13

STANDING COMMITTEE ON FINANCE
(2001)

(THIRTEENTH LOK SABHA)

MINISTRY OF FINANCE
(DEPARTMENTS OF ECONOMIC AFFAIRS & EXPENDITURE)

DEMANDS FOR GRANTS
(2001-2002)

THIRTEENTH REPORT

Presented to Lok Sabha on 24 April, 2001
Laid in Rajya Sabha on 24 April, 2001

LOK SABHA SECRETARIAT
NEW DELHI

April, 2001/Vaishakha, 1923(Saka)

INTRODUCTION

I, the Chairman of the Standing Committee on Finance having been authorised by the Committee to submit the Report on their behalf, present this Thirteenth Report on Demands for Grants (2001-2002) of the Ministry of Finance (Departments of Economic Affairs & Expenditure).

2. The Demands for Grants of the Ministry of Finance were laid on the Table of the House on 19 March, 2001. Under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, the Standing Committee on Finance are required to consider the Demands for Grants of the Ministries/Departments under its jurisdiction and make Reports on the same to both the Houses of Parliament.

3. The Committee took oral evidence of the representatives of the Ministry of Finance (Departments of Economic Affairs & Expenditure) at their sitting held on 16 April, 2001 in connection with examination of the Demands for Grants (2001-2002) of the Ministry of Finance (Departments of Economic Affairs & Expenditure).

4. The Committee considered and adopted the Report at their sitting held on 23 April, 2002.

5. The Committee wish to express their thanks to the Officers of the Ministry of Finance (Departments of Economic Affairs & Expenditure) for co-operation extended by them in furnishing written replies and for placing their considered views and perceptions before the Committee.

6. For facility of reference, the observations/recommendations of the Committee have been printed in thick type.

NEW DELHI;
23 April, 2001
3 Vaisakha, 1923(SAKA)

(SHIVRAJ V. PATIL)
Chairman,
STANDING COMMITTEE ON FINANCE

REPORT

Demand No. 23
Deptt. of Economic Affairs
Major Head : 2070
Minor Head : 00.800
Detailed Head : 23.00.50

1. Security Appellate Tribunal – Other Charges

For meeting the expenditure on the establishment such as pay, allowances, office expenditure, etc. by the Securities Appellate Tribunal (SAT) established under Securities and Exchange Board of India (SEBI) Act the following allocations have been provided since 1997-98 :-

Year	BE	RE	Actuals
1997-98	10,00,000	15,00,000	3,02,000
1998-99	30,00,000	27,00,000	11,79,000
1999-2000	30,00,000	15,00,000	15,49,000
2000-2001	50,00,000	18,00,000	
2001-2002	50,00,000		

2. On the reasons for spending only one fifth of the amount allocated at revised estimates stage during 1997-98 and for utilising only 50% of the reduced revised estimates during 1998-99, Ministry of Finance (Department of Economic Affairs) inter-alia stated as under :-

> "SAT has a staff strength of 10 including the Presiding Officer. Some of the posts in the Tribunal were lying vacant. Further, SAT has been occupying the premises of SEBI since November 1997 but no rent has been paid as premises have not been valued by CPWD. Hence, there is a significant difference between the allocations at RE stage and the actual expenditure."

3. In written reply to a query as to the reasons for steep increase in budgetary allocation for 2000-2001 compared to the actuals incurred during 1999-2000, Ministry of Finance (Department of Economic Affairs) inter-alia stated as under :-

> “SAT has been occupying the premises of SEBI since November, 97. It was expected that a fair rental of the premises would be finalised and Securities Appellate Tribunal would pay to SEBI rent from November 1997. Therefore, the provision for the rent for the entire period i.e. November 1997 to March 2001 was made in the BE for 2000-2001.

4. In response to query as to why CPWD could not value the said premises, Ministry of Finance (Departments of Economic Affairs & Expenditure) inter-alia stated as under :-

> “SAT had taken up the matter of documentation for occupying the premises of SEBI, with the Department of Economic Affairs first time in August, 1998. Only after tripartite meeting of the representatives of Ministry of Finance, SAT and SEBI on 10.1.2000, it was clear as to what could be the mode of acquisition. SEBI had indicated in the meeting its readiness to sell the premises……. the Department vide its letter dated 29.3.2000 viewed that as per the established procedure it would be necessary to get CPWD’s valuation report in the matter……. SAT had written to the CPWD’s Chief Engineer (CE) (Mumbai), on 8.5.2000 requesting to cause valuation of the premises. CPWD was reminded by SAT on 27.6.2000. On 1.8.2000 the Tribunal received a letter from the Supdt. Engineer'' office seeking certain details such as the floor map, construction details, etc. of the premises. …….. The information received from SEBI was requested to furnish the same on 2.8.2000…….. They had also stated in the letter that it may take sometime for them to deal with the case, as they were awaiting certain directions from their office at Delhi in the matter. CPWD was reminded on 26.9.2000. On 4.10.2000 CPWD was informed that the premises are proposed to be taken on lease and license basis and requested to expedite the matter, to enable the tribunal to meet the expenditure towards rent from the budget grant for the Financial Year 2000-2001. Since there was no response from CPWD they were reminded on 10.11.2000 and again on 4.1.2001 Tribunal is pursuing the matter with CPWD office in Mumbai.”

5. The Committee observe that due to delay in evaluation of the premises of SEBI occupied by Securities Appellate Tribunal (SAT) the budgetary allocations meant for payment of rent / purchasing premises could not be spent for the last four years. The Committee express their dissatisfaction at the fact that though the matter of documentation was taken up in August, 1998 the decision regarding mode of acquisition could be taken after about one and half years. The Committee are of the opinion that there was undue delay in deciding the mode of acquisition. The Committee would like to be apprised as to why CPWD has not been able to value the premises inpite of having been communicated to do the same in May, 2000. In this context, the Committee recommend that to obviate the surrendering of the funds allocated for the purpose year after year the need for valuation of the premises without any further delay should be impressed upon CPWD.

Demand No. 24
Department of Economic Affairs
Major Head : 4046
Minor Head : 00.107
Detailed Head : 02.00.52

2. Mints – Machinery and Equipment

6. To eliminate coin shortage and to have total coinage upto Rs. 5, Government of India approved the project for modernisation of mints located at Mumbai, Calcutta and Hyderabad in March, 1989 with the date of completion as March, 1992 and with an estimated cost of Rs. 118.20 crore. The budgetary allocations, revised estimates and the actuals incurred by the Govt. of India mints for procuring machinery and equipment meant for their modernisation under plan and non-plan since 1994-95 are as under :-

	BE		RE		Actuals	
Year	Plan	Non-Plan	Plan	Non-plan	Plan	Non-Plan
1994-1995	92,10,00,000	4,52,00,000	51,11,00,000	1,60,00,000	18,42,12,000	66,87,000
1995-1996	76,68,00,000	2,28,00,000	55,86,00,000	1,13,00,000	53,88,65,000	39,50,000
1996-1997	91,34,00,000	2,26,00,000	46,46,00,000	1,92,00,000	40,27,25,000	23,77,000
1997-1998	28,42,00,000	2,02,00,000	16,00,00,000	1,97,00,000	14,57,48,000	55,89,000
1998-1999	3,17,60,000	3,85,00,000	14,09,00,000	2,87,00,000	13,56,82,000	55,32,000
1999-2000	25,71,00,000	9,40,00,000	13,63,60,000	3,35,00,000	12,67,57,000	2,24,93,000
2000-2001	27,89,45,000	3,10,00,000	15,46,00,000	2,50,00,000		
2001-2002	8,95,00,000	16,05,00,000				

7. The Committee in their Sixth Report on Demands for Grants of the Ministry of Finance (Deptt. of Economic Affairs and Expenditure) for the year 2000-2001 had recommended 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 mints were overcome without further delay and the projects got completed expeditiously. In their action taken reply, the Ministry of Finance stated inter alia as follows :

> "The Ministry is making all out efforts for completion of the project at the earliest: of the three mints at Mumbai, Hyderabad 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."

8. In response to a subsequent query as to whether modernisation of the mint at Kolkata has been completed, Ministry of Finance (Department of Economic Affairs) inter alia submitted as under :-

> "The modernisation of mint at Kolkata is nearing completion. Except one CCP out of two and one Strip Milling machine, all other machines have been commissioned….. The work on commissioning of the second CCP is currently going on. Some unexpected problems have been encountered which the engineers of Kolkata and Bombay Mints are trying to solve. Once the teething problems are sorted out, the CCP will start functioning. For Strip Milling machine, two foreign technicians from M/s MINO, Italy, one for electrical and one for mechanical, are working on the mechanical and electrical sections of the machines. They are likely to complete their work by 12th April. The commissioning engineers are scheduled to arrive from Italy between 20-23 April to commence the commissioning work."

9. However, the Ministry of Statistics and Programme Implementation in their Annual Report (2000-2001) on the progress in the implementation of the project inter-alia stated as under :-

> "The scope of the project is to modernise the mints situated at Mumbai, Hyderabad and Calcutta. The project was sanctioned in March, 1989 with date of completion as March, 1992 and estimated cost Rs. 118.28 crores. **However, now the anticipated date of completion is March, 2001 and cost Rs. 348.80 crores. The project activities at Mumbai and Calcutta are behind schedule due to delay in civil works.** The Hyderabad Mint has been completed."

10. The data on the indigenous production and the RBI's demand for coins furnished by Ministry of Finance (Department of Economic Affairs & Expenditure) is as under :-

Year	RBI's demand (in million pieces)	Indigenous production (in million pieces)
1997-1998	6939	1678
1998-1999	9050	2318
1999-2000	8710	2813
2000-2001	8000	3053

11. In response to a query as to whether any programme is chalked out to be self sufficient in the production of coins the Ministry of Finance (Department of Economic Affairs & Expenditure) in a written reply stated as follows :-

"To narrow the gap between demand and supply, it is proposed to introduce second shift working in the NOIDA mint. A proposal in this regard is in an advanced stage of processing. Hyderabad and NOIDA mints (day shift) are producing to their capacity (105.47% and 109.29% of the target respectively). Proposals for augmenting the production of Kolkata and Mumbai mints are under examination. RBI had been asked to submit projections of demand over a 10 year period so as to enable the Government to plan for capacity addition. Their report has been received recently. A comprehensive plan in this regard is being worked out and the same will be submitted to Government shortly."

12. In their action taken reply to the recommendation of the Committee for expeditious completion of the project, the Ministry of Finance had stated that the project work for modernisation of mint at Mumbai had been completed and at Kolkata work was at a fairly advanced stage whereas according to the Annual Report of the monitoring Ministry viz. Ministry of Statistics and Programme Implementation (2000-2001) containing assessment of the status of the implementation, the project activities at Mumbai and Calcutta were far behind schedule due to delay in Civil Works.

The Committee are of the opinion that the concerned authorities are fixing the scheduled dates of completion of the project at Mumbai and Kolkata without even taking into consideration the ground realities. Hence, the Committee are inclined to concur with the assessment of the monitoring Ministry especially in the light of the fact that for the last 5 years their assessment of the completion of the project has proved to be correct.

The Committee are further of the view that had the project been completed in time hundreds of crores of rupees spent on import of coins could have been saved. They therefore recommend that earnest efforts should be made to complete the project without any further delay.

The Committee are of the view that a long term plan to bridge the gap between demand and supply of coins which is now under preparation should have been conceived and implemented long back. However, as the matter does not brooke further delay, the Committee recommend that the perspective plan may be devised/chalked out expeditiously to obviate the necessity of importing coins and the Committee be apprised of the same.

Demand No. 24
Deptt. of Economic Affairs
Major Head : 4046
Minor Head : 00.205
Detailed Head : 01.00.54

3. Imports of Coins from abroad – Investments

13. Coins are being imported to bridge the gap between demand and indigenous supply of coins. The Reserve Bank of India had projected a demand of 8000 Million pieces of coins of various denominations for 2000-2001. As against this, the current capacity of the mints is 3.7 billion pieces only. It would thus be seen that the indigenous production is far short of the requirement. The budgetary allocations, revised estimates and actuals incurred for importing coins since 1997-98 is as under :-

Year	Budget Estimates	Revised Estimates	Actuals
1997-1998	100,00,00,000	100,00,00,000	78,42,69,000
1998-1999	100,00,00,000	70,00,00,000	61,49,47,000
1999-2000	160,00,00,000	120,00,00,000	58,89,77,000
2000-2001	355,00,00,000	180,00,00,000	131,50,00,000
2001-2002	250,00,00,000		

14. In response to a query as to why only less than 50% of the revised estimates could be utilised during 1999-2000 the Ministry of Finance (Department of Economic Affairs) informed as under :-

> "The contract for import of coins could be finalized only in September-October 1999. After approval of pre production samples, supplies of Re 1 and Rs. 5 coins started in December 1999- January 2000. The pre-production inspection of Rs. 2 coins was carried out in December 1999 but some shortcomings were noticed. After removal of these defects, the samples could be cleared in February 2000. As a result, Rs. 2 coins could not be imported in 1999-2000. Due to these reasons, the expenditure was less than anticipated."

15. On the reasons for sharp downward revision of budgetary allocation at RE stage during 2000-2001, the Ministry of Finance (Department of Economic Affairs) submitted as under :-

> "Cabinet had given approval for import of 2,500 million pieces of coins. Even though the tenders were floated in time, the processing of the tenders was delayed due to various reasons. Finally, contracts could be signed in September- December 2000. The budget estimates had been made in the expectation that the coins will be imported in 2000-2001. When delay in finalisation of tenders was noticed, the RE was reduced to Rs. 180 crores."

16. The Committee were also informed that the actual expenditure during 2000-2001 was Rs. 131.50 crores

17. The Committee observe that the contract for import of coins during 1999-2000 was finalised only in September – October i.e. six months after allocation of budgetary provisions. The Committee have no doubt that the decision to import coins must have been taken well before the budget. The Ministry thus took a very long time for finalisation of the proposal. The Committee are of the view that had the Ministry taken the decision within reasonable period of time, the underutilisation to the extent of more than 50% of the revised estimates would not have occurred. The Committee therefore recommend that in such cases the Ministry should commence the ground work well in advance anticipating the likely problems so that budgetary allocations meant for the purpose are fully spent during that year itself.

It could be seen that due to delay in processing of the tenders floated for import of coins the budgetary allocation of Rs. 355 crore was revised downwards to Rs. 180 crore at revised estimates stage. However, the actuals incurred fell short of reduced revised estimates by about 49 crore. The Committee would like to be apprised of the specific reasons as to why the actuals fell far short of even the reduced revised estimates together with the actual pieces of coins imported during the year.

Demand No. 24
Deptt. of Economic Affairs
Major Head : 4047
Minor Head : 00.105
Detailed Head : 03.00.52

4. India Security Press – Machinery and Equipment

18. The main functions of India Security Press is to print postal stamps, postal and non postal stationary, judicial and non-judicial stamps, RBI/SBI Cheques, Bonds, Saving Certificates, Postal orders, Passports, Promissory Notes and such other Security documents as may be required by the Central and state Governments, Public Sector Undertakings and local bodies. It has also started printing MICR Cheques etc. The Central stamps Depot attached to the Press deals with the supply of finished products. The funds allocated for procuring machinery and equipment by ISP since 1996-97 are as under :-

Non-plan

Year	Budget Estimates	Revised Estimates	Actuals
1996-97	10,00,00,000	10,00,00,000	70,000
1997-98	10,00,00,000	10,00,00,000	11,64,000
1998-99	5,00,00,000	16,69,00,000	11,17,70,000
1999-2000	27,00,00,000	18,00,00,000	10,98,01,000
2000-2001	30,00,00,000	30,00,00,000	
2001-2002	25,00,00,000		

19. In written reply to a query as to the reasons for utilising only about Rs. 11.65 lakh against allocation of Rs. 10 crore during 1997-98 Ministry of Finance (Department of Economic Affairs) inter-alia stated as follows :-

> "Provision in the year 1997-98 was made for procurement of a new Passport Machine (8 crores) but the machine was received in the month of October, 1998 i.e. in the next financial year. Due to this reason, funds could not be utilised during the financial year 1997-98."

20. On the reasons for not utilising about Rs. 7 crore during 1999-2000, the Ministry of Finance (Department of Economic Affairs) submitted as under :-

> "Included in the R.E. of 1999-2000 was a provision for Six Colour Web Offset Machine (Rs. 5.80 crores). It was initially proposed to procure the machine from the same supplier who had supplied the machine to Security Printing Press, Hyderabad on the same terms and conditions. It was, however, decided later that a fresh tender should be floated. The new tender was floated on 16-11-1999 but the same could not be finalized during that year. Hence, funds meant for it could not be utilised in 1999-2000."

21. The Committee regret to point out that though funds were allocated for procuring new passport machine costing Rs. 8 crore during 1997-98 the same could not be procured during that year due to which the funds had to be surrendered.

The Committee are of the view that floatation and finalisation of tenders for procuring machinery and equipment is a time consuming process. They recommend the Government to examine the possibility of allocating nominal amounts if the tenders are floated for procuring machinery and equipment in the later half of the financial year i.e. at the time of Revised Estimates to avoid surrendering of the funds. In the instant case, the Committee would like to be apprised as to why the passport machine was not supplied to ISP during 1997-98 and whether any penalty was imposed on the supplier for the delay.

Demand No. 25
Deptt. of Economic Affairs
Major Head : 2552
Minor Head : 800
Detailed Head : 02.01.31

5. Role of Nominee Directors

22. Financial Institutions by virtue of the right retained in Loan/Underwriting agreements have been appointing nominee directors on the Boards of assisted companies with a view to, inter-alia, protecting their interest. However, it is seen that despite the presence of nominees of Financial Institutions on their Boards, some companies have diverted the funds taken from Financial Institutions for the purposes other than those mentioned in the loan agreement. In written reply to a query as to the role played by the institutional nominees on the Boards of the Companies which have diverted the funds of DFIs, the Ministry of Finance furnished the following data:-

Name of FI having institutional nominee on the board of cos. Diverting funds	Year	No. of cases	Role of nominee director in detecting, enabling / preventing fund diversion
IIBI	1995-96	1	The funds diverted were brought back.
TFCI	1996-97	1	**Institutional nominee was appointed on the Board but the promoters were not co-operative and didn't allow the institutional nominee to act in the best interest of the company. The promoters failed to deploy their envisaged contribution for the project and the account became NPA. The nomination on the Board of the company was withdrawn before** filing suit for recovery of the dues with DRT.
IFCI	1995-96 1996-97 1997-98	1 1 1	In one case, nominee director was withdrawn and suits filed. **In other 2 cases, the matter was not reported / placed before the Board by the company.**

23. In a note on Corporate Governance furnished to the Committee, IDBI, on the role of nominee directors, inter-alia stated as under :-

> "The nominee directors can be expected to contribute only in respect of matters brought before the Board **but are helpless if the information is either concealed or not furnished**."

24. In a note furnished to the Committee during the Committee's visit to Mumbai in August 1998, IDBI suggested the following measures for enhancing the effectiveness of Nominee directors:

(i) there should be proper balance between the strength of promoter directors vis-à-vis independent directors including institutional directors in the Board;

(ii) the frequency of the Board meetings should be increased at least to 6 from the present 4;

(iii) matters relating to acquisition/merges/takeover, divestment, inter-corporate/group company transactions, waivers/write-offs, formation of new companies/subsidiaries as also de-subsidiarisation and compliance to the statutory/regulatory requirements, etc. should be brought before the Board; with adequate details to take a decision;

(iv) agenda papers should be circulated to all directors in advance of the meeting;

(v) a certificate by the Chief Executive on compliance with statutory requirements, payment of statutory and institutional dues should be placed before the Board at each meeting;

(vi) the companies should constitute Board level Committees to monitor/determine important matters like (a) project implementation, (b) remuneration to executives, (c) internal audit, (d) share transfer, etc.

25. In a written reply to a query as to whether there is any proposal to amend the companies act/other relevant acts making mandatory for the management of the companies to bring all matters of importance having implications for the financial health of the company to the notice of the Board enabling the institutional nominees to act in the best interest of the company and thereby FIs, the Ministry of Finance stated as under :-

> " Suitable instructions have been issued by FIs to their nominees in the Board of companies. FIs are being advised by the Government to ensure that sensitive matters if any, must be brought by the companies before the Board and monitored regularly and also that only competent persons should be appointed as nominee directors. FIs have sufficient powers under loan agreements to give such directions."

26. Financial Institutions have been appointing nominee directors on the Boards of assisted companies with a view to protecting their interest. The Committee regret to observe that inspite of this and the claim made by Govt. that the Financial Institutions have sufficient powers under loan agreements to ensure that sensitive matters are brought by the assisted companies before their Boards and monitored regularly, there have been cases where some companies have diverted the funds taken from Financial Institutions for purposes other than those mentioned in the loan agreement. It appears to the Committee that either the powers given to Financial Institutions are not adequate or they are not being used effectively. This is corroborated by the fact that in a few cases, the nominee directors were withdrawn instead of invoking the powers of Financial Institutions under the loan agreement.

The Committee are of the view that had it been made compulsory for the managements of the companies to bring sensitive matters having impact on their financial health before their Boards the above mentioned cases of diversions despite the presence of nominee directors on the Boards could not have occurred. Hence, the Committee recommend that it should be made mandatory on the part of the management(s) of the companies to bring all matters of importance especially those having implications for the financial health of the companies before the Board. In the event of management's failure to adhere to such a stipulation deterrent punishment in the form of monetary penalties may also be prescribed. If necessary, the relevant Act may suitably be amended.

Demand No. 25
Deptt. of Economic Affairs
Major Head : 2552
Minor Head : 800
Detailed Head : 02.01.31

6. Lending to Agriculture by public sector commercial banks

27. In regard to lending to agriculture by public sector commercial banks, the Managing Director, NABARD during the course of evidence held on **20 September, 2000** at Mumbai inter alia made the following observations :-

> "… the direct agricultural loans are going down. The commercial banks are giving lesser direct agricultural loans than they used to give earlier."

28. The Ministry of Finance (Department of Economic Affairs) in a written reply to a query as to whether the Govt. / RBI are in agreement with the above mentioned observation stated as follows :-

> "The direct agricultural advances made by public sector banks as on the last reporting Friday of March 1996 to 2000, as furnished by Reserve Bank of India are given below :

March	Direct agri. Lending (Rs. Cr.)	Growth rate	% of direct Agri lending to NBC	Indirect agri. Lending	% of indirect Agri lending to NBC	Total agri lending	% of total agri.lending to NBC
1997	25826	12.8	13.62	5186	2.73	31012	16.35
1998	28302	9.59	12.97	6002	2.75	34304	15.72
1999	31681	11.94	12.87	8397	3.41	40078	16.28
2000	34432	8.68	11.75	11758	4.01	46190	15.77

> A target of 18 percent of NBC has been stipulated for lending to agriculture (both direct and indirect). However, the indirect advances should not exceed 4.5% of NBC. Bank wise data on direct and indirect agricultural advances in respect of public sector banks is shown at Annexure I to V."

29. On the issue of shortfall in agricultural lending by public sector commercial banks the Committee in their Sixth Report on Demands for Grants (2000-2001) of Ministry of Finance (Department of Economic Affairs & Expenditure) inter-alia recommended as under :-

> "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."

30. Ministry of Finance (Department of Economic Affairs) in their action taken reply on the above mentioned recommendation stated as follows :-

> "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.
>
> 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."

31. The Committee are constrained to observe that the public sector banks have not fulfilled the stipulated target of lending - 18% of NBC to agriculture inspite of having wide network of Branches in rural areas. They, therefore, recommend that these banks may be asked to achieve the stipulated target within a specified period. In the event of their failure to achieve the prescribed percentage of lending even after the specified period, RBI may consider imposing monetary penalties. The Committee would also like to be apprised of the concrete steps taken to include fulfilment of targets set for agriculture lending as a precondition for granting autonomous status to public sector banks.

The Committee are also concerned to note that there has been continuous decline in direct lending to agriculture by public sector commercial banks from 13.62% of Net Bank Credit (NBC) at the end of March 1997 to 11.75% of NBC at the end of March 2000 despite (i) having more than 70% of their branch network in rural areas and (ii) the Committee's recommendation contained in their earlier reports to improve the same to conform to stipulated targets. The data also show that direct agricultural lending by some big public sector banks viz. Punjab National Bank, Union Bank of India and Corporation Bank having autonomous status and with wide network of Branches in rural areas has witnessed continuous decline since 1997. The Committee, therefore, recommend that the banks should be asked to achieve a higher percentage of direct lending to agriculture.

While the direct lending to agriculture by public sector banks has been declining, there has been continuous increase in indirect lending to agriculture from 2.73% of NBC at the end of March 1997 to 4.01% of NBC at the end of March 2000 by these banks. Further, some of the public sector banks' indirect lending to agriculture exceeded the maximum stipulated percentage i.e. 4.5% of NBC whereas their direct agricultural advances fell short of the minimum prescribed percentage during 1998-1999 and 1999-2000. The Committee express their unhappiness at the non-adherence to the stipulations in regard to lending to agriculture by public sector commercial banks. They recommend that steps should be taken to ensure that indirect lending to agriculture by individual banks does not exceed 4.5%.

The Committee also recommend that attainment of stipulated percentage in respect of lending to agriculture (both direct and indirect separately) by individual public sector banks should be incorporated every year in their publication – Report on Trend and Progress of Banking in India from this year onwards to improve transparency in their operations and to generate informed public debate on the issue.

7. Lending to Agriculture by Private Sector Commercial Banks

32. Direct and indirect lending to agriculture under priority sector by private sector commercial banks since 1996 is as under :-

March	Direct agri. Lending (Rs. Cr.)	Growth rate	% of direct Agri lending to NBC	Indirect agri. Lending	% of indirect Agri lending to NBC	Total agri lending	% of total agri.lending to NBC
1997*	1135	24.45	7.79	374	2.56	1509	10.35
1998	1639	44.40	5.77	1107	3.90	2748	9.67
1999	1870	14.09	5.41	1420	4.11	3286	9.50
2000	2312	23.64	4.97	2090	4.49	4239	9.11

*Data for 1997 are in respect of old private sector banks only

33. Bank-wise data on lending to agriculture (Direct and Indirect) by Private Sector Commercial Banks (bank-wise) since 1996 is shown at annexure VI to X.

34. Since the attainment of targets for lending to agriculture by private sector commercial banks had been quite low vis-à-vis the prescribed targets the Committee in their Sixth Report on Demands for Grants (2000-2001) inter-alia recommeded 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, 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-à-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."

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

> "In order to achieve the stipulated targets 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."

36. However, 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."

37. In a written reply to a query as to the reasons for continued decline in lending to agriculture vis-à-vis targets by private sector commercial banks for the last three years despite RBIs advice to increase the same to conform to stipulated targets, Ministry of Finance inter-alia stated as follows :-

> "…Reserve Bank of India has reported that it is monitoring the lending by banks to agriculture and banks which fall short of the target are regularly advised to improve their performance. RBI has called for meetings of the CEOs of private sector banks to review the position of lending to the priority sector."

38. The Committee are distressed to note that despite RBIs advice to increase the agricultural lending to conform to prescribed target the private sector commercial banks lending to farm sector has been declining continuously. As against already very low rates of lending of 10.35% of NBC at the end of March 1997 , the percentage of lending to agriculture fell to 9.11% of NBC at the at the end of March 2000 while the stipulated percentage is 18% of NBC. The Committee therefore conclude that the RBI's efforts at persuading these banks to lend in accordance with required stipulation have not had the desired impact. It was in the context that the Committee in their Sixth Report on Demands for Grants (2000-2001) had recommended that RBI/Govt. should set out a time frame within which the private sector commercial banks have to improve their farm credit substantially to conform to prescribed targets. Even though the recommended action was accepted by Government the Committee are surprised to observe that RBI advised the banks to take concrete steps inter alia to improve the credit flow to agriculture in a time bound manner to be fixed by the banks themselves so as to reach the stipulated targets. The Committee are unable to understand as to why RBI instead of fixing the time limit itself asked the concerned banks to fix the time limit. They therefore recommend that RBI itself should prescribe the time frame say 2 to 3 years instead of leaving it to the concerned banks. Further, even after the specified period if they continue to flout the stipulation, deterrent penalties should be imposed.

The Committee would also like to be informed of as to whether in pursuance of RBI's advice any private sector bank(s) drew a strategy/plan to achieve the stipulated agricultural lending in a time bound manner and the results achieved thereon.

The Committee note with concern that some of the private sector banks have extended indirect agriculture advances far in excess of the maximum stipulated percentage – 4.5% of NBC (in some cases even 12-13%) while their direct agricultural advances fell far short of prescribed amounts and in some cases they were negligible compared to the indirect lending. Hence the Committee recommend that such violations should attract deterrent action against the banks concerned. The Committee would like to be apprised of the details as to the action taken against these banks for violating the norms made in this regard.

8. C.D. Ratio of Public Sector Banks

39. The Credit – Deposit Ratio (CDR) of the **public sector commercial banks** in Rural and Semi-urban areas since March, 1996 is as under :-

March –1996

	Deposits	Credit	CD Ratio
Rural	48928.04	22559.39	46.11
Semi Urban	72736.72	29151.4	40.08
Rural and SU	121664.76	51710.79	42.50

March –1997

	Deposits	Credit	CD Ratio
Rural	57285.39	24731.12	43.17
Semi Urban	84373.14	31989.63	37.91
Rural and SU	141658.53	56720.75	40.04

March –1998

	Deposits	Credit	CD Ratio
Rural	66897.84	27464.19	41.05
Semi Urban	98157	35177.18	35.84
Rural and SU	165057.41	62641.37	37.95

March –1999

	Deposits	Credit	CD Ratio
Rural	79306.6	31187.69	39.33
Semi Urban	116809.23	40309.25	34.51
Rural and SU	196115.83	71496.94	36.46

March –2000

	Deposits	Credit	CD Ratio
Rural	92391.28	35909.49	38.87
Semi Urban	136266.87	45649.53	33.50
Rural and SU	228658.15	81559.02	35.67

40. The Committee are deeply constrained to observe that there has been continuous decline in C.D Ratio in rural and semi-urban areas in respect of public sector commercial banks since 1996. The Committee are of the view that since commercial banks are one of the most important formal channels of credit to vast population of rural and semi-urban areas, decline in lending by these financial intermediaries might force the people in these areas to go to money lenders who charge abnormally high rates of interest, for their genuine financial needs for productive purposes. Such high interest rates might render their ventures unviable thereby making them to borrow more and more to pay the earlier debt leading to debt trap. The Committee therefore recommend that concrete steps should be taken to increase CD Ratio in these areas by the public sector commercial banks. They would like to be apprised of the steps taken in this direction.

9. Lending under Differential Rate of Interest (DRI) Scheme

41. The Differential Rate of interest (DRI) Scheme introduced in June, 1972 by the Government of India is meant to cater to the credit requirements of the weakest among the weak by assisting them in their efforts to improve their economic conditions through small productive endeavours. Banks have to lend 1% of their aggregate advances as at the end of the previous year under the scheme, 40% of which should go to SC/ST. Under the scheme credit upto Rs. 6,500/- is to be made available to eligible borrowers at an interest rate of 4%. In addition, eligible borrowers belonging to SC/ST can get housing loan to the extent of Rs. 5,000/- in each individual case under the scheme. Further, physically handicapped persons are eligible to avail of loan for acquiring aids, appliances and equipments, to the extent of their actual cost but not exceeding Rs. 5,000/-. This assistance is independent of production loan of Rs. 6,500/- available under DRI Scheme.

42. The Ministry of Finance (Departments of Economic Affairs & Expenditure) furnished the following data on the attainment of targets under DRI scheme by commercial banks both in public and private sector (bank-wise) for the last 5 years as shown in Annexure XI :-

43. On the reasons for shortfall in lending under the scheme, the Ministry of Finance (Department of Economic Affairs) stated as under :-

> "All the banks are not able to fulfill the target; as the DRI scheme is an interest subsidy scheme whereas subsequently several Government sponsored capital subsidy schemes such as Swarnajayanti Gram Swarojgar Yojana, Prime Minister's Rozgar yojana, Swarnajayanti Shahari Rozgar Yojana, Scheme of Liberation & Rehabilitation of Scavengers have been introduced, which offer higher quantum of loan amounts and larger capital subsidies and are more attractive for borrowers."

44. With regard to action taken/intended to be taken against those banks which are not lending as per the prescribed targets under the DRI Scheme, Ministry of Finance (Department of Economic Affairs) stated as under :-

"With a view to improve the lending under DRI scheme, the Reserve Bank of India has impressed on all Public Sector Banks the urgent need for concerted efforts to improve the performance in implementation of the Scheme. The Banks have been asked to take immediate steps to improve the banks' performance of disbursal of loan under DRI scheme."

45. In a written reply to a query as to how RBI/Government would ensure especially in the light of the minuscule percent of lending vis-à-vis target by the commercial banks both in public and private sector the Ministry of Finance (Department of Economic Affairs) inter-alia stated as under :-

> "In view of the above i.e. availability of capital subsidy schemes operational difficulties are being faced by banks in implementing the DRI Scheme Government is therefore examining whether there is any advantage in continuing this scheme."

46. It is a matter of concern to observe that none of the public sector banks could lend under the DRI scheme upto the stipulated percentage during the last five years except State Bank of Hyderabad which lent 1.25% of aggregate advances under the scheme that too for three years out of the last 5 years. The Committee are not inclined to accept the plea of the Govt. that the banks are not able to fulfil the target due to lack of attractiveness of the DRI Scheme due to availability of capital subsidy schemes such as Swaranjayanti Gram Swarojagar Yojana, Prime Minister's Rojgar Yojana, Swarnajayanti Shahari Rozgar Yojana, etc. They are of the opinion that banks are not taking the desired initiative to lend under the scheme as per the RBI stipulation.

The Committee are surprised to see that due to availability of capital subsidy schemes the Govt. are inclined to wind up the scheme. However, the Committee are of the view that DRI scheme exclusively caters to the barest credit requirements of the weakest among the weak and hence it is a niche scheme for the benefit of these poor sections of the population. The Committee, therefore, recommend that the DRI Scheme should not be discontinued and instead concrete steps should be taken to ensure that the commercial banks lend under the scheme as stipulated.

The Committee also express their serious unhappiness over the continuous decline in the already low percentage of lending under the scheme.

The advances by public sector bank in terms of percentage under the scheme sharply fell from 0.40% in 1996 to 0.18% in 2000. It seems that although the RBI has been impressing on all the public sector banks, the urgent need for concerted efforts to improve the performance under the scheme yet the same have not had the desired impact on the credit flow under the scheme from these banks.

The Committee are shocked to note that the performance of the private sector Banks in lending under the Scheme is much worse compared to that of their counterparts in the public sector. Not only their percentage of lending under the scheme is too low vis-à-vis prescribed targets but also some of the old private sector banks and all the new private sector banks could not lend any amount under the scheme during the last few years. The Committee are of the view that RBI remained a passive spectator at the insignificant or no lending at all under the scheme by these banks. The Committee therefore, recommend that they should not be allowed to continue to flout the norms in this regard with impunity and hence RBI/Govt. should prescribe a time frame within which both public and private sector Commercial banks would have to conform to lending under the scheme as per the prescribed targets. In the event of their continued lower lending vis-à-vis target, RBI may consider imposing monetary penalties.

10. Equity dilution by New Private Sector Banks

47. In pursuance of the guidelines issued in January 1993, licences under section 22 of the Banking Regulation Act, 1949 to carry on banking business have been issued to the following nine banks :-

Name of the Bank	Name of the Promoter	Location of Regd. Office	Date of commencement of business
UTI Bank Ltd.	Unit Trust of India (UTI)	Ahmedabad	2-4-94
Indus Ind. Bank Ltd.	IndusInd Enterprises & Finance Ltd., Mumbai	Pune	12-4-94
ICICI Banking Corporation Ltd.	Industrial Credit & Investment Corporation of India Ltd. (ICICI)	Baroda	24-6-94
Global Trust Bank Ltd.	Jayanta Madhab Associates	Securnderabad	10-9-94
*HDFC Bank Ltd.	Housing Development Finance Corporation Ltd. (HDFC)	Mumbai	16-1-95
Centurion Bank Ltd.	20th Century Finance Corporation Ltd.	Panaji, Goa	24-1-95
Bank of Punjab Ltd.	Dr. Inderjit Singh, Ex-Chairman of Punjab & Sind Bank	Chandigarh	7-4-95
*Times Bank Ltd.	Bennet, Coleman & Co. Ltd.	Faridabad	8-6-95
IDBI Bank Ltd.	Industrial Development Bank of India (IDBI)	Indore	13-11-95

*since merged

48. In the licenses issued to new private sector banks, RBI stipulated a condition that these banks should make public issue and get their shares listed on Stock Exchanges immediately after completion of one year of operation. To a query as to whether all the new private sector banks have raised 60% of their equity from the public as stipulated by RBI, Ministry of Finance, in a written reply furnished during the examination of Demands for Grants (1998-99) inter-alia stated as under :-

> "The new banks set up in the private sector have not been able to offer 60% of their equity to the public. Of the nine new banks set up in the private sector five banks have made public issue. The position of public issue in respect of these banks is furnished below :

(Rs. in crores)

Name of the bank	Capital	Public issue	% of public issue
Global Trust Bank	104.00	26.00	25.00
Bank of Pubjab Ltd.	105.00	29.52	28.11
HDFC Bank Ltd.	200.00	50.00	25.00
ICICI Banking Corporation Ltd.	165.00	41.25	25.00
IndusInd Bank Ltd.	160.00	40.00	25.00

The remaining four banks are yet to make the public issue. The matter has been followed up with all the banks and they have assured to enter the capital market during 1998-99.

In view of the depressed condition of the capital market, the promoters of new banks were permitted to bring down their holding to 40% of equity in phases."

49. Further, in written reply to a query as to whether any extension has been given to these banks to raise the required percent of capital from the public, Ministry of Finance inter-alia stated as under :-

"some of the banks were unable to make public issue after one year of operations. These banks were granted extension of time in view of the continued depressed condition of the capital market. All of them have CRAR in excess of the stipulated 8% and did not need capital funds to meet the capital adequacy ratio. Subsequently these banks could not enter the capital market in view of the SEBI regulations requiring three year track record of consistent profitability for free pricing of their shares. It was not considered advisable to force the banks to go in for public issue at par in order to fulfil the licensing conditions for the following reasons :

1. These banks are making profit from the first year of operation. A track record of three years of consistent profitability will enable them to charge a premium on the public issue as per SEBI guidelines.
2. In the depressed condition of the capital market if the banks make public issue without track record of profitability, the issue may not be fully subscribed. This may adversely affect the investors' sentiment towards bank shares.
3. A public issue at a premium will enable the banks to strengthen their capital base.

In a meeting in April, 1998 with the Chief Executives of four banks which are yet to make public issue, the banks were advised that no further extension would be considered for making the public issue and they will have to make public issue during the financial year 1998-99."

50. The Committee in their third report on Demands for Grants (1998-99) of Ministry of Finance (Departments of Economic Affairs and Expenditure) on the issue of equity dilution by private sector commercial banks inter-alia recommended as under :-

"…the newly set up private sector banks which, as per the RBI stipulation are required to raise capital from the public, but could not do so and got extensions, should not be given any further extension and they be made to tap the market for capital this year as this will go a long way in improving the subdued sentiments prevailing in the markets."

51. In their action taken reply to the above mentioned recommendation, the Ministry of Finance (Departments of Economic Affairs and Expenditure) inter-alia stated as under :-

> "The refusal or grant of extension to Private Sector Banks for coming out with public issue is not under SEBI's jurisdiction. However, as a step towards making capital market more accessible to Banks exemptions have been given to private sector and public sector banks from entry norms and track record requirements for free pricing, subject to RBI approval."

52. In response to a query whether all the new private sector banks have complied with the stipulation i.e. raising 60% of the capital from the public the Ministry of Finance (Deptt. of Economic Affairs) inter-alia furnished as under :-

> "all the nine new private sector banks have made public issue of their shares and obtained listing on stock exchanges. Times Bank Ltd. has since merged with HDFC Bank Ltd. and the number of new private sector banks has come down to eight. Of these eight banks, four banks viz., **ICICI Bank Ltd., IDBI Bank Ltd., IndusInd Bank Ltd., and UTI Bank Ltd.,** are yet to raise the public holding of shares to the stipulated 60%.

53. On the details of promoters' shareholding at present in the four banks referred to above the Ministry of Finance submitted as under :-

ICICI Bank Ltd. The bank has made a public issue to bring down the promoter's holding by 25% in August 1997. Subsequently an ADR issue was also made in March 2000 to augment its capital by USD 175 mn and the conversion of ADRs would take down the holding of the promoters to 62%. Subsequently the bank decided to amalgamate with itself, Bank of Madura Ltd., on business considerations. The paid-up capital of the bank post merger is Rs. 220 crore and the holding of ICICI Ltd. in the enlarged capital got further reduced to 55.59%. RBI has advised the bank to draw up firm plans to bring down the promoters' shareholding to the stipulated 40% immediately.

IDBI Bank Ltd. made a public issue of shares of Rs. 40 crore in 1999 taking their total paid up capital to Rs. 140 crore. With the public issue, IDBI's shareholding, which includes SIDBI's holding, was reduced to 71.43%. The bank has reported that with the separation of SIDBI from IDBI, the share of IDBI in IDBI bank's paid up capital has come down to 57% of the paid-up capital of IDBI Bank. The bank represented that as a major internal restructuring exercise has been undertaken, they may be permitted to make a public issue in the calender year 2002. RBI has however advised IDBI Bank to draw up firm plans to dilute its shareholding so that the combined holding of both IDBI and SIDBI comes to 40% of the paid up capital.

IndusInd Bank Ltd. At present, the core promoters of the bank hold 56.25% of the total paid up capital. They were given time to bring the promoters' shareholding to 40% in two phases, first phase of 10% by March 31, 2001 and the second phase of 6.25% by September 2001. RBI is closely following up with the bank in this regard.

UTI Bank Ltd. had committed to issue additional equity during the current fiscal (2000-2001). However, the Boards and shareholders of the banks have now decided to merge with Global Trust Bank Ltd. The proposal for merger is being examined by RBI. Follow up regarding dilution would be done after a decision on the merger issue is taken.

The new private sector banks have been raising public equity and diluting promoters' holding in a phased manner. However, RBI has since instructed the banks that RBI will be constrained to initiate penal action if immediate action plans are not put into effect for dilution of promoters' share to the stipulated level.

54. It is seen that some of the newly set up private sector banks could not make public issue after one year of commencement of their operations as stipulated by RBI and hence had to be given extension for going public. Moreover, some of these newly set up banks in the private sector having been in existence for 5-6 years with profitable track record could not bring down their promoters equity to the required level of 40% of paid up capital even after getting repeated extensions. The Committee, therefore, would like to be apprised of the specific reasons as to why these banks inspite of having profitable track record have not brought down their promoters stake even after getting repeated extensions.

The Committee recommend that no more extensions should be given and these banks be asked to bring down their promoters equity to 40% of paid up capital as prescribed without any further delay and they should be informed of the progress made in this regard by RBI.

Demand No. 30
Department of Expenditure
Major Head :2052
Minor Head : 00.090
Detailed Head : 10.00.28

11. Secretariat - Professional Services

55. This Head is meant for payment to private professionals engaged which include legal expenses, expenditure on software development, consultancy and other allied activities. The budgetary allocations, revised estimates and actuals incurred under the Head since 1996-97 are as under :-

Year	Budget Estimates	Revised Estimates	Actuals
1996-97	50,000	1,40,000	93,000
1997-98	1,40,000	11,00,000	3,36,000
1998-99	16,50,000	15,90,000	6,45,000
1999-2000	17,20,000	16,58,000	1,93,000
2000-2001	17,00,000	14,95,000	
2001-2002	13,75,000		

56. On the reasons for ten times increase in budgetary allocations at RE stage and spending less than a one third of enhanced revised estimates during 1997-98, the Ministry of Finance (Department of Expenditure) stated as under :-

> "Increase in budgetary allocation at R.E. stage 1997-98 was with a view to augment funds for developing software package called CONTACT (ORA) for computerizing Principal Accounts Offices through outsourcing. The enhanced revised estimates could not be utilized due to delay in award of work."

57. In written reply to a query as to why only about 41% of the revised allocations could be spent during 1998-99 the Ministry of Finance (Deptt. of Expenditure) submitted as under :-

> "41% of the revised estimates, were obtained for another software package called GAINS conceived by the Office of Controller General of Accounts for consolidating activities at the CGA's level. This work being

linked to the development of CONTACT package could **not be finalized** thus resulting in under utilization during 1998-99."

58. In a written reply submitted to the Committee on the reasons for under utilising budgetary allocations to a large extent during 1999-2000, the Ministry of Finance (Department of Expenditure) stated as follows :-

> "During the year 1999-2000 under utilization was due to the fact that the work of system requirement specifications took a much longer time than anticipated resulting in delay in award of work."

59. The Committee are constrained to observe that due to delay in award of work relating to development of software package called CONTACT the amounts allocated even at revised estimates stage remained unutilised during 1997-98. Not only that this delay resulted in the amounts allocated even at RE stage during the next year i.e. 1998-99 for developing and installing the linked software package GAINS remaining unutilised. It is thus clear that the work for developing software package CONTACT could not be completed even during 1998-99 leading to non finalisation of the proposal for obtaining another software package GAINS. As a result, underutilisation of the allocations meant for the software package CONTACT during 1997-98 led to the underutilisation of funds allocated for another software package GAINS during 1998-99.

The Committee further note that due to much long time taken than anticipated for the work of system requirement specifications the allocations made at even revised estimates for the purpose remained largely unutilised during 1999-2000. The Committee are of the view that the authorities concerned should have exercised financial prudence by substantially reducing the allocations at RE stage during 1997-98, 1998-99 and 1999-2000 instead of allowing them to remain unutilised which resulted in surrendering the funds. They therefore, recommend that responsibility should be fixed for delay in awarding the contracts for obtaining the said software packages. They would also like to be informed whether the packages have since been procured.

Demand No. 30
Department of Expenditure
Major Head :4216
Minor Head : 00.003
Detailed Head : 01.00.54

12. Acquisition of Flats – Investments

60. The following budgetary provisions have been allocated for purchasing of residential flats for the junior and middle level officers of the Indian Civil Accounts Service since 1998-99 :-

Year	Budget Estimates	Revised Estimates	Actuals
1998-1999	50,00,000	50,00,000	Nil
1999-2000	4,00,00,000	4,00,00,000	Nil
2000-2001	1,00,00,000	40,00,000	
2001-2002	3,25,00,000		

61. On the amount of actuals incurred during 1998-99 and 1999-2000 the Ministry of Finance (Deptt. of Expenditure) informed as under :-

> "No expenditure was incurred under the head during 1998-99 and 1999-2000 as the necessary approvals for the proposal are still to be obtained."

62. In written reply to a query as to the reasons for steep reduction of 60% at RE stage during 2000-2001 Ministry of Finance (Deptt. of Expenditure) stated as under :-

> "A proposal for purchase of 30 ready built flats for providing residential accommodation to junior & middle level ICAS officers has been under consideration since 1996.
> Initially, the cost of the proposed procurement was estimated to be Rs. 5 crores. Accordingly, provision of Rs. 4 crores was made in the year 1999-2000 and the balance money was provided in the budget estimates of 2000-2001.
> Subsequently, the cost of procurement was revised to Rs. 3.65 crores in the year 2000-2001. The payment plan being considered envisaged release of 10% of the total cost (Rs. 36.5 lakhs) as advance and the balance 90% on acquisition of the property.
> In anticipation of the acquisition spilling over to the year 2001-2002, the budget provision for the year 2000-2001 was revised from Rs. 1

crore to Rs. 40 lakhs and the balance Rs. 3.25 crores was provided in the budget estimates for the year 2001-2002.
This resulted in a reduction of 60% at the RE stage of budgetary allocations during 2000-2001. No expenditure was finally incurred during the year.

63. It is observed that though the proposal for acquiring 30 ready built flats has been under consideration since 1996 the amounts for the purpose could be allocated only in 1998-99 budget i.e. after two years of mooting the proposal.

Moreover, out of the allocation of Rs. 50 lakhs during 1998-99 and Rs. 4 crore during 1999-2000 no expenditure was incurred as the necessary approvals could not be obtained. The allocation of Rs. 1 crore made during 2000-2001, which was scaled down to Rs. 40 lakhs at RE stage also remained unutilised. The Committee take a serious note of the gross negligence and financial imprudence on the part of the concerned authorities in allocating the resources continuously year after year even at RE stage without the necessary approvals. It is not clear from the reply of the Government whether the necessary approval for acquisition of flats has since been obtained. The Committee would like to be apprised in this regard together with the latest position about the acquisition of flats. They also recommend that responsibility should be fixed for gross negligence and financial imprudence in allocating funds for purchase of flats without obtaining approval for the purpose.

NEW DELHI;
23 April, 2001
3 Vaisakha, 1923(Saka)

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

MINUTES OF THE SEVENTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Monday, 16 April, 2001 from 1500 to 1700 hours.

PRESENT

Shri. Shivraj V. Patil – Chairman

MEMBERS

LOK SABHA

2. Shri G. Putta Swamy Gowda
3. Shri Rupchand Pal
4. Shri Prakash Paranjpe
5. Shri Varkala Radhakrishnan
6. Shri Ram Singh Rathwa
7. Shri Kharebela Swain

RAJYA SABHA

8. Shri S.S. Ahluwalia
9. Dr. Biplab Dasgupta
10. Shri K. Rahman Khan
11. Shri Suresh A. Keshwani
12. Dr. Manmohan Singh
13. Shri N.K.P. Salve
14. Shri Solipeta Ramachandra Reddy

SECRETARIAT

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

WITNESSES

<u>MINISTRY OF FINANCE</u>
Department of Economic Affairs

1. Shri Ajit Kumar, Finance Secretary
2. Shri Devi Dayal, Special Secretary (Banking)
3. Dr. Rakesh Mohan, Advisor to FM
4. Dr. Adarsh Kishore, Additional Secretary
5. Shri N.R. Raylu, Financial Advisor (Fin)
6. Shri D. Swarup, Joint Secretary (Budget)
7. Shri Navin Kumar, Joint Secretary (Admn. And C&C)
8. Dr. Jaimini Bhagwati, Joint Secretary (CM&ECB)

9. Shri Ajit M. Sharan, Joint Secretary (Insurance)
10. Shri Shekhar Agharwal, Joint Secretary (Banking)
11. Shri U.K. Sinha, Joint Secretary (Banking)
12. Shri G.S. Dutt, Joint Secretary (DEA)
13. Shri Yogesh Chandra, EA

Department of Expenditure

1. Shri C.M. Vasudev, Secretary (Expenditure)
2. Shri M. Venkateswaran, AS (E)
3. Shri A.M. Sehgal, CGA
4. Mrs. Usha Mathur, Joint Secretary (Pers.)

Reserve Bank of India

1. Shri S.P. Talwar, Deputy Governor
2. Shri P.B. Mathur, Executive Director
3. Shri M.M. Rekha Rao, Chief General Manager
4. Shri A. Sardesai, Chief General Manager
5. Shri M.R. Srinivasan, Chief General Manager

NABARD

1. Shri M.V.S.C. Rao, MD, NABARD
2. Shri M.G. Marwaha, ED, NABARD

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

3. The Committee then took oral evidence of representatives of Ministry of Finance (Departments of Economic Affairs & Expenditure) on Demands for Grants (2001-2002) of the Ministry of Finance (Departments of Economic Affairs & Expenditure) and other related matters.

4. The evidence was concluded.

5. A verbatim record of proceedings has been kept.

The witnesses then withdrew.

(The Committee then adjourned)

MINUTES OF THE TENTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Tuesday, 23 April, 2001 from 1500 to 1700 hours.

PRESENT

Shri. Shivraj V. Patil – Chairman

MEMBERS

LOK SABHA

2. Smt. Renuka Chowdhury
3. Shri Brahmanand Mandal
4. Shri Kamal Nath
5. Shri Prakash Paranjpe
6. Dr. Sanjay Paswan
2. Shri Annasaheb M.K. Patil
3. Shri S. Jaipal Reddy
4. Shri C.N. Singh
5. Shri Kirit Somaiya
6. Shri Kharebela Swain

RAJYA SABHA

7. Shri Krishna Kumar Birla
8. Shri K. Rahman Khan
9. Shri Suresh A. Keswani
10. Dr. Manmohan Singh
11. Shri N.K.P. Salve
12. Shri Amar Singh
13. Shri Solipeta Ramachandra Reddy

SECRETARIAT

1. Dr. (Smt.) P.K. Sandhu	-	Joint Secretary
2. Shri P.K. Grover	-	Deputy Secretary
3. Shri S.B. Arora	-	Under Secretary
4. Shri N.S. Hooda	-	Assistant Director

2. At the outset Chairman welcomed the Members to the sitting of the Committee. Then the Committee took up for consideration and adoption of the following draft reports on Demands for Grants (2001-2002) of (I) Ministry of Finance (Departments of Economic Affairs & Expenditure), (II) Ministry of Finance (Department of Revenue), (III) Ministry of Planning, (IV)

Ministry of Statistics and Programme Implementation and (V) Department of Disinvestment.

3.	X	X	X	X
	X	X	X	X

4. The Committee then took up for consideration the draft report on the Demands for Grants (2001-2002) of the Ministry of Finance (Departments of Economic Affairs & Expenditure) and adopted the same without any modification.

5.	X	X	X	X
	X	X	X	X
6.	X	X	X	X
	X	X	X	X
7.	X	X	X	X
	X	X	X	X

8. The Committee authorised the Chairman to finalise the draft Report in the light of modifications as also to make verbal and other consequential changes arising out of the factual verification and present the same to both the Houses of Parliament.

(Committee then adjourned)