism embodied in a Fiscal Responsibility Act. The Government looks forward to the report proposed to be brought out by the Standing Committee on Finance on the subject of fiscal deficit as it will provide valuable inputs in the Government's efforts to deal with the fiscal problem.

[Ministry of Finance, Parliament Section, O.M. No. H-11013/5/2000, Parl. dated 6 February, 2001]

CHAPTER IV

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

Recommendation (Sl. No. 1, Para No. 5)

It could be seen that due to non-finalisation of proposals for procurement of Air compressor and also other machinery required for modernisation of CNP a large amount of funds allocated for the purpose have remained unspent since 1995-96. The Committee would like to be apprised of the specific reasons as to why the proposals for procurement could not be finalised in the relevant years. The Committee also want the Ministry to inform them of cost escalation, if any, due to delay in finalising procurement proposals. The Committee recommend that the concerned authorities should be asked to be prompt in finalising the proposals involving utilisation of budgetary allocations so that the delays do not result in cost escalations and the money allotted is spent meaningfully.

Reply of the Government

The procurement process for machineries and Auxiliary Equipment is a complex task involving comprehensive technical/commercial scrutiny. Almost invariably several clarifications are required from the tenderer before finalisation and therefore the proposals take a lot of time to fructify. Moreover proposals initiated during the middle of the year cannot be finalised during the financial year resulting in savings. However, since the rate is already quoted by the tenderer at the time of submission of offer, there is no cost escalation due to such delay.

[Ministry of Finance, Parliament Section, O.M. No. H-11013/5/2000, Parl. dated 6 February, 2001]

In written reply to a query seeking further clarification as to whether any action has been taken against the officials responsible for such budgetary allocations Ministry of Finance (Department of Economic Affairs) inter-alia stated as under:—

"It is submitted that it is not possible to anticipate with any degree of certainty at the time of submission of proposals for budgetary allocation, which is normally done six months in advance of the beginning of the financial year, that a particular procurement will be delayed and the allocation meant for it will not be utilized fully or will be utilized only partly. This is because the reasons for delay are varied and, most times, unforeseen.

The process for making budgetary allocation begins with the Purchase Cell compiling requirements received from various sections like Technical Workshops, Control etc. for procurement of various machines and ancillary equipments for the coming Financial Year. These requirements are based on ongoing activities of the Sections as well as anticipated requirements of these sections. The purchase cell in consultation with the user sections determines the approximate cost of the items and forwards these figures to the Budget Section. The Budget Section consolidates these figures and forwards it to the Ministry where the proposals for allocation are finalised after discussion with the units.

The actual expenditure may turn out to be quite different from the budget estimates for a variety of reasons. Sometimes, the item proposed to be procured is purchased at a price lower than the estimated amount, either due to competition or because the price of the item has come down in the market since the time the proposal for allocation was submitted. In some instances, part of the payment is held back in order to commission or test the machine/equipment and the expenditure spills over to the next financial year. Further, if a procurement process is initiated in the middle of the year, it is likely that it will cross over to the next financial year resulting in savings in the current year.

The procedure of procurement in Government units is generally quite lengthy and time-consuming on account of considerations of transparency, equity and financial prudence. The procurement procedure followed at CNP is no-exception and is explained below.

On receiving requisition from various sections, the purchase cell floats either local or global tenders based on the estimated price. On receipt of tenders, the evaluation is done in two stages. The first stage is the technical evaluation stage, where the technical details are sent to duly constituted Technical Evaluation Committee for evaluation. Thereafter, based on the recommendations of the TEC, commercial bids of the technically suitable firms are opened and evaluated. Tenders falling within the competence of the GM are decided in the unit itself and order is placed on the L-1 form. The proposals requiring approval of the Ministry are sent to the C&C Division where they are examined in consultation with the Integrated Finance Unit. High value tenders are sent to the Department of Expenditure for clearance before obtaining the approval of the Finance Minister. In case the proposal is found wanting in some respect, clarification is sought from the unit which adds to the time taken in finalizing the tender.

Utmost efforts are made to procure various items within a time frame. From the past experience, however, it is seen that delays in procurement may be caused by the following reasons:

1. Lack of adequate response to the tender, which leads to re-floating of the tender.
2. At times the tender lacks in clarity on some technical or commercial aspect and clarifications have to be obtained from the tenderer.
3. Delay in supply of the material by the supplier due to various constraints faced by him in procuring/producing the item.
4. After the material has been received, it is sent for suitability inspection and if the material fails this scrutiny, modifications may be required which can results in delays.
5. Sometimes, while finalizing the tender the supplier seeks payment terms that are not as per Government Rules. Persuading him to accept the payment as per rules results in considerable delay.
6. If the quoted price is not found reasonable, the firm is called for negotiation resulting in delay.

It would be seen that the delay was on account of unavoidable and unforeseen factors. In the circumstances, it is difficult to fix pointed responsibility on any official for failure to utilise the budgetary allocations in full.

The Ministry has been making efforts to ensure that the formalities/procedures for procurement of equipment/machinery are streamlined to avoid delays. The measures taken in this regard are as follows:-

(1) On 18th July, 2000, orders were issued enhancing the delegated Financial Powers of General Managers. The GMs can now directly purchase stores required for production as well as maintenance by inviting open tender for a value up to Rs. 5 crores as against the earlier power of Rs. 2 crores. Also power to purchase Plant and Machinery has been enhanced from Rs. 50 lakhs to Rs. 5 crores. Thus, most of the procurement can now be done at the unit level itself without making any reference to the Ministry resulting in saving of time.

(2) All the Units have been repeatedly directed/advised to be more realistic while preparing the budgetary requirements.

(3) The status of procurement proposals pending in the Ministry is reviewed every month.

It is pertinent to mention that as a consequence of these measures, the expenditure position with regard to the procurement of machinery and equipment in CNP has improved considerably. During the current year 2000-2001, the expenditure figure for CNP under the head 'Plant and Machinery' is Rs. 69.60 lakhs as against RE of Rs. 70 lakhs.

[Ministry of Finance, Deptt. of Economic Affairs, Interated Finance Branch, O.M. No. 5/8/2001, IFA dated 8th March, 2001]

Comments of the Committee

(Please *See* Para No. 9 of Chapter I of this Report)

Recommendation (Sl. No. 3, Para No. 13)

The Committee are concerned to note that even after three years it has not been possible to reach an agreement between RBI and Ministry of Finance over the mode of payment (either one time payment or leasing method) to RBI for procuring machinery for CNP and BNP. The Committee are of the view that RBI and Government of India, who are supposed to be monitoring and ensuring financial discipline have themselves failed to show such a discipline over a small matter pertaining to the method of payment which has resulted in surrendering of the funds during 1997-98 and 1998-99. They, therefore, recommend that RBI and Ministry of Finance should settle the mode of payment immediately without further loss of time. The Committee would also like to be apprised of the specific reasons as to why allocation has not been made for the purpose during 2000-2001.

Reply of the Government

Ministry of Finance had sent a letter dated 6-4-2000 to RBI (copy enclosed Annexure-I) indicating the arrangements envisaged for leasing of the machines purchased by RBI in connection with modernisation of CNP/BNP. This letter clearly indicated that the RBI should accept the lease charges @ Rs. 144.88 crores by CNP and Rs. 73.82 crores by BNP for a period of 8 years; the lease agreement will be renewable after 8 years; and CNP/BNP will undertake necessary maintenance of the machines and add the cost thereof to the production of notes and charge them from RBI. (These details have been worked out on the basis of information received through RBI). Through the above letter, Ministry of Finance have also requested the RBI to indicate their concurrence to the above suggestion at the earliest so that the matter could be settled. However, the RBI's response to the same is awaited.

[Ministry of Finance, Parliament Section, O.M. No. H-11013/5/2000, Parl. dated 6 February, 2001]

Furnishing further written clarification in response to a query as to why RBI has not responded to the letter written by Ministry of Finance on the issue, RBI/Ministry of Finance *inter-alia* stated as follows:—

> The RBI had been requested *vide* Ministry's letter dated 6.4.2000 to consider the following leasing arrangement for the machines supplied by the RBI to CNP, Nashik/BNP, Dewas:
>
> (1) Payment of lease charges annually to RBI at the rate of Rs. 144.88 crores by CNP and Rs. 73.82 crores by BNP for a period of 8 years;

(2) The lease agreement, to be signed between RBI and GMs of CNP/BNP, will be renewable after 8 years; and

(3) CNP/BNP will undertake necessary maintenance of all the machines in question and add the cost there of to the production cost of notes chargeable from the RBI.

Subsequent to issue of the aforesaid letter, the Second Report of the Standing Committee on Finance (1999-2000) was received where the following observation had been made on this subject:

> "As regards payment of RBI towards cost of machinery procured by CNP, the Committee is distressed to note that the RBI which is supposed to be in the forefront of maintaining prudence in the financial sector could not finalise the terms of payment due to it from CNP for supplying the latter the machinery and equipment even after about 3 years due to which the budgetary allocation of CNP had to be surrendered since 1997-98. Hence, reiterating their earlier recommendations, the Committee would like to know the specific reasons as to why RBI could not finalise the same even after a lapse of about 3 years and desire that steps should be taken to finalise the terms of payment immediately."

This was intimated to RBI *vide* Ministry's letter dated 30.6.2000.

Thereafter, the subject was discussed by Special Secretary (I&EF) and Joint Secretary (C&C) during their meeting with the Deputy Governor, RBI at Bombay on 21.7.2000. The RBI was informed that the Standing Finance Committee had expressed concern over non-finalisation of terms of repayment and desired that steps should be taken to finalise it immediately.

The RBI was reminded again on 4.8.2000 to expedite the lease arrangement.

The RBI informed the Ministry on 6.10.2000 that they were considering putting in place a lease arrangement between CNP/BNP and BRBNML with a view to recovering the cost of the machines together with the accrued interest. The lease would be reflected in the books of BRBNML. The RBI requested the Ministry to seek a provision of Rs. 144.88 crores and Rs. 73.82 crores for CNP and BNP respectively in the RE. As the leasing arrangement was yet to take final shape, the RBI was requested on 23.10.2000 to finalise the leasing scheme and forward the same to the Ministry by 15.11.2000 so as to enable the Government to make necessary budget provision.

The RBI informed on 9.11.2000 that information for working out the leasing arrangement has been called from CNP and BNP and the same would be finalised at the earliest.

Thereafter, the RBI on 21.12.2000 suggested that the recovery of the cost of machines could be effected from the payments due from the RBI to CNP/BNP for the notes supplied by them. However, this arrangement was not found appropriate from Audit point of view and the RBI was requested to continue payments to CNP/BNP in lieu of the notes supplied by them without adjusting the lease charges.

On 24.1.2001, the RBI intimated that the lease arrangement would be put in place by the end of the current financial year. Again, a reminder was issued on 12.2.2001 to Dy. Governor, RBI to finalise the lease arrangements.

The RBI have intimated on 26.2.2001 that the proposed lease arrangement was being structured with the help of a Chartered Accountant Firm who have submitted the modalities for the same. The lease will cover the cost of the machinery and the accrued/accruable interest to be recovered during the primary lease period of 6 years in 12 half-yearly instalments. They have further informed that the draft lease agreement along with a copy of the Chartered Accountant Firm's report will be sent to the Ministry shortly. On receipt of the same, the Ministry will take steps to make necessary provision in the budgets of Currency Note Press, Nashik and Bank Note Press respectively.

[Ministry of Finance, Deptt. Economic Affairs Integrated Finance Branch, OM No. 5/8/2001-IFA dated 8th March, 2001]

Comments of the Committee

(Please *See* Para No. 13 of Chapter I of this Report)

Recommendation (Sl. No. 14, Para No. 65)

With the opening of the insurance sector the Committee/anticipate tough competition ahead for public sector monoliths-LIC and GIC. The Committee appreciate that the management of LIC and GIC are gearing themselves to face the impending competition effectively by taking suitable steps to modernise LIC and GIC and its subsidiaries. These steps include, providing, connectivity among the branches, introduction of tele and video conferencing facilities etc. The Committee recommend that Funds crunch should not be allowed to come in the way of modernisation/computerisation of the operation of these companies as this will contribute substantially to improving customers' service which requires utmost attention in the competitive market.

In the realm of banking also the Committee recommend introduction of any where banking through inter-connectivity of the branches, speedy transfer of funds, automation of transactions using ATMs as these will result not only in reduced cost of operations but also in enhancing the convenience and satisfaction of the customers. To be able to effectively face the competition from their counterparts in private sector funds crunch should not be allowed to be an impediment in the progress and modernisation of the systems in the banks.

The Committee also desire that effective steps should be taken by the Ministry of Finance to modernise its administration, its channels of communication, automation of filing system etc. In this context, the Committee recommend that a transponder on a communication satellite should be exclusively allocated for automation/modernisation/ computerisation of the entire Ministry of Finance and its undertakings.

Reply of the Government

The Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC) with its four subsidiary companies have already undertaken a massive computerisation programme LIC has almost completed computerisation of all their branches. 2,043 out of 2,048 branches have been provided with online computer systems. Metro Area Networking (MAN) has been completed in all the branches of LIC in Mumbai, Chennai, Bangalore, Pune, Hyderabad, Ahmedabad and Delhi. 30 more centres have been taken up for introduction of MAN. Inter-Active Voice Response System (IVRS) has been made operational in 27 cities. IVRS would be implemented in 31 more centres during the current year. Wide Area Network (WAN) is being established connecting all the seven zonal offices and 3 other MAN centres.

The subsidiary companies of GIC have identified Front Office Computerisation (FOC) as the priority area and equipped their operating units to issue policies through computerised process. The FOC in all the four subsidiary companies is expected to be completed by the end of the Financial Year. At the Head Office level as also at unit levels where the front office systems are in place, Local Area Network (LAN) facility has already been established providing for multiple user access to the systems. The GIC, the holding company of the four subsidiary, is connected using V-sat with the corporate office of all its four subsidiaries companies. The system provides for e-mail messaging and data transmission. The companies have also established connectivity from their corporate office.

It is expected that both LIC and GIC will continue the computerisation/modernisation in the phases as planned by them until the job is fully accomplished. Since this is a priority area of the insurance industry fund crunch will not come in the way of computerisation and modernsiation in these financial institutions.

[Ministry of Finance, Parliament Section, O.M. No. H-11013/5/2000, Prl. dated 6 February, 2001]

In a subsequent written reply on the modernisation/ computerisation/automation of banking sector the Ministry of Finance submitted as under:-

Earlier the public sector banks had targeted to computerise only those branches having a daily workload of more than 750 vouchers as per recommendation of the Dr. C. Rangarajan Committee which submitted its report in November, 1989.

The Committee on Banking Sector Reforms which was set up on 26th December, 1997 under the Chairmanship of Shri M. Narasimham submitted its report in April, 1998.

In view of the wide ranging changes needed in the Information Technology and Communication Technology, the Committee in its report has observed as follows:-

"Globally, banking and financial systems have undergone fundamental changes because of the ongoing revolution in information and communications technology. Information technology and electronic funds transfer systems have emerged as the twin pillars of modern banking development. This phenomenon has largely bypassed the Indian banking system although most technologies that could be considered suitable for India have been introduced in some diluted form. The Committee feels that requisite success in this area has not been achieved because of the following reasons:

Inadequate bank automation.

not so strong commercially oriented inter-bank platform.

lack of a planned, standardized, electronic payment systems backbone.

- inadequate telecom infrastructure.

inadequate marketing effort.

lack of clarity and certainty on legal issues; and

lack of data warehousing network.

The Committee has tried to list out series of implementation steps for achieving rapid induction of information technology in the banking system. Further, information and control systems need to be developed in several areas like.

Better tracking of spreads, costs and NPAs for higher profitability.

- Accurate and timely information for strategic decisions to Identify and promote profitable products and customers.

Risk and Asset-Liability management; and

- Efficient Treasury management."

In order to examine the various issues pertaining to technology upgradation in the banking sector and to suggest steps that facilitate implementation of the spirit of the recommendations of the Committee on Banking Sector Reforms (Narasimham Committee-II), the Reserve Bank of India appointed, in September, 1998, a "Committee on Technology Upgradation in the Banking Sector" under the Chairmanship of the Executive Director in charge of the Department of Information Technology, with representatives from the Government, banks and academic institutions etc. The Report of the Committee was submitted on May 7, 1999.

The Committee made recommendations on (i) issues relating to the Inter-city and intra-city communication network architecture and application architecture for the Indian Financial Network (INFINET) including integration of terrestrial lines; (ii) standards for messages, operating system and system software and security standards; (iii) guidelines for outsourcing; (iv) computerisation of Government accounts; (v) Data Warehousing and Data Mining technologies for evolving an efficient Management Information System (MIS); (vi) amendments to existing Acts and proposals for fresh enactments to provide legal backing; and (vii) process re-engineering, skills upgradation of human resources and information sharing amongst banks.

An Action Plan for implementation of the recommendations has been drawn up. As part of the Action Plan three sub-groups have been constituted *viz.* (i) to regularly view security policies, message formats, software, etc; (ii) to examine legal issues of electronic banking; (iii) to monitor progress of computerisation of branches of banks handling Government transactions.

The Central Vigilance Commission (CVC) had in November, 1998, directed all the banks to computerise 70 percent of their business before January 1, 2001 in order to improve vigilance administration. Accordingly IBA and banks union entered into an agreement for computerising 70 per cent of their total business. Based on the information received from RBI a status of business captured through computerisation by public sector banks as on 31.12.2000 is detailed below:-

(Amount in crores of Rs.)

Parameter	Deposits	Advances	Total
Total business of the bank	716842.15	382687.96	1099530.11
Business captured through computerisation	452793.14	285819.11	738612.25
Percentage of computerised Business to total business	63.16	74.6	67.18

Public Sector banks classified under different percentage bands:-

Band%	No. of Banks	Name of the Bank
	2	3
>70%	13	State Bank of India, State Bank of Saurashtra, Andhra Bank, Bank of Baroda, Bank of India, Canara Bank, Corporation Bank, Dena Bank, Indian Overseas Bank, Oriental Bank of Commerce, Punjab and Sind Bank, Syndicate Bank and Union Bank.

1	2	3
65%-70%	4	State Bank of Patiala, Bank of Maharashtra, UCO Bank and Vijaya Bank.
60-65%	5	State Bank of Hyderabad, State Bank of Indore, Allahabad Bank, Central bank and United Bank.
50-60%	3	State Bank of Bikaner and Jaipur, State Bank of Travancore and Indian Bank.
<50%	2	State Bank of Mysore and Punjab National Bank.

Branch-wise extent of computerisation in the Indian public sector banks for the period ended 30th September, 2000 was as follows:-

Total Branches	46,520	
branches fully computerised	6,982	15%)
branches partially computerised	9,304	(20%)
branches not computerised	30,234	(65%)

Details of the above is given in Annexure-II.

The Action Plan of RBI now focuses on

The implementation and operationalisation of the ongoing Payment system projects *viz.* Real Time Gross Settlement System, Centralised Funds Management System;

Ensuring optimal utilization of INFINET by the Banking Sector;

Extending the reach of INFINET network through the installation of additional VSATs (target 5000 VSATs in all) covering the commercially important centres in the country;

Monitoring the progress of computerisation of Banking business to fall in line with the CVCs guideline of achieving the target of computerizing 70 percent of banking business;

Pursuing the implementation of the Payments System (Generic Architecture Model by the banks;

Implementation of the Generic Architecture model with the Reserve Bank through a policy of standardisation of systems coperating systems, systems software and application software);

Process improvements in paper clearing through-expansion of Magnetic Ink Character Recognition (MICR) Clearing to more centres; implementation of two-way intercity cheque clearing in all clearing houses managed by the Reserve Bank for faster realization of inter-city instruments;

Process improvements in Electronic Clearing Service (ECS) to facilitate corporate/user institutions for centralised submission of the data; expanding the use of ECS to reduce volumes in paper clearing and ensure prompt customer service;

Setting up of Information Kiosks in major Regional Offices for dissemination of information to public;

Preparation of a comprehensive IT Security policy for the Bank.

[Ministry of Finance, Deptt. of Economic Affairs, Banking Division, OM No. 6-1/2001-AC (PQ) dated 7 March, 2001]

Comments of the Committee

(Please *See* Para No. 21 of Chapter I of this Report)

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED.

NIL

NEW DELHI
26 *March*, 2001
5 *Chaitra*, 1923 *(Saka)*

SHIVRAJ V. PATIL
Chairman,
Standing Committee on Finance.

MINUTES OF THE FOURTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Monday, 12 March, 2001 from 1500 to 1645 hours.

PRESENT

Shri Shivraj V. Patil — *Chairman*

MEMBERS

Lok Sabha

2. Smt. Renuka Chowdhury
3. Shri Rattan Lal Kataria
4. Shri Rupchand Pal
5. Shri M. Padmanabham
6. Dr. Sanjay Paswan
7. Shri Varkala Radhakrishnan
8. Shri Pravin Rashtrapal
9. Shri C.N. Singh
10. Shri Kharebela Swain

Rajya Sabha

11. Shri S.S. Ahluwalia
12. Shri Krishna Kumar Birla
13. Dr. Biplab Dasgupta
14. Shri Suresh A. Keshwani
15. Shri Narendra Mohan
16. Shri P. Prabhakar Reddy
17. Shri Amar Singh

SECRETARIAT

1. Dr. (Smt.) P.K. Sandhu	*Joint Secretary*
2. Shri P.K. Grover	*Deputy Secretary*
3. Shri S.B. Arora	*Under Secretary*

I. Ministry of Finance

(i) Department of Economic Affairs

1.	Shri Ajit Kumar	—	Finance Secretary
2.	Shri Devi Dayal	—	Special Secretary (Banking)
3.	Shri P.K. Banerji	—	Special Secretary (Ins. & EF)
4.	Shri D. Swarup	—	Joint Secretary (Budget)
5.	Shri N.R. Rayalu	—	Financial Adviser (Finance)
6.	Shri Navin Kumar	—	Joint Secretary (Admn. and C&C)
7.	Dr. Jaimini Bhagwati	—	Joint Secretary (CM&ECB)
8.	Shri U.K. Sinha	—	Joint Secretary (Banking)
9.	Shri Sekhar Aggarwal	—	Joint Secretary (Banking)
10.	Shri Ajit M. Sharan	—	Joint Secretary (Insurance)

(ii) Department of Expenditure

1.	Shri C.M. Vasudev	—	Secretary (Expenditure)
2.	Shri A.M. Sehgal	—	C&A
3.	Shri M. Venkateswaran	—	Additional Secretary
4.	Smt. Usha Mathur	—	Joint Secretary (Pres.)

(iii) Department of Revenue

1.	Dr. S. Narayan	Revenue Secretary
2.	Dr. G.C. Srivastava	Additional Secretary (Administration)
3.	Shri B.P. Verma	Chairman CBEC
4.	Shri R.K. Pathania	Member (Investigation) CBDT
5.	Shri Raj Naraian	Member (Investigation) CBDT
6.	Shri A.N. Prasad	Joint Secretary (TPL-I) CBDT
7.	Shri R.R. Singh	DIT (Systms) CBDT
8.	Shri Sukumar Shankar	Member (Budget)
9.	Shri Prashant Mehta	Joint Secretary (NCB & Admn.)
10.	Shri T.R. Rustagi	Joint Secretary (TRU)

II. Reserve Bank of India (RBI)

1.	Shri Jagdish Capoor	Deputy Governor
2.	Shri A.V. Sardesai	CGM-in-Charge, RPCD
3.	Shri C.R. Muralidharan	CGM, DBOD
4.	Shri C. Krishnan	CGM, DCH, RBI
5.	Shri V.K. Jain	General Manager, Currency, Note Press, Nashik

III. NABARD

Shri Y.C. Nanda	Chairman

2. In the absence of the Chairman, the Committee chose Shri Suresh A. Keshwani to act as Chairman for the sitting under Rule 258 (3) of the Rules of Procedure and Conduct of Business in Lok Sabha. The acting Chairman then welcomed the representatives of the Ministry of Finance, Reserve Bank of India and NABARD to the sitting and invited their attention to the provisions of Direction 55 of the Directions by the Speaker.

3. The Committee then took oral evidence of representatives of Ministry of Finance to seek further clarifications on the written replies furnished by them on the recommendations contained in their Sixth and Seventh reports on Demands for Grants (2000-2001) of Ministry of Finance (i) Departments of Economic Affairs & Expenditure and (ii) Department of Revenue, respectively.

4. During the course of the evidence, Hon'ble Chairman joined the Committee and presided over the sitting.

5. The evidence was concluded.

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

The Committee then adjourned.

MINUTES OF THE FIFTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Monday, 19 March, 2001 from 15.00 to 17.00 hours.

PRESENT

Shri. Shivraj V. Patil — *Chairman*

MEMBERS

Lok Sabha

2. Shri Ajoy Chakraborty
3. Smt. Renuka Chowdhury
4. Shri G. Putta Swamy Gowda
5. Shri Rupchand Pal
6. Dr. Sanjay Paswan
7. Shri Annasaheb M.K. Patil
8. Shri Varkala Radhakrishnan
9. Shri T.M. Selvaganpathi
10. Shri C.N. Singh
11. Shri Kirit Somaiya
12. Shri Kharebela Swain

Rajya Sabha

13. Shri S.S. Ahulwalia
14. Dr. Biplab Dasgupta
15. Shri Suresh A. Keshwani
16. Dr. Manmohan Singh
17. Shri Narendra Mohan
18. Shri P. Parbhakar Reddy

SECRETARIAT

1. Dr. (Smt.) P.K. Sandhu	*Joint Secretary*
2. Shri P.K. Grover	*Deputy Secretary*
3. Shri S.B. Arora	*Under Secretary*

2. At the outset, the Chairman welcomed the Members. Thereupon the Committee took up for consideration the revised draft action taken reports on the recommendations contained in the fifth, sixth and seventh Reports of the Committee on Demands for Grants (2000-2001) of Ministries of Planning and Finance (Departments of Economic Affairs, Expenditure and Revenue).

3. The draft Report on action taken on the fifth Report was adopted without any amendments.

4. The draft Reports on action taken on sixth and seventh Reports were adopted with amendments/modifications as shown in the Annexure.

The Committee then adjourned.

AMENDMENTS/MODIFICATIONS IN THE DRAFT ACTION TAKEN REPORT ON SIXTH REPORT

Page	Para	Line		Amendment/Modification
4	9	16	*For* *Substitute*	"demonstrates the imprudence" "not only their imprudence but also their grossly casual attitude"
11	17		*After* *Add*	1st sub-para sub para "The Committee are perturbed to note that the Public Sector Banks (PSBs) inspite of having more than 70% of total branches in rural/ semi-urban areas are also still lagging behind in achieving the stipulated lending to agriculture. They therefore recommend that Government should stipulate specific time limit within which the Public Sector Banks lending to agriculture which stands at 15.38% of Net Bank Credit (NBC) at the end of March, 2000 would have to conform to the prescribed target of lending *i.e.* 18% of NBC."
15	21	3	*After* *Add*	"to providing" "a computerised network in the Ministry of Finance which can help the Ministry to anticipate Banking Scenario and undertake sensitivity analysis as a part of a decision support system or"

ANNEXURE-I

Navin Kumar
Joint Secretary
Phone (O): 3012861

Government of India
Ministry of Finance
Department of Economic Affairs
New Delhi

D.O No. 6/37/95-CY.II
Dated 6th April, 2000.

Dear Shri

Please refer to your letter No. 845/10.72.00/99-2000 dated 15th January, 2000 regarding repayment of cost of machinery supplied to Currency Note Press, Nasik and Bank Note Press, Dewas.

The matter has been considered. It may not be possible for us to resort to market borrowing, as suggested by the RBI. Thus, in case the RBI is not agreeable to treat the entire cost of machines as their permanent asset deployed in CNP/BNP, as envisaged in this Ministry's letter dated 29.7.99, it may consider to accept the leasing arrangement as under:

(1) To pay annual "lease charges" in respect of machines purchased for CNP/BNP modernisation to RBI at the rate of Rs. 144.88 crores by CNP and Rs. 73.82 crores by BNP, for a period of eight years;

(2) The lease agreement will be signed between RBI and GMs of CNP/BNP. This will be renewable after 8 years.

(3) CNP/BNP will undertake necessary maintenance of all the machines in question and add the cost thereof to the production of notes, and charge from RBI.

You are therefore requested to send RBI's concurrence to the above suggestion, so that the matter is settled at an early date.

Yours sincerely,

(Navin Kumar)

Shri K.B. Chakraborti,
Chief General Manager,
Central Office,
Reserve Bank of India,
Mumbai

ANNEXURE-II

BANK-WISE POSITION OF COMPUTERISATION IN INDIAN PUBLIC SECTOR BANKS FOR THE PERIOD ENDED 30TH SEPTEMBER, 2000

Sl. No.	Bank	Total number of Branches	Number of Branches Fully Computerised	No. of Branches Partially Computerised	Branches not Computerised
A	B	C	D	E	F
1.	State Bank of India	9007	2237	2758	4012
2.	State Bank of Bikaner & Jaipur	796	126	24	646
3.	State Bank of Hyderabad	876	94	157	625
4.	State Bank of Indore	404	58	45	301
5.	State Bank of Mysore	597	33	72	492
6.	State Bank of Patiala	714	144	28	542
7.	State Bank of Saurashtra	406	60	58	288
8.	State Bank of Travancore	671	135	120	416
9.	Allahabad Bank	2015	53	342	1620
10.	Andhra Bank	1018	154	182	682
11.	Bank of Baroda	2619	255	808	
12.	Bank of India	2515	515	91	
13.	Bank of Maharashtra	1203	126	185	892
14.	Canara Bank	2398	336	564	
15.	Central Bank of India	3105	526	103	2476
16.	Corporation Bank	649	288	0	361
17.	Dena Bank	1171	246	276	649
18.	Indian Bank	1477	249	37	
19.	Indian Overseas Bank	1423	287	396	740

A	B	C	D	E	F
20.	Oriental Bank of Commerce	918	158	271	489
21.	Punjab National Bank	3872	214	283	3375
22.	Punjab & Sind Bank	873	37	347	489
23.	Syndicate Bank	1717	176	675	
24.	UCO Bank	*1774	*33	*509	
25.	Union Bank of India	2139	108	676	1355
26.	United Bank of India	1325	95	271	959
27.	Vijaya Bank	838	239	26	573
	Total	46520	6982	9304	30234

*Indicates figure as on 31st March, 2000.

APPENDIX

(*Vide* Para 3 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE SIXTH REPORT OF THE STANDING COMMITTEE ON FINANCE (THIRTEENTH LOK SABHA) ON DEMANDS FOR GRANTS (2000-2001) OF THE MINISTRY OF FINANCE (DEPARTMENTS OF ECONOMIC AFFAIRS AND EXPENDITURE)

		Total	% of Total
(i)	Total number of recommendations	15	
(ii)	Recommendations/Observations which have been accepted by the Government (*Vide* Recommendations at Sl. Nos. 2, 4, 5, 6, 7 and 8)	6	40.00
(iii)	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies (*Vide* Recommendations at Sl. Nos. 9, 10, 11, 12, 13 and 15)	6	
(iv)	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (*Vide* Recommendations at Sl. Nos. 1, 3 and 14)	3	
(v)	Recommendations/Observations in respect of which final reply of the Government is still awaited (Nil)	0	