# SECOND REPORT

# STANDING COMMITTEE ON FINANCE
# (1999-2000)

## (THIRTEENTH LOK SABHA)

# MINISTRY OF FINANCE
# (DEPARTMENTS OF ECONOMIC AFFAIRS AND EXPENDITURE)

# DEMANDS FOR GRANTS
# (1999-2000)

*[Action taken by the Government on the recommendations contained in the Twentieth Report (Twelfth Lok Sabha) of the Standing Committee on Finance on Demands for Grants (1999-2000) of Ministry of Finance (Departments of Economic Affairs and Expenditure)]*

*Presented to Lok Sabha on 16.3.2000*

*Laid in Rajya Sabha on 16.3.2000*

सत्यमेव जयते


LOK SABHA SECRETARIAT
NEW DELHI

*March, 2000/Phalguna, 1921 (Saka)*

# CONTENTS

## COMPOSITION OF STANDING COMMITTEE ON FINANCE (1999-2000)

Shri Shivraj V. Patil — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Rashid Alvi
3. Shri Sudip Bandyopadhyay
4. Shri Ajoy Chakraborty
5. Shri Rattan Lal Kataria
6. Shri Krishnamraju
7. Shri Brahmanand Mandal
8. Shri M.V. Chandrashekhara Murthy
9. Shri M.V.V.S. Murthy
10. Shri Kamal Nath
11. Shri Rupchand Pal
12. Shri M. Padmanabham
13. Shri Prakash Paranjpe
14. Shri Raj Narain Passi
15. Dr. Sanjay Paswan
16. Shri Annasaheb M.K. Patil
17. Shri Varkala Radhakrishnan
18. Shri Pravin Rashtrapal
19. Shri Ram Singh Rathwa
20. Shri G. Ganga Reddy
21. Shri S. Jaipal Reddy
22. Shri T.M. Selvaganpathi
23. Shri Mohammad Shahabuddin
24. Shri Ajit Singh

25. Shri C.N. Singh
26. Shri Kirit Somaiya
27. Shri Kharabela Swain
28. Shri Narayan Dutt Tiwari
29. Shri Braja Kishore Tripathy
*30. Smt. Renuka Chowdhury

*Rajya Sabha*

31. Dr. Manmohan Singh
32. Shri N.K.P. Salve
33. Shri Krishna Kumar Birla
34. Shri K. Rahman Khan
35. Shri Narendra Mohan
36. Shri M. Venkaiah Naidu
37. Shri Prafull Goradia
38. Dr. Biplab Dasgupta
39. Shri P. Prabhakar Reddy
40. Shri Ranjan Prasad Yadav
41. Prof. M. Sankaralingam
42. Shri Gurudas Das Gupta
43. Shri Amar Singh
44. Shri Vijay Darda
#45. Shri Suresh A. Keswani

SECRETARIAT

1. Dr. A.K. Pandey — *Additional Secretary*
2. Shri Harnam Singh — *Joint Secretary*
3. Dr. (Smt.) P.K. Sandhu — *Director*
4. Shri S.B. Arora — *Under Secretary*

*Nominated *w.e.f.* 14 February, 2000
#Nominated *w.e.f.* 24 February, 2000

# INTRODUCTION

I, the Chairman of the Standing Committee on Finance (1999-2000), having been authorised by the Committee to submit the Report on their behalf present this Second Report on action taken by Government on the recommendations contained in the Twentieth Report of the Committee (Twelfth Lok Sabha) on Demands for Grants (1999-2000) of the Ministry of Finance (Departments of Economic Affairs & Expenditure).

2. The Twentieth Report was laid in Rajya Sabha/presented to Lok Sabha on 19 and 22 April, 1999 respectively. The Government furnished the replies indicating action taken on all the recommendations on 24 August and 22 October, 1999. The updated replies were furnished by the Government on 24 January, 2000. The Draft Action Taken Report was considered and adopted by the Standing Committee on Finance at their sitting held on 28 February, 2000.

3. An analysis of action taken by Government on the recommendations contained in the Twentieth Report (Twelfth 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;
15 *March*, 2000
25 *Phalguna*, 1921 *(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 Twentieth Report (Twelfth Lok Sabha) on Demands for Grants (1999-2000) of Ministry of Finance (Departments of Economic Affairs and Expenditure) which was presented to Lok Sabha on 22 April, 1999.

2. Action Taken Notes have been received from the Government in respect of all the 11 recommendations contained in the Report. These have been categorised as follows:

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

Sl. No. 1, 2, 6 & 11

(Chapter II-Total 4)

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

Sl. Nos. 5, 8 and 9

(Chapter III-Total 3)

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

Sl. Nos. 3 and 4

(Chapter IV-Total 2)

(iv) Recommendations/Observations in respect of which final replies of the Government are still awaited:

Sl. No. 7 and 10

(Chapter V-Total 2)

**3. The Committee desire that the replies to the recommendations contained in Chapter I and final replies in respect of the recommendations contained in Chapter V for which only interim replies have been given by the Government should be furnished to the Committee expeditiously.**

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

**Currency Note Press**
**Machinery and Equipment**

**Recommendation (Sl. No. 3, Para Nos. 15, 16 & 17)**

5. The Committee had expressed their concern at the long time-more than seven months taken by the Ministry for issuing sanction for purchase of Treasure Wagons as a result of which the allocated amount during 1994-95 had to be surrendered. They further noted that Bank Note Press (BNP), Dewas, took about another seven months since the date of obtaining sanction from the Government for placing orders on M/s BEML. The Committee had felt that long period of about 14 months for both sanctioning and placing the order on BEML is unwarranted and could have been avoided. Moreover, during the years 1996-97, 1997-98 and 1998-99 the budgeted provisions remained under-utilised due to non-supply of wagons by the supplier which is also not a healthy proposition.

6. The Committee had asked the Ministry to apprise them whether in the supply order conditions any provision was inserted for imposing penalties on the supplier in case of their failure to adhere to delivery schedule and if so whether such a clause was invoked against BEML.

7. The Committee had also expressed their concern at the fact that the Ministry could not finalise the terms of payment to RBI towards cost of new machineries procured by RBI for Currency Note Press and consequently had to surrender the funds for two consecutive years i.e. 1997-98 and 1998-99. The Committee, therefore, had asked the Ministry to apprise them as to why terms of payment could not be finalised for two years. The Committee had further wanted the Ministry to finalise the same and pay the required amount to RBI without any further delay.

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

> "In the Supply Order placed on M/s BEML, Bangalore, BNP, Dewas had inserted failure and termination/L.D. clause [clause 4(1)(2)] which provides, "Imposition of LD at the rate of 4% per month for undelivered portion upto a maximum of 5% of the contract price of the items delayed.
>
> BEML have, so far supplied only one prototype wagon, trial of which has been completed with passenger train. BNP has asked them to supply the balanced quantity of 29 Nos. subject to satisfactory trial with mail/express train. Remaining wagons are expected to be delivered by 30.6.2000. Accordingly decision regarding imposition of L.D. will be taken at the appropriate time i.e. after the supply is completed.
>
> The terms of payment to RBI towards cost of machineries procured by them for CNP could not be finalised as the RBI is yet to submit to Govt. of India a specific proposal indicating exact terms and conditions of repayment. The matter is being pursued with RBI."

**9. The reply of the Government is far from satisfactory. The Committee regret to point out that the trial of the first prototype wagon, supplied by M/s BEML more than a year ago, has been completed with the passenger train only and the supply of the remaining 29 wagons which was committed by BEML to be supplied by 31.3.2000 after granting a number of extensions is now expected to be completed by 30.6.2000 subject to satisfactory trial with mail/express train.**

**Reiterating their recommendation regarding the unwarranted delay, the Committee emphasise that the trial of the wagon with mail/express train should be completed without any further delay and the delivery of the remaining 29 prototype wagons should be completed by 30.06.2000. The Committee would like to be apprised of the completion of trial and subsequently the delivery of all the wagons.**

As regards payment to RBI towards cost of machineries procured by CNP, the Committee are distressed to note that the Reserve Bank of India (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 Currency Note Press (CNP) for supplying the latter the machinery and equipment even after about three years due to which the budgetary allocation of CNP had to be surrendered since 1997-98. Hence, reiterating their earlier recommendation, the Committee would like to know the specific reasons as to why RBI could not finalise the same even after a lapse of about three years and desire that steps should be taken to finalise the terms of payment immediately.

**Bank Note Press**
**Major Works**

**Recommendation (Sl. No. 4, Para Nos. 20 & 21)**

10. The Committee had regretted to find that the funds earmarked in the successive Budgets during the years 1994-95 to 1998-99, meant for augmentation of water supply and execution of some civil works, had to be surrendered for want of sanction from the Government of Madhya Pradesh and plan approval from CPWD respectively for which no specific reasons have been given. Desiring to know the specific reasons for not getting both the works executed, the Committee had recommended that the matter may be taken up with the Government of Madhya Pradesh and CPWD authorities at appropriately higher level so that necessary sanction from Government of Madhya Pradesh and approved plan from CPWD could be obtained expeditiously. The Committee had also wanted the Government to apprise them of the latest position in this regard.

11. In their action taken reply, the Ministry of Finance (Department of Economic Affairs) stated as follows:

"At its meeting on 24.06.99 the Committee on Non-Plan Expenditure had considered the Department of Economic Affairs' proposal to bring water to BNP from Lakh under Dam, at estimated cost of Rs. 12.06 crores and approved the project in principle, subject to the following conditions:

(i) Detailed Project Report will be prepared by PHE Department of the Madhya Pradesh Government within 3 months and the estimates should be referred to the Ministry of Urban Development for vetting.

(ii) Funds to the extent of Rs. 5 lakhs may be released to the State Government on *ad hoc* basis, for taking up the initial surveys, etc. for preparing the detailed Project Report. This will be finally adjusted against total cost of the project.

(iii) State Government may be approached for continued operation/maintenance of the scheme even after 3 years.

(iv) The proposal for creation of posts etc. if any involved, will be processed separately on the basis of justifications.

Accordingly, the Department of Economic Affairs sanctioned payment of Rs. 5 lakhs on 29.07.99 to M.P. State Govt. for enabling its PHE Department to prepare the DPR."

**12. Keeping in view the fact that the budgetary allocations to Bank Note Press (BNP) have remained under utilised since 1994-95 for want of (i) sanction from Government of Madhya Pradesh for augmentation of water supply scheme of BNP; and (ii) approval from CPWD for execution of civil works, the Committee had recommended that the matter may be taken up with the Government of Madhya Pradesh and the CPWD authorities at an appropriately higher level for obtaining sanction/approval expeditiously. They, however, regret to find from the action taken reply that the proposal was approved by the Committee on Non-Plan Expenditure only on 20.6.1999 with certain conditions which *inter-alia* include preparation of Detailed Project Report (DPR) by Madhya Pradesh Government within 3 months and vetting of estimates by the Ministry of Urban Development. The reply is silent on whether the requisite sanction including DPR from Madhya Pradesh Government and plan approval from CPWD have been obtained and funds allocated for the same, have been spent.**

**The Committee, therefore, reiterating their earlier recommendation, would like the Government to get the whole project of augmentation of water supply from Lakhunder Dam to BNP and execution of civil works completed expeditiously. They would also like the Government to utilise the funds allocated for the purpose within the same financial year.**

## Priority Sector Lending to Agriculture

### Recommendation (Sl. No. 7, Para No. 46, 47 & 48)

13. The Committee had observed that the attainment of targets for lending to agriculture under priority sector lending obligation by private sector commercial banks is nowhere near the prescribed percentage even after taking into account their contribution—maximum of 1.5 percent of Net Bank Credit (NBC)—to Rural Infrastructure Development Fund (RIDF) which was started in 1995-96 for extending loans to state governments for development of agricultural related infrastructure.

14. The Committee had asked the Govt. to apprise them of as to why the lending to agriculture by these banks is too low vis-a-vis their counterparts in the public sector banks. The Committee had also asked the Government to inform them of whether any punishment was meted out to those banks which have been continuously lending to agriculture at a far lower percentage as compared to stipulated percentage.

15. The Committee had expressed the view that lack of adequate institutional credit to small and marginal farmers drives them to borrow funds at very high rates from usuaries which inturn results in debt trap for such small farmers. Hence, the Committee had desired that RBI/Government should ensure that the private sector banks lend to agriculture as per the stipulated percentage.

16. Ministry of Finance (Department of Economic Affairs) in their action taken reply stated as under:

"Private Sector Banks" outstanding advances to priority sector and agriculture, as reported by Reserve Bank of India (RBI), as on the last Friday of March 1996 to March 1999 (provisional data), are furnished below:

(Amount in Rs. crore)

| Year | Priority Sector Advances | Agricultural Advances |
|---|---|---|
| March 1996 | 6283 (33.5%) | 1162 (6.3%) |
| March 1997 | 8697 (41.1%) | 1909 (9.0%) |
| March 1998 | 11614 (40.9%) | 2746 (9.7%) |
| March 1999 | 13947 (41.1%) | 3176 (9.4%) |

It may be observed from the above that the both the priority sector and agricultural advances of private sector banks have been increasing in absolute terms. The private sector banks have, as a group, achieved the priority sector lending target of 40 percent of NBC, although they have fallen short of the sub-target for lending to agriculture. As regards contribution to RIDF, the private sector banks were asked to contribute to the corpus of RIDF-I (April 1995) amounts on a pro-rata basis, depending on the shortfall in their agricultural lending as at March 1994 subject to a ceiling of 1.5 percent of NBC. During 1996-97 (period of RIDF-II) private sector banks which had not achieved the priority sector lending target were asked to place deposits equivalent to 50% of the shortfall with either NABARD or SIDBI.

Thereafter, in the case of RIDF-III, IV and V established during the years 1997-98, 1998-99 and 1999-2000 respectively, private sector banks which did not achieve the overall priority sector lending target of 40 percent as at March 1997, March 1998 and March 1999 respectively, were asked to contribute amounts equivalent to the shortfall. The total amount allocated to private sector banks in RIDF-I to V are furnished below:

(Amount in Rs. crore)

| RIDF | Corpus | Allocation to private sector banks |
|---|---|---|
| RIDF-I | 2000 | 124.49 |
| RIDF-III | 2500 | 296.00 |
| RIDF-IV | 3000 | 571.65 |
| RIDF-V | 3500 | 891.60 |

Reserve Bank of India (RBI) has reported that lending to agriculture by private sector banks is lower as compared to public sector banks mainly because of their lack of wide branch network in rural/semi-urban areas. This is particularly true in the case of new private sector banks.

RBI has taken several steps in cases of non-achievement of priority sector lending target/agricultural-lending sub-target by private sector banks since 1995. Some of these are:

(i) Private sector banks which had not achieved the agricultural lending sub-target of 18% of NBC as on the last Friday of March 1994 had been asked to contribute along with Public Sector Banks to the RIDF-I on a pro-rata basis subject to a maximum of 1.5% of their net bank credit.

(ii) Private sector banks were asked to deposit 50% of the shortfall in their total priority sector lending (40% target) as on the last reporting Friday of March 1996 with NABARD/ SIDBI. The deposits were required to be made either for one year at an interest of 8% per annum or for five years at 11.5% per annum.

(iii) Private sector banks, which had not reached the total priority, sector target of 40% as on the last reporting Friday of March 1997 had been asked to contribute the entire shortfall to the RIDF-III.

(iv) Those private sector banks, which did not achieve the priority, sector target of 40 percent as on the last reporting Friday of March 1998 were asked to contribute the entire shortfall to the corpus of RIDF-IV.

(v) Private sector banks which did not achieve the priority sector lending target of 40 percent of net bank credit as on the last reporting Friday of March 1999 were asked to contribute amounts equivalent to the entire shortfall to the corpus of RIDF-V.

Further, on the basis of their performance as at the end of September, 1998, private sector banks, which did not achieve the sub-target, have been advised to take steps to improve the flow of credit to agriculture. With other measures like introduction of Kisan Credit Cards, cash credit facility, Special Agricultural Credit Plans, simplification of procedures etc. and with improvements in infrastructure brought about by implementation of projects through RIDF, it is expected that lending to agriculture by both public sector as well as private sector banks will improve.

Loans to small and marginal farmers are included under the targets stipulated for agriculture and weaker sections under the priority sector. The data given below indicates that the direct advances of all scheduled commercial banks to small and marginal farmers (*viz.*, with land holdings upto 5 acres) during the last 3 years showed an increasing trend:

(Amount in Rs. crores)

| Year (July-June) | Amount Disbursed | Amount Outstanding |
|---|---|---|
| 1995-96 | 3954 | 8620 |
| 1996-97 | 4468 | 9927 |
| 1997-98 | 4701 | 10499 |

Reserve Bank of India has reported that Public Sector Banks have disbursed Rs. 4680.34 crore to small and marginal farmers representing 31.62 percent of the total disbursements to agriculture during the year 1997-98 (April to March) under Special Agricultural Credit Plans (SACPs). During the year 1998-99, public sector banks have disbursed Rs. 4951.63 crore to small and marginal farmers under SACP, which is 27.84 percent of the total disbursements. The implementation of the Kisan Credit Card Scheme which aims to provide timely and adequate production credit support to agriculture in a flexible and cost-effective manner is likely to improve access of small and marginal farmers to institutional credit.

As indicated in reply to para no. 47, private sector banks which had not achieved the stipulated percentage of agricultural lending as at September, 1998, have been advised to take steps to increase their lendings to this sector. The position in respect of priority sector lending is monitored on a half-yearly basis by the Reserve Bank of India.

17. The Committee note that the private sector banks whose lending to agriculture fell short of stipulated targets were asked to contribute to the corpus of Rural Infrastructure Development Fund I (RIDF I) amounts on pro rata basis depending on the shortfall as at the end of March, 1994 subject to a ceiling of 1.5 percent of Net Bank Credit (NBC) during 1995-96. Subsequently, private sector banks, which could not lend to priority sector as specified were asked to place deposits equivalent to 50% of the shortfall during 1996-97 and 100% of the shortfall during 1997-98, 1998-99 and 1999-2000 either with SIDBI or NABARD. However, it is not clear whether the said shortfall includes the shortfall in lending to agriculture. The Committee would therefore like to know whether the maximum limit of 1.5% of NBC for contribution to RIDF by private sector banks falling short of stipulated percentage of lending to agriculture was made applicable during 1996-97, 1997-98, 1998-99 and 1999-2000 also. If not, the Committee would like to know the basis of the above mentioned allocation to private sector banks to RIDF during the last four years. The Committee also would like to know whether all the private sector banks, whose lending to priority sector had fallen short of prescribed amounts have actually contributed as per schedule. If not, what action that RBI has taken against those which could not comply with the stipulation.

## CHAPTER II

## RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

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

The Committee are astonished to find that though budgetary allocations had been provided since 1995-96 for establishing DRT at Mumbai, which possibly accounts for major chunk of sticky loans, the Government had failed to establish the same and had to surrender the funds for the last four years. The Committee deplore the inordinate delay in the matter and recommend that immediate steps should be taken to establish the same. The Committee would like to be apprised of the specific reasons for not establishing DRT at Mumbai.

### Reply of the Government

Government of India had earlier approved the establishment of 10 DRTs at Delhi, Calcutta, Chennai, Guwahati, Ahmedabad, Jaipur, Jabalpur, Bangalore, Patna & Mumbai. DRT at Mumbai however could not be established due to non-availability of a judicial officer from the High Court of Mumbai for manning the post of Presiding Officer (P) of DRT though the matter was vigorously pursued with High Court of Mumbai for suggesting a panel of suitable judicial officers. High Court of Mumbai could suggest a panel of suitable officers during the year 1999 which was placed before the Selection Committee chaired by Justice Sujata V. Manohar, sitting Judge of Supreme Court of India and Shri V.D. Deshmukh, District Judge, Thane was selected to the post of PO, DRT, Mumbai. The other reason which attributed delay in not establishing DRT, Mumbai was that the Government could not get suitable accommodation for housing the office of DRT at Mumbai at reasonable rent. After the appointment of PO, the establishment of DRT has been notified w.e.f. 16.7.99 at M/s Pranjay House, Vaswani Chamber, 6th Floor, 120, Dinsha Vacha Road, Near K.C. College, Churchgate, Mumbai-400 020. DRT exercises the jurisdiction over the States of Maharashtra and Goa.

[Ministry of Finance, Department of Economic Affairs-Banking Division, OM No. 1/6/Bkg/99 dated 22 October, 1999]

**Recommendation (Sl. No. 2, Para Nos. 8, 9 & 10)**

The Committee are at a loss to find that 'Actuals' during the years from 1994-95 to 1998-99 have all along been far below the 'Estimates' except during the year 1995-96 despite revising the allocation downwards sharply at RE stage.

Lower utilisation of funds, attributed to low production of Security Paper which in turn is attributed to delay in modifying the paper making machine resulting in savings in procurement of raw materials such as Security Thread, Security Fibre, Hardwaste, etc. is far from satisfactory.

The Committee recommend that to the maximum extent possible the budgetary exercise should be done in such a way so that allocated resources are spent during that year itself.

**Reply of the Government**

We have taken note of the Committee's recommendations and all possible steps will be taken in future to ensure that the allocated resources are fully utilized in the very same year itself.

[Ministry of Finance, Parliament Section, OM No. H-11013/12/99-Parl. dated 24 August, 1999]

**Recommendation (Sl. No. 6, Para Nos. 43 & 44)**

The above mentioned recommendations of the Committee in their reports on Demands for Grants of Ministry of Finance since 1996-97 and the subsequent action taken replies reveal that every time the Ministry assures the Committee of the completion of the project as per schedule/revised schedule, but exactly opposite had happened which is reflected in frequently changing schedules of completion of the project, i.e. from March, 1992 to 30 November, 1996 then to June, 1997, further to December, 1997 still further to March, 1999 and finally to 1999-2000. The Committee observe that such assurances/commitments smack of cover-up to keep the Committee in dark about the real progress achieved in the completion of the said project. This is especially so in the light of the fact that successive Annual Reports of Department of Programme Implementation (DPI) since 1995-96 maintained a position which ran contrary to that of the commitments made by the Ministry to the Parliamentary Committee. The Committee are of the opinion that such vague commitments do not inspire much confidence in the working of Ministry of Finance.

The Committee feel that had the project been completed even as per the revised schedule, it would have obviated the necessity of importing coins and substantial amount spent on import of coins and notes could have been saved. The Committee, therefore, urge that at least from now onwards earnest efforts should be made to ensure the completion of the project during 1999-2000.

**Reply of the Government**

The Honourable Committee's observations are noted and appreciated and all efforts are being made to complete the project in 1999-2000.

[Ministry of Finance, Parliament Section, OM No. H-11013/12/99-Parl. dated 24 August, 1999]

**Recommendation (Sl. No. 11, Para Nos. 66 & 67)**

It is saddening to note that the Government have miserably failed to take suitable steps to quicken the process of formal action, appraisal and approval of schemes, which is reflected in underutilisation of huge amounts of the Plan allocations not only for revenue expenditure but also in case of the expenditure meant for creation of productive assets resulting in surrenders all these years. The Committee therefore, recommend that the Government should impress upon the concerned agencies/State Governments the need to provide counterpart funds and to create posts for implementation of various schemes in time thereby obviating the need for surrendering the allocated amounts. In this context the Committee concur with the views of the Ministry that only those schemes which are cleared at all levels should be included in the Budget enabling the utilisation of budgeted amount fully and recommend that it should be strictly adhered to.

The Committee are of the view that a part of the reduction in fiscal deficit could be attributed to underutilisation of the funds during the above mentioned years. Hence, they recommend that surrendering of funds due to various reasons should not be resorted to in a bid to show the reduction in fiscal deficit.

### Reply of the Government

Since it is for the Ministry/Department administratively concerned with the execution of Plan Schemes to issue necessary instruction to agencies implementing the Scheme, an O.M. has been sent to all Ministries/Departments in the matter for necessary compliance. A copy of the O.M. dated 28.5.99 is enclosed **(Annexure)**.

[Ministry of Finance, Parliament Section, OM No. H-11013/12/99-Parl. dated 24 August, 1999]

## CHAPTER III

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

### Recommendation (Sl. No. 5, Para Nos. 25, 26 & 27)

The Committee are not happy to find that even though the Budget estimates were downsized sharply while revising them, the actual expenditure incurred since 1994-95 did not match the Revised Estimates. This shows lack of prudent managerial planning. The Committee would like to be informed of the anticipated and actual expenditure (item-wise) incurred under the head Machinery and Equipment of Security Paper Mill since 1996-97.

It is also seen that the above mentioned replies received from the Ministry of Finance are conflicting with each other in so far as the time and/or method by which the order/tender for procurement was placed/initiated. The Committee would like to seek clarification as to whether the order placed on the overseas supplier on 19.07.1995 for procuring the cylinder was cancelled and subsequently open tender route was followed for procuring the same. The Committee would also like to be apprised of as to why there was such a shift in the method of procurement and the delay of about one year and a half for selecting and implementing the alternative course of procuring the said Cylinder.

The Committee would also like to be apprised of whether there is any cost escalation due to delay in choosing alternative course for procuring the same.

### Reply of the Government

With reference to the observations of the Committee on the procurement of Mould Cylinder, it is to be clarified that the explanations furnished previously for the savings in 1995-96 and 1997-98 relate to two different procurements of Mould Cylinders. We had in the year 1995 (on 19.7.95) placed an order for the procurement of one set of Mould Cylinders which materialised in the year 1996-97 only. Thereafter procurement action for another set of Mould Cylinders was initiated in the year 1997 and necessary budgetary provisions included in our B.E. 1997-98. However, the contract could not be finalised for the later procurement during 1997-98 due to non-acceptance of certain terms and conditions, which required protracted correspondences and meetings with the representative of the company. As a result the provision made could not be utilised. However, the orders for second set of Mould Cylinders has been finalized and these are expected to be received in 1999-2000. Savings which occurred during 1995-96 and 1997-98 represent two separate procurements.

There is no cost escalation and there has been no alternative course of procurement involved.

[Ministry of Finance, Parliament Section, OM No. H-11013/12/99-Parl. dated 24 August, 1999]

**Recommendation (Sl. No. 8, Para No. 50)**

The Committee express their concern at the continuously declining Credit Deposit (C.D.) Ratio of majority of the public sector commercial banks and urge the Government to reverse the trend by taking suitable steps. The Committee also desire that they should be apprised of the specific reasons for such a declining tendency of CD Ratio.

**Reply of the Government**

The particulars of aggregate deposits, bank credit and other investments of scheduled commercial banks for the period 1995-96 to 1998-99 are as given below:

(Rs. in crore)

| Year Ended | Outstanding Aggregate Deposits | Outstanding Bank Credit | Outstanding Other Investments | Bank Credit+ Other Investments (Col.3+ Col. 5) | Bank Credit/ Deposit Ratio (Col. 3/Col.2) | Bank Credit+ Other Investments/Deposit Ratio |
|---|---|---|---|---|---|---|
| 1995-96 | 4,33,819 | 2,54,015 | 15,415 | 2,69,430 | 58.6 | 62.1 |
| 1996-97 | 5,05,599 | 2,78,402 | 19,541 | 2,97,943 | 55.1 | 58.9 |
| 1997-98 | 5,98,485 | 3,24,079 | 31,865 | 3,55,944 | 54.1 | 59.5 |
| 1998-99 | 7,09,093 | 3,66,003 | 48,744 | 4,14,747 | 51.6 | 58.5 |

It may be observed from the above table that Bank credit of scheduled commercial banks has increased from Rs. 2,54,015 crore in 1995-96 to Rs. 3,66,003 crore in 1998-99 showing a rise of 44 per cent. However, during the same period, aggregate deposits of banks recorded a much sharper rise of 63 per cent increasing from Rs. 4,33,819 crore to Rs. 7,09,093 crore. In the recent period, there has been a conspicuous shift in the asset portfolio of banks with the flow of their funds to commercial sector in the form of investment in debentures, bonds, commercial papers, etc., rising more sharply than the flow in the form of conventional credit. Investments of banks in such money and capital market instruments have increased over three-fold, from Rs. 15,415 crore in 1995-96 to Rs. 48,744 crore in 1998-99. Taking the bank credit and other investments together, the ratio of total flow of funds to aggregate deposits, has declined only marginally from 62.1 per cent in 1995-96 to 58.5 per cent in 1998-99. The decline is on account of the sharper increase in the investors/depositors from stock market/NBFCs to Banks during the period. The depressed capital market may also have played a role in the declaration in non-food credit during 1998-99.

Several steps have been taken for improving the flow of banks' credit to the commercial sector. Some of the specific steps taken in the recent past are given below:

(i) The Reserve Bank of India have reduced the Bank Rate in phases from 10.0 per cent with effect from close of business on April 2, 1998 to 8.0 per cent with effect from close of business on March 1, 1999.

(ii) In order to facilitate the flow of credit to small borrowers (up to Rs. 2 lakh), RBI prescribed that the interest rates on loans up to Rs. 2 lakh were not to exceed the Prime Lending Rate (PLR) of the concerned bank, instead of a specific uniform rate for all banks.

(iii) To enable exporters to avail of export credit in foreign currency more effectively at internationally competitive rates, banks were to charge a spread of not more than 1.5 percentage points over London Inter-Bank Offered Rate (LIBOR).

(iv) The Reserve Bank increased the ceiling for banks; advances against shares and debentures to individuals from Rs. 10 lakh to Rs. 20 lakh if the advances are secured by dematerialised securities. The minimum margin prescription of 50 per cent for advances against shares was also reduced to 25 per cent against dematerialised shares.

(v) Loans to the software industry having credit limit up to Rs. 1 crore from the banking sector were made eligible for inclusion under the priority sector.

(vi) The ceiling on bank advances to retail traders under priority sector was increased from Rs. 2 lakh to Rs. 5 lakh.

(vii) With a view of promoting exports of floriculture, grapes and other agro-products, the Reserve Bank decided to allow banks to extend concessional credit for working capital purposes, provided banks are in a position to clearly identify such activities as export-related and satisfy themselves of the export potential thereof.

(viii) Banks were permitted to extend bridge loans, besides loans against expected equity flows/issues, proceeds of non convertible debentures, external commercial borrowings, global depository receipts and/or funds in the nature of Foreign Direct Investment, within the ceiling of 5 per cent of incremental deposits of the previous year prescribed for banks' investments in shares, debentures, etc.

(ix) The Reserve Bank simplified the procedures for export credit in foreign currency so as to ensure that the export credit schemes become accessible particularly to the small and medium sized exporters. The guideline relate to provision of export credit in foreign currency both at pre/post shipment stage at internationally competitive rate through more number of bank branches, simplification of application form and procedures, etc., for assessing credit requirements of exporters in a manner most suitable and appropriate to their business operations, providing a line of credit for a longer period than one year, permitting interchangeability of pre/post-shipment credit limits, waiver of submission of orders, LCs, etc., for availing credit and for handling export documents, streamlining internal systems and procedures.

(x) To ensure timely and adequate availability of credit, banks/ Financial Institutions (FIs) were advised to clearly delineate the procedure for approval of loan proposals and institute a suitable monitoring mechanism for reviewing applications pending beyond the specified period. Banks/FIs have also been urged to set up a mechanism for monitoring the project implementation.

(xi) In view of the national importance attached to infrastructure development, operational guidelines on financing of infrastructure projects were issued to banks/FIs. Accordingly, banks are now free to sanction term loans for technically feasible, financially viable and bankable projects undertaken by both public and private sector undertakings, subject to prescribed criteria. In this context, four broad modes of financing were identified *viz.*, (1) financing through funds raised by way of subordinated debt, (2) entering into take-out financing, (3) direct financing through rupee term loans, deferred payments guarantees, foreign currency loans, etc. and (4) investments in infrastructure bonds issued by project promoters/FIs. Banks were also permitted to issue inter-institutional guarantee subject to certain norms.

(xii) Several steps have also been taken through the current year's Budget to enhance flow of credit to the house sector. Scheduled commercial banks have been advised to lend up to 3% of their incremental deposits on housing finance. Tax incentive limit for housing loan and interest has been extended to Rs. 75,000/- for the current year. The above steps including repealing of Urban Land Ceiling Act is likely to boost flow of credit to housing sector.

(xiii) Kisan Credit Card Scheme has been introduced in all public sector banks, co-operative banks and regional rural banks (RRBs) to provide timely and adequate credit to farmers. This user-friendly scheme is expected to significantly enhance flow of credit to farmers.

(xiv) Scope of Rural Infrastructure Development Fund (RIDF) has been widened to allow lending to Gram Panchayats, Self Help Groups and other eligible organisations for implementing village level infrastructure projects. This will increase off take of credit under RIDF.

(xv) Reserve Bank of India has allowed scheduled commercial banks to extend loans to Non Banking Finance Companies for retailing and if such loans are ultimately given to priority sector borrowers, then such amount of loan would be included towards commercial bank's priority sector lending.

(xvi) A new credit linked capital subsidy scheme for construction of cold storages and godowns is being introduced by the Ministry of Agriculture with the help of NABARD. This is likely to boost credit to agriculture infrastructure sector.

In the "Monetary and Credit Policy for the year 1999-2000", RBI have indicated a working estimate for the expansion in aggregate deposits of scheduled commercial banks at Rs. 1,18,500 crore (16.5 per cent) in 1999-2000, Non-food bank credit including investments in commercial paper, shares/debentures/bonds of PSUs and private corporate sector is projected to increase by about 18 per cent. Availability of this order of credit should fully meet the demand of the productive sectors of the economy. Banks have been advised to plan their credit operations on the assumption that sufficient liquidity will be available in the current year to finance additional production as per normal banking norms. They have also been advised to increase delegation of powers as well as building in flexibility in delegated authority to meet increased volumes of business and the needs of the borrowers.

[Ministry of Finance, Department of Economic Affairs-Banking Division, OM No. 1/6/Bkg/99 dated 22 October, 1999]

**Recommendation (Sl. No. 9, Para No. 52)**

The Committee believe that the assured return schemes floated by mutual funds which are sponsored by public sector commercial banks and insurance companies were run by fund managers in such a way that they failed to generate the expected returns to redeem the units at a prefixed price resulting in bailing out of such funds by the sponsor of the mutual fund. Hence, the Committee recommend that the mutual funds sponsored by public sector commercial banks and insurance companies if their investment strategies are not in tune with the objective of the scheme, should not be allowed to operate assured return schemes.

**Reply of the Government**

According to SEBI Regulations, mutual funds can launch assured return schemes if the returns are fully guaranteed by the sponsor or the asset management company and the name of the person who guarantees the returns is disclosed in the offer document. SEBI ensures that the mutual funds fulfil the commitments made in the offer documents.

[Ministry of Finance, Parliament Section, OM No. H-11013/12/99-Parl. dated 24 August, 1999]

## CHAPTER IV

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

### Recommendation (Sl. No. 3, Para Nos. 15, 16 & 17)

The Committee are concerned to note that it took more than seven months for the Ministry to issue the sanction for purchase of Treasure Wagons as a result of which the allocated amount during 1994-95 had to be surrendered. They further note that Bank Note Press (BNP), Dewas, took about another seven months since the date of obtaining sanction from the Government for placing orders on M/s BEML. The Committee feel that long period of about 14 months for both sanctioning and placing the order on BEML is unwarranted and could have been avoided. Moreover, during the years 1996-97, 1997-98 and 1998-99 the budgeted provisions remained under-utilised due to non-supply of wagons by the supplier which is also not a healthy proposition.

The Committee would like to be apprised of whether in the supply order conditions any provision was inserted for imposing penalties on the supplier in case of their failure to adhere to delivery schedule and if so whether such a clause was invoked against BEML for their failure to do so.

The Committee are deeply constrained to note that the Ministry could not finalise the terms of payment to RBI for payment towards cost of new machineries procured by RBI for currency note press and consequently had to surrender the funds for two consecutive years *i.e.* 1997-98 and 1998-99. The Committee would like the Ministry to apprise them as to why terms of payment could not be finalised for two years. The Committee also want the Ministry to finalise the same and pay the required amount to RBI without any further delay.

### Reply of the Government

In the Supply Order placed on M/s BEML, Bangalore, BNP, Dewas had inserted failure and termination/L.D. clause [Clause 4(1)(2)] which provides, "Imposition of LD at the rate of 4% per month for undelivered portion up to a maximum of 5% of the contract price of the items delayed."

BEML have, so far supplied only one prototype wagon, trial of which has been completed with passenger train. BNP has asked them to supply the balance quantity of 29 Nos. subject to satisfactory trial with mail/express train. Remaining wagons are expected to be delivered by 30.6.2000. Accordingly decision regarding imposition of L.D. will be taken at the appropriate time *i.e.* after the supply is completed.

The terms of payment to RBI towards cost of machineries procured by them for CNP could not be finalised as the RBI is yet to submit to Government of India a specific proposal indicating exact terms and conditions of repayment. The matter is being pursued with RBI.

[Ministry of Finance, Parliament Section, O.M. No. H-11013/12/99-Parl. dated 24 August, 1999]

### Comments of the Committee

Please refer Para No. 9 of Chapter I.

### Recommendation (Sl. No. 4, Para Nos. 20 & 21)

The Committee regret to find that the funds earmarked in the successive Budgets during the years 1994-95 to 1998-99, meant for augmentation of water supply and execution of some civil works, had to be surrendered for want of sanction from the Government of Madhya Pradesh and plan approval from CPWD respectively for which no specific reasons have been given. Desiring to know the specific reasons for not getting both the works executed, the Committee recommend that the matter may be taken up with the Government of Madhya Pradesh and CPWD authorities at appropriately higher level so that necessary sanction from M.P. Government and approved plan from CPWD could be obtained expeditiously.

The Committee would like to be apprised of the latest position in this regard.

### Reply of the Government

At its meeting on 24.6.99 the Committee on Non-Plan Expenditure had considered the Department of EA's proposal to bring water to BNP from Lakhunder Dam, at estimated cost of Rs. 12.06 crores and approved the project in principle, subject to the following conditions:

(i) "Detailed Project Report will be prepared by PHE Department of the Madhya Pradesh Government within 3 months and the estimates should be referred to the Ministry of Urban Development for vetting.

(ii) Funds to the extent of Rs. 5 lakhs may be released to the State Government on adhoc basis, for taking up the initial surveys etc. for preparing the detailed Project Report. This will be finally adjusted against total cost of the project.

(iii) State Government may be approached for continued operation/maintenance of the scheme even after 3 years.

(iv) The proposal for creation of posts etc. if any involved, will be processed separately on the basis of justifications."

Accordingly, the Department of Economic Affairs sanctioned payment of Rs. 5 lakhs on 29.7.99 to M.P. State Government for enabling its PHE Department to prepare the DPR.

[Ministry of Finance, Parliament Section, OM No. H-11013/12/99-Parl. Dated 24 August, 1999]

### Comments of the Committee

Please refer Para No. 12 of Chapter I.

# CHAPTER V

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

### Recommendation (Sl. No. 7, Para Nos. 46, 47 & 48)

The above data reveal that attainment of targets for lending to agriculture under priority sector lending obligations by private sector commercial banks is nowhere near the prescribed percentage even after taking into account their contribution—maximum of 1.5 percent of NBC—to Rural Infrastructure Development Fund which was started in 1995-96 for extending loans to state governments for development of agricultural related infrastructure.

The Committee would like to be apprised as to why the lending to agriculture by these banks is too low *vis-a-vis* their counterparts in public sector banks. The Committee would also like to be apprised of whether any punishment is meeted out to those banks which have been continuously lending to agriculture at a far lower percentage as compared to stipulated percentage.

The Committee are of the view that lack of adequate institutional credit to small and marginal farmers drives them to borrow funds at very high rates from usuaries which inturn results in debt trap for such small farmers. Hence, the Committee desire that RBI/Government should ensure that the private sector banks lend to agriculture as per the stipulated percentage.

### Reply of the Government

"Private Sector Banks" outstanding advances to priority sector and agriculture, as reported by Reserve Bank of India (RBI), as on the last Friday of March 1996 to March 1999 (provisional data), are furnished below:

(Amount in Rs. Crore)

| Year | Priority Sector Advances | Agricultural Advances |
|---|---|---|
| March 1996 | 6283 (33.5%) | 1162 (6.3%) |
| March 1997 | 8697 (41.1%) | 1909 (9.0%) |
| March 1998 | 11614 (40.9%) | 2746 (9.7%) |
| March 1999 | 13947 (41.1%) | 3176 (9.4%) |

It may be observed from the above that the both the priority sector and agricultural advances of private sector banks have been increasing in absolute terms. The private sector banks have, as a group, achieved the priority sector lending target of 40 percent of NBC, although they have fallen short of the sub-target for lending to agriculture. As regards contribution to RIDF, the private sector banks were asked to contribute to the corpus of RIDF-I (April 1995) amounts on a pro-rata basis, depending on the shortfall in their agricultural lending as at March 1994 subject to a ceiling of 1.5 percent of NBC. During 1996-97 (period of RIDF-II) private sector banks which had not achieved the priority sector lending target were asked to place deposits equivalent to 50% of the shortfall with either NABARD or SIDBI. Thereafter, in the case of RIDF-III, IV and V established during the years 1997-98, 1998-99 and 1999-2000 respectively, private sector banks which did not achieve the overall priority sector lending target of 40 percent as at March 1997, March 1998 and March 1999 respectively, were asked to contribute amounts equivalent to the shorfall. The total amount allocated to private sector banks in RIDF-I to V are furnished below:

(Amount in Rs. Crore)

| RIDF | Corpus | Allocation to private sector banks |
|---|---|---|
| RIDF-I | 2000 | 124.49 |
| RIDF-III | 2500 | 296.00 |
| RIDF-IV | 3000 | 571.65 |
| RIDF-V | 3500 | 891.60 |

Reserve Bank of India (RBI) has reported that lending to agriculture by private sector banks is lower as compared to public sector banks mainly because of their lack of wide branch network in rural/semi-urban areas. This is particularly true in the case of new private sector banks.

RBI has taken several steps in cases of non-achievement of priority sector lending target/agricultural-lending sub-target by private sector banks since 1995. Some of these are:

(i) Private Sector banks which had not achieved the agricultural lending sub-target of 18% of NBC as on the last Friday of March 1994 had been asked to contribute along with Public Sector Banks to the RIDF-I on a pro-rata basis subject to a maximum of 1.5% of their net bank credit.

(ii) Private sector banks were asked to deposit 50% of the shortfall in their total priority sector lending (40% target) as on the last reporting Friday of march 1996 with NABARD/ SIDBI. The deposits were required to be made either for one year at an interest of 8% per annum or for five years at 11.5% per annum.

(iii) Private sector banks, which had not reached the total priority, sector target of 40% as on the last reporting Friday of March 1997 had been asked to contribute the entire shortfall to the RIDF-III.

(iv) Those private sector banks, which did not achieve the priority, sector target of 40 percent as on the last reporting Friday of March 1998 were asked to contribute the entire shortfall to the corpus of RIDF-IV.

(v) Private sector banks which did not achieve the priority sector lending target of 40 percent of net bank credit as on the last reporting Friday of March 1999 were asked to contribute amounts equivalent to the entire shortfall to the corpus of RIDF-V.

Further, on the basis of their performance as at the end of September, 1998, private sector banks, which did not achieve the sub-target, have been advised to take steps to improve the flow of credit to agriculture. With other measures like introduction of Kisan Credit Cards, cash credit facility, Special Agricultural Credit Plans, simplification of procedures etc. and with improvements in infrastructure brought about by implementation of projects through RIDF, it is expected that lending to agriculture by both public sector as well as private sector banks will improve.

Loans to small and marginal farmers are included under the targets stipulated for agriculture and weaker sections under the priority sector. The data given below indicates that the direct advances of all scheduled commercial banks to small and marginal farmers (viz, with land holdings upto 5 acres) during the last 3 years showed an increasing trend:

(Amount in Rs. Crores)

| Year (July-June) | Amount Disbursed | Amount Outstanding |
|---|---|---|
| 1995-96 | 3954 | 8620 |
| 1996-97 | 4468 | 9927 |
| 1997-98 | 4701 | 10499 |

Reserve Bank of India has reported that Public Sector Banks have disbursed Rs. 4680.34 crore to small and marginal farmers representing 31.62 percent of the total disbursements to agriculture during the year 1997-98 (April to March) under Special Agricultural Credit Plans (SACPs). During the year 1998-99, Public Sector banks have disbursed Rs. 4951.63 crore to small and marginal farmers under SACP, which is 27.84 percent of the total disbursements. The implementation of the Kisan Credit Card Scheme which aims to provide timely and adequate production credit support to agriculture in a flexible and cost-effective manner is likely to improve access of small and marginal farmers to institutional credit.

As indicated in reply to para no. 47, private sector banks which had not achieved the stipulated percentage of agricultural lending as at September, 1998, have been advised to take steps to increase their lendings to this sector. The position in respect of priority sector lending is monitored on a half-yearly basis by the Reserve Bank of India.

**Recommendation (Sl. No. 10, Para No. 61)**

The Committee believe that sincere efforts could not be made by the Government in roping in the distinguished Members of Parliament representing different political parties having diverse views and philosophies in the proposed Expenditure Management and Reforms Commission. This is especially so in the light of the fact that the

Finance Minister while presenting the Budget for the current year proposed the formation of Expenditure Reforms Commission with the similar objectives as that of the earlier commission proposed by his predecessor which in turn implies that the Government is confident of involving the representatives of various political parties of different ideologies without which the Committee believe the desired purpose will not be served. Hence, the Committee feel that had the Government taken sincere steps to constitute the commission as proposed earlier, substantial work could have been done in this regard by now. They therefore recommend that suitable steps should be initiated immediately to constitute the recently announced Expenditure Reforms Commission. The Committee also suggest that undue importance should not be given to nomenclature and waste precious time in only changing the name of such bodies by relegating the important objectives and functions for which these are proposed to be constituted.

**Reply of the Government**

The Composition of the Commission is still under consideration.

[Ministry of Finance, Parliament Section OM No. H-11013/12/99-Parl.
Dated 24 Jan., 2000]

NEW DELHI;
15 *March*, 2000
25 *Phalguna*, 1921 *(Saka)*

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

## MINUTES OF THE FOURTH SITTING OF STANDING COMMITTEE ON FINANCE (1999-2000)

The Committee sat on Monday, 28 February, 2000 from 1500 hrs. to 1545 hrs.

PRESENT

Shri Shivraj V. Patil — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Raashid Alvi
3. Shri Sudip Bandyopadhyay
4. Shri Ajoy Chakraborty
5. Shri Kamal Nath
6. Shri Rupchand Pal
7. Shri Varkala Radhakrishnan
8. Shri Ajit Singh
9. Shri C.N. Singh
10. Shri Kirit Somaiya
11. Shri Kharebela Swain
12. Shri Braja Kishore Tripathy
13. Smt. Renuka Chowdhury

*Rajya Sabha*

14. Shri N.K.P. Salve
15. Shri Amar Singh

SECRETARIAT

1. Shri A.K. Pandey — *Additional Secretary*
2. Shri S.B. Arora — *Under Secretary*

2. At the outset, the Chairman welcomed the members and requested them to take up for consideration the draft Action Taken Reports on the recommendations contained in the 19th, 20th and 21st reports of the Standing Committee on Finance (1998-99) on Demands for Grants (1999-2000) of (i) Ministry of Planning and Programme Implementation (ii) Ministry of Finance (Departments of Economic Affairs & Expenditure) and (iii) Ministry of Finance (Department of Revenue) respectively.

3. The Committee after deliberations decided to take oral evidence of representatives of (i) Ministry of Planning in respect of action taken reply to the Committee's recommendation at Sl. No. 5 on Human Development Report (ii) Ministry of Statistics and Programme Implementation and other relevant Ministries in respect of recommendation at Sl. No. 8 on time and cost overruns in completion of the Mega Projects (iii) Ministry of Finance (Department of Economic Affairs & Expenditure) on action taken reply to the Committee's recommendation on priority sector lending by private sector banks and (iv) Ministry of Finance (Department of Revenue) on action taken reply on the committee's recommendation on shortfall in revenue collections by the Department of Revenue for seeking further clarifications as they were not satisfied with the replies furnished by the concerned Ministries/Departments.

4. In view of the above decision, the classification of the action taken replies to the above said recommendations is required to be changed from "Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee" to "Recommendations/Observations in respect of which final replies of the Government are still awaited." The Committee then adopted all the above mentioned three draft Action Taken Reports without any other modifications/amendments. Thereafter, the Committee authorised the Chairman to present the Action Taken Reports to both Houses of Parliament.

5. Thereafter, the Chairman, informed the Committee that the following topics were selected for an in-depth examination by the Committee:

1. Time and cost overruns in the completion of Mega projects.
2. Financial Institutions—Objectives, Performance and Future prospects.
3. Issues contained in the 'Report on Currency and Finance-1998-99'.
4. Rationalisation of tax structure.
5. Relevance of planning in the Liberalised Economy.

*The Committee then adjourned.*

*ANNEXURE*

F. No. 66(9)/PF.II/99
Government of India
Ministry of Finance
Department of Expenditure
(Plan Finance-II Division)

New Delhi, dated the 28th May, 1999.

OFFICE MEMORANDUM

SUBJECT : *Action taken by Government on the recommendations/observations made by Standing Committee on Finance in its 20th Report on Demands for Grants (1999-2000) of Ministry of Finance.*

The undersigned is directed to state that, in the context of under-utilisation of plan allocations, the Standing Finance Committee, *vide* para 67 of the Report, has made the following recommendation:

> "The Committee therefore, recommend that the Government should impress upon the concerned agencies/State Govts. the need to provide counter-part funds and to create posts for implementation of various schemes in time thereby obviating the need for surrendering the allocated amounts."

It is requested that the above recommendation may be brought to the notice of State Governments/agencies executing/implementing Plan Schemes for compliance.

This issues with the approval of Secretary (Exp.)

(A.K. Singh)
Joint Secretary-PF. II

To

The Secretary (All Ministries/Deptts.)

Copy for information and necessary action to F.As (All Ministries/Deptts.)

## APPENDIX

(*Vide* Para 3 of the Introduction)

*Analysis of the Action Taken by Government on the recommendations contained in the Twentieth Report of the Standing Committee on Finance (Twelfth Lok Sabha) on Demands for Grants (1999-2000) of the Ministry of Finance (Departments of Economic Affairs and Expenditure)*

| | | Total | % of Total |
|---|---|---|---|
| (i) | Total number of recommendations | 11 | |
| (ii) | Recommendations/observations which have been accepted by the Government (*Vide* Recommendations at Sl. Nos. 1, 2 6 and 11) | 4 | 36.37 |
| (iii) | Recommendations/observations which the Committee do not desire to pursue in view of the Government's replies (*Vide* Recommendations at Sl. Nos. 5, 8 and 9) | 3 | 27.27 |
| (iv) | Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee (*Vide* Recommendations at Sl. Nos. 3, and 4) | 2 | 18.18 |
| (v) | Recommendations/observations in respect of which final replies of the Government are still awaited (*Vide* Recommendations at Sl. No. 7 and 10) | 2 | 18.18 |