STANDING COMMITTEE ON FINANCE
(1999-2000)

(THIRTEENTH LOK SABHA)

SIXTH REPORT

MINISTRY OF FINANCE
(DEPARTMENTS OF ECONOMIC AFFAIRS & EXPENDITURE)

DEMANDS FOR GRANTS
(2000-2001)

Presented to Lok Sabha on 25 April, 2000
Laid in Rajya Sabha on 25 April, 2000

LOK SABHA SECRETARIAT
NEW DELHI

April, 2000/Chaitra, 1922(Saka)

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Shri. Shivraj V. Patil – Chairman

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2. Shri Raashid Alvi
3. Shri Sudip Bandyopadhyay
4. Shri Ajoy Chakraborty
5. Shri Rattan Lal Kataria
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7. Shri Brahmanand Mandal
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28. Shri Narayan Dutt Tiwari
29. Shri Braja Kishore Tripathy
30. Smt. Renuka Chowdhury *****

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32. Shri N.K.P. Salve
33. Shri Krishna Kumar Birla
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37. Shri Ranjan Prasad Yadav
38. Prof. M. Sankaralingam
39. Shri Amar Singh
40. Shri Vijay Darda
41. Shri Suresh A. Keswani #
42. Vacant@
43. Vacant@
44. Vacant@
45. Vacant@

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
5.	Shri Srinivasulu Gunda	-	Committee Officer

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

Nominated w.e.f. 24 February, 2000

@Vacant consequent upon the retirement of S/Shri K. Rahman Khan, Dr. Biplab Dasgupta, Prafull Goradia, Gurudas Das Gupta from Rajya Sabha w.e.f 2 April, 2000.

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 Sixth Report on Demands for Grants (2000-2001) 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 10 March, 2000. 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 (Deptts. of Economic Affairs & Expenditure) at their sitting held on 31 March, 2000 in connection with examination of the Demands for Grants.

4. The Committee Considered and adopted the Report at their sittings held on 19 and 20 April, 2000.

5. The Committee wish to express their thanks to the Officers of the Ministry of Finance 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;
20 April, 2000
31 Chaitra, 1922(Saka)

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

REPORT

1. Demand No.: 27

Department of Economic Affairs
Major Head : 2046
Minor Head : 00.101
Detailed Head : 03.00.52

Currency Note Press – Machinery and Equipment

Currency Note Press (CNP), Nasik, prints notes in denominations of Rs. 10/-, Rs. 50/- and Rs. 100/-. The budget allocations, revised estimates and actuals incurred by CNP, for making payments for procuring small machines and auxiliary equipment since 1995-96 are as follows:-

(Non-plan)

Year	Budget Estimates	Revised Estimates	Actuals
1995-96	50,00,000	50,00,000	28,78,000
1996-97	30,00,000	60,00,000	49,56,000
1997-98	49,00,000	49,00,000	33,46,000
1998-99	40,40,000	40,00,000	10,21,000
1999-2000	86,00,000	68,00,000	
2000-2001	36,30,000		

2. On the reasons for underutilisation of allocated funds the Ministry of Finance (Deptt. of Economic Affairs) in a written reply stated as under:-

> "The specific reason for under-utilisation of allocated funds under the Head Machinery and Equipment is non-finalisation of proposal for procurement of machineries."

3. On why higher amounts vis-à-vis budgetary allocations and actuals of the previous year were allocated in the subsequent years, Ministry of Finance (Deptt. of Economic Affairs) in a written reply furnished to the Committee stated as below:-

> "In 1995-96 saving was due to non-receipt of some machinaries required for workshop. In 1996-97 saving was due to non-receipt of Air Compressor and other machinery required for workshop. In 1997-98 saving was due to non-receipt of machinaries for modernisation of Currency Note Press. In 1998-99 saving was due to non-receipt of Air-conditioners, machinaries for black smith shop, Stacker Units and Voltas Chiller Unit. Since procurements could not be finalised as planned, additional allocations were to be made for same item in the subsequent years."

4. On the reasons for spending a little more than only one fourth of the allocated amount, Ministry of Finance (Deptt. of Economic Affairs) in their written reply stated as follow:-

> "In 1998-99, CNP had made provision for procurement of Air conditioners, Water Coolers, Machines for Black Smith Shop, Standby Cooling Tower, 15 Ton Mobile Crane for project, Stacker Units and Voltas Chiller Unit out of which CNP had received only mobile crane and hence, there was utilisation of about one fourth budgeted amount during 1998-99."

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

2. Demand No. 27
Department of Economic Affairs
Major Head : 2047
Minor Head : 00.107
Detailed Head : 03.00.21

Security Printing Press – Supplies and Material

6. Security Printing Press (SPP). Hyderabad supplements the output of India Security Press (ISP), Nasik mainly to cater to the needs of Southern States in-respect of postal stationary and match excise banderols. It has also been supplying Inland Letter Cards and match excise banderols to indentors all over the country. The press is printing non-judicial stamp papers of lower denominations for Southern States. The budgetary allocations, revised estimates and actuals incurred by SPP for making payments towards purchase of raw materials for printing of postal stationery, central Excise Stamps and non-judicial stamps since 1996-97 are as follows :-

Year	Budget Estimates	Revised Estimates	Actuals
1996-97	22,00,30,000	19,66,00,000	18,50,09,000
1997-98	24,00,00,000	21,10,25,000	16,84,07,000
1998-99	25,00,00,000	15,96,00,000	11,40,34,000
1999-2000	19,92,00,000	15,50,00,000	6,64,71,000*
2000-2001	18,00,00,000		

*upto 31.1.2000

7. On the reasons for continuous under utilisation of allocated amounts since 1996-97, the Ministry of Finance (Deptt. of Economic Affairs) in a written reply furnished to the Committee stated as follows:-

"(i) <u>Supplies and Materials (1996-97)</u> :

In view of the anticipated demands from the indentors, a provision of Rs. 22.00 crores was made in BE 1996-97. Since the indents were not received as expected earlier, fund requirement was toned down to Rs. 19.66 crores at RE 1996-97 stage. However, the actual expenditure incurred for the year was only Rs. 18.50 crores, due to lesser procurement, resulting in a saving of Rs. 1.66 crores.

(ii) <u>Supplies and Materials (1997-98)</u>:

In view of the anticipated demands from the indentors vis., Department of Posts, Central Excise Departments and State Government Treasuries, Budget Estimates for 1997-98 were projected in September, 1996 and accordingly, Budget Estimates for 1997-98 was sanctioned. However, due to anticipated requirements having not materialised during the year, the procurement action was staggered, hence the savings as brought out above. Therefore, variations have occurred in 1997-98 between Budget Estimates and the actual Expenditure.

(iii) Supplies and Materials (1998-99):

Based on the anticipated demands from the indentors, BE 1998-99 figures had been projected in September, 1997 and accordingly, the BE 1998-99 provisions have been made. However, due to anticipated requirements having not been materialised with the Department of Posts, savings occurred due to reduced procurement.

(iv) Supplies and Materials (1999-2000) :

The provisions for BE 1999-2000 have been made in October, 1998 on the basis of anticipated demands from the indentors. While making the provisions the anticipated increase in the procurement, prices and quantity of materials have been taken into account. Savings are due to reduced procurement as also staggered procurement."

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

concerned. The Committee, therefore recommend that the management should improve their forecasting of market demand so that underutilisation can be minimised.

3. Demand No. 27
Department of Economic Affairs
Major Head : 4046
Minor Head : 00.101
Detail Head : 02.00.52

Currency Note Press

Machinery and Equipment

9. The budgetary allocations, revised estimates and actuals incurred by currency Note Press (CNP), Nasik, for payment towards cost of new machinery procured by RBI since 1997-98 are as follows :-

Year	Budget Estimate	Revised Estimate	Actuals
1997-98	Nil	1.00	Nil
1998-99	1.00	Nil	Nil
1999-2000	Nil	Nil	Nil

10. On the reasons for not utilising the funds meant for the purpose the Ministry of Finance (Deptt. of Economic Affairs) in their reply furnished during the examination of Demands for Grants (1999-2000) of Ministry of Finance, inter-alia stated as under:-

> "terms of payment to RBI were still under finalisation and therefore these amounts were surrendered during Revised Estimates"

11. As the RBI had not finalised the terms of payment even after two consecutive years i.e. 1997-98 and 1999-2000 resulting in surrendering of the funds by CNP the Committee in their Twentieth Report on Demands for Grants (1999-2000) of Ministry of Finance (Department of Economic Affairs and Expenditure) on the issue inter-alia recommended as under :-

> "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."

12. In response to a query as to whether the terms of payment to RBI for payment towards cost of new machinaries procured by RBI for CNP have been finalised, the Ministry of Finance (Department of Economic Affairs) in their written reply inter-alia stated as under:-

> "The terms of payment to RBI towards cost of new machineries procured by RBI for Currency Note Press, Nashik, have not yet been finalised. The RBI has suggested to make one-time payment, by BNP/CNP resorting to 'market borrowings'. This suggestion has not been found to be acceptable to this Ministry. This Ministry has, therefore, suggested to RBI, that it should agree to leasing arrangement, by receiving annual "lease charges" in respect of machines purchased, firstly for a period of eight years and to be renewed thereafter. The RBI's reaction to this suggestion is awaited."

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

4. Demand No. 27
Department of Economic Affairs
Major Head : 4046
Minor Head : 00.103
Detailed Head : 01.00.53

Security Paper Mill – Major Works

14. The Security Paper Mill (SPM) Manufactures paper for making currency notes and other security paper required by Bank Note Press, Currency Note Press and India Security Press. The budgetary outlays, revised estimates and acutal amount spent by Security Paper Mill for making payments towards civil works carried out by CPWD are as follows :-

Year	Budget Estimates	Revised Estimates	Actuals
1995-96	3,50,00,000	2,50,00,000	1,58,14,000
1996-97	3,50,00,000	2,62,00,000	1,92,91,000
1997-98	2,62,00,000	4,00,00,000	2,11,20,000
1998-99	3,00,00,000	3,00,00,000	2,16,23,000
1999-2000	2,64,00,000	2,50,00,000	
2000-2001	2,00,00,000		

15. In written reply to a query as to why there has been large scale underutilisation of allocations in successive budgets since 1995-96 and as to the reasons for allocating higher amounts for successive years despite under-spending of the allocated amounts in the preceding years, the Ministry of Finance (Deptt. of Economic Affairs) stated as under :-

> " All the construction works are carried out by CPWD and the budgetary provisions are made entirely based on their demand. The CPWD themselves monitor the progress of individual work and expenditure thereon. Since delay/slow progress occurred in execution of certain work by CPWD and their contractors, budget grant could not be fully utilised."

16. The Committee are concerned to note that the management of Security Paper Mill are quite generous in allocating whatever amount of funds is asked for by CPWD for carrying out major works in Security Paper Mill (SPM) perhaps without even assessing the performance of CPWD in utilising the allocated resources for the said purpose. The Committee desire the Ministry to apprise them as to why the CPWD could not spend the allocated amounts as a result

of which funds had to be surrendered continuously during each of the last five years. The Committee recommend that this kind of financial imprudence should not be resorted to atleast in future and every effort should be made to ensure that the spending of the scarce funds in the same year earmarked for specified purposes receives utmost importance by the authorities concerned.

5. Demand No. 27

Department of Economic Affairs

Major Head : 4046
Minor Head : 00.107
Detailed Head : 02.00.52

Mints – Machinery and Equipment

17. The Government of India with a view to eliminating shortage and to have total coinage upto Rs. 5, 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. However, the project could not be completed as envisaged in the original as well revised schedule and the funds had to be surrendered provided for in the subsequent years as shown below :-

	BE		RE		Actuals	
Year	Plan	Non-Plan	Plan	Non-plan	Plan	Non-Plan
1994-95	92,10,00,000	4,52,00,000	51,11,00,000	1,60,00,000	18,42,12,000	66,87,000
1995-96	76,68,00,000	2,28,00,000	55,86,00,000	1,13,00,000	53,88,65,000	39,50,000
1996-97	91,34,00,000	2,26,00,000	46,46,00,000	1,92,00,000	40,27,25,000	23,77,000
1997-98	28,42,00,000	2,02,00,000	16,00,00,000	1,97,00,000	14,57,48,000	55,89,000
1998-99	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		
2000-2001	27,89,45,000	3,10,00,000				

18. On the query as to whether the project is likely to be completed before the end of the financial year 1999-2000 as stated in the action taken reply especially in the light of the observation – The project activities at Mumbai and Calcutta are far behind schedule due to delay in Civil Works – contained in the latest Annual Report (1999-2000) of Ministry of Statistics and Programme Implementation (Department of Programme Implementation), Ministry of finance (Deptt. of Economic Affairs) stated as under :-

> "The Ministry makes assessment on the basis of the work programme prepared for the year. Some of the targets, however, could not be achieved owing to reasons which could not have been anticipated, like discovery of concrete structures under – ground at Calcutta and Mumbai where the project has been executed at the existing premises of the mints without drastically disturbing existing production lines. It is submitted that this is a specialised project of its kind and expertise in this field is not easily available. It is also to be noted that the observation of the Ministry of Programme Implementation is a retrospective one whereas the assessment of this Ministry is made on prospective basis."

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

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

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

The Committee feel that this kind of approach in project implementation indicates nothing but a very casual attitude of the management. The Committee, therefore, recommend that all out serious efforts should be made in order to ensure that the problems

being faced in completion of the civil works both at Mumbai and Calcutta are overcome without further delay and the projects gets completed expeditiously.

6. Demand No. 27
Department of Economic Affairs
Object Head : 52

Machinery and Equipment (Capital Section)

20. The budgetary allocations, revised estimates and actuals incurred by various Govt. of India mints, currency printing presses, Security printing presses and security paper manufacturing mills under currency and coinage division of the Ministry of Finance (Deptt. of Economic Affairs) for procurement of machinery and equipment under both plan and non-plan since 1995-96 are as follows :-

	BE		RE		Actuals	
Year	Plan	Non-Plan	Plan	Non-plan	Plan	Non-Plan
1995-96	79,68,00,000	31,13,00,000	55,86,00,000	27,47,00,000	53,88,65,000	6,91,37,000
1996-97	91,34,00,000	48,23,00,000	46,46,00,000	31,03,00,000	40,27,25,000	10,22,70,000
1997-98	28,92,00,000	31,83,00,000	16,00,00,000	23,55,00,000	14,57,48,000	3,19,01,000
1998-99	31,17,60,000	48,76,00,000	14,09,00,000	36,42,00,000	13,56,82,000	23,34,74,000
1999-2000	25,71,00,000	61,40,00,000	13,63,00,000	45,05,00,000		
2000-2001	27,89,45,000					

21. On dismal performance of the security printing presses, currency note presses Govt. of India mints and security paper manufacturing mills in utilisation of the funds allocated – both plan and non-plan since 1995-96, Ministry of Finance in a detailed note submitted to the Committee stated as follows:-

> " Most of the equipments are imported on the basis of open global tenders which is a time-consuming process. The proposals require the approval of the Govt. after completion of all formalities unexpected delays are unavoidable in such transactions. Sometimes, shipments get delayed for reasons beyond control like ocean conditions. Sometimes there are delays on the part of suppliers for reasons beyond their control. Occasionally, delay occurs in sending Govt. inspectors for pre-production/pre-shipment inspections. Inspections are carried at different stages with view to ensuring the quality of the products and their conformity with the laid down specifications. To give one example, this deptt. decided to procure own specially designed Railway wagons for speedy and secure despatches of currency notes to the various parts of the country since the Railways had their own problem and could not make available wagons as per our requirement for moving currency notes causing inconvenience to the public. The contract was awarded to a Govt. Company, namely Bharat Earth Movers Ltd. (BEML) and budget provisions were made year after year keeping in view the schedule of the company for manufacture and supply of the wagons. But BEML had to spend considerable time on R&D to meet our requirements. This led to non-utilisation of funds. This contract has materialised this year and BML is supplying wagons after green signal from the Railways on the basis of trial runs.
>
> It is submitted that estimates are made as realistic as possible taking into account all relevant factors at a particular point of time but these factors fluctuate and vary over a period of time leading to either more or less expenditure. It is submitted that procurement through global tendering is in itself time consuming. Then it has to be finalised within parameters of transaction of business by a Govt. department which has to maintain, at all times, highest sense

of responsibility and accountability and has, for this purpose, to meticulously follow the financial regulations and procedures. This takes time. Therefore, it is but natural that there shall always be variations between estimates and actuals."

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

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

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

7. Demand No.28
Department of Economic Affairs
Major Head: 5465
Minor Head: 190

Priority sector lending to agriculture by private sector commercial banks

23. Under section 21 of the Banking Regulation Act, 1949 the Reserve Bank of India have formulated a banking policy which requires banks to lend certain percent of Net Bank Credit (NBC) to the priority sector. As per the extant guidelines Indian Public as well as private sector commercial banks have to lend 18% of their NBC to agriculture under priority sector.

24. As the attainment of targets for advancing loans to agriculture under priority sector lending obligation by the 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 (RIDF), the Committee in their Twentieth Report on Demands for Grants (1999-2000) of Ministry of Finance (Departments of Economic Affairs and Expenditure) have inter-alia asked the Govt./RBI to apprise them as to why the lending to agriculture by the private sector commercial banks is so low vis-à-vis their counterparts in public sector. In their action taken reply the Ministry of Finance (Deptt. of Economic Affairs) inter-alia submitted as follows :-

> "…..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"**

25. However, Special Secretary (Banking), during oral evidence held on 16 March, 2000, on the branch network of private sector banks stated as under:-

> "The private sector banks have also made efforts to increase their network in rural and semi-urban areas**. So far as the old private sector is concerned, they have got adequate network in rural and semi-urban areas** but the new private sector banks have not been able to achieve the norm of 25 per cent of the total branches in the rural and semi-urban areas."

26. On the total number of branches – rural, semi-urban, urban and metro (both in absolute and percent wise) - of the old as well as new private sector banks, the Ministry of Finance (Department of Economic Affairs)/RBI have furnished the following data :-

S.No.	New Private Banks	Rural	Semi Urban	Urban	Metro	Total	%Rural & Semi Urban to Total	% Urban & Metro to Total
1	2	3	4	5	6	7	8	9
1.	Bank of Punjab Limited	0	10	15	17	42	23.81	76.19
2.	Centurian Bank Limited	0	7	7	18	32	21.88	78.12
3.	Global Trust Bank Limited	3	7	11	33	54	18.52	81.48
4.	HDFC Bank Limited	4	7	8	34	53	20.75	79.25
5.	ICICI Banking Corporation Limited	2	10	15	34	61	19.67	80.33
6.	IDBI Bank Limited	1	5	3	19	28	21.43	78.57
7.	IndusInd Bank Limited	0	6	3	17	26	23.08	76.92
8.	Times Bank Limited*	1	6	6	23	36	19.44	80.56
9.	UTI Bank Limited	0	9	6	23	38	23.68	76.32
	Total	**11**	**67**	**74**	**218**	**370**	**21.08**	**78.92**

S.No.	New Private Banks	Rural	Semi Urban	Urban	Metro	Total	%Rural & Semi Urban to Total	% Urban & Metro to Total
1	2	3	4	5	6	7	8	9
1.	Development Credit Bank Limited	0	5	10	29	44	11.36	88.64
	Old Private Banks							
1.	Bank of Madura Limited	90	64	60	49	263	58.56	41.44
2.	Bank of Rajasthan Limited	105	71	63	67	306	57.52	42.48
3.	Benaras State Bank Limited	15	39	38	13	105	51.43	48.57
4.	Bharat Overseas Bank Limited	8	7	26	31	72	20.83	79.17
5.	Catholic Syrian Bank Limited	33	169	53	26	281	71.89	28.11

1	2	3	4	5	6	7	8	9
6.	City Union Bank Limited	32	32	28	17	109	58.72	41.28
7.	Dhanalakshmi Bank Limited	24	79	30	15	148	69.59	30.41
8.	Federal Bank Limited	31	244	70	52	397	69.27	30.73
9.	Ganesh Bank of Kuruundwad Limited	8	11	7	2	28	67.86	32.14
10.	Jammu & Kashmir Bank Limited	210	249	78	33	350	68.29	31.71
11.	Karnataka Bank Limited	95	87	95	63	340	53.53	46.47
12.	Karur Vysya Bank Limited	44	64	67	30	205	56.59	43.41
13.	Lakshmi Vilas Bank Limited	39	77	59	30	205	56.59	43.41
14.	Lord Krishna Bank Limited	12	45	14	4	75	76.00	24.00
15.	Nainital Bank Limited	16	13	11	9	49	59.18	40.82
16.	Nedungadi Bank Limited	8	90	47	19	164	59.76	40.24
17.	Ratnakar Bank Limited	22	22	16	8	68	64.71	35.19
18.	Sangli Bank Limited	51	45	46	39	181	53.04	46.96
19.	SBI Commercial & Intl. Bank Limited	0	0	0	3	3	0.00	100.00
20.	South Indian Bank Limited	72	188	56	45	361	72.02	27.98
21.	Tamilnad Mercantile Bank Limited	45	49	40	15	149	63.09	36.91
22.	United Western Bank Limited	49	59	50	53	211	51.18	48.82
23.	Vysya Bank Limited	114	82	98	69	363	53.99	46.01
	Total	**1123**	**1566**	**1052**	**692**	**4433**	**60.66**	**39.34**
	Grand Total	**1134**	**1638**	**1136**	**939**	**4847**	**57.19**	**42.81**

Note:
1. Data are provisional.
2. Bank-branch data exclude administrative offices.
3. Population group classification is based on 1991 census.

* Proposal for merger with HDFC Bank Limited since approved by RBI and Government

27. Private sector commercial banks which have shortfall in lending to agriculture were allocated amounts for contribution to Rural Infrastructure Development Fund (RIDF) I, III, IV and V and they are required to deposit the amount as called for by NABARD from time to time depending on the demands for actual disbursements to state Governments.

28. In respect of the amount allocated and actually contributed by private sector commercial banks (both old and new), Ministry of Finance (Deptt. of Economic Affairs) furnished the following data:

RIDF – I (1995-96)

(Rs. crores)

Category of Banks	Net Bank Credit March 1995 @		RIDF-I	
	NBC	1.5% of NBC	Allocation	Deposits made
1. Old Private Sector Banks	13558.15	203.37	123.54	93.53
2. New Private Sector Banks	---	---	---	---
Total	13558.15	203.37	123.54	93.53

@ Allocations were with reference to March 1994 as March 1995

RIDF – II (1996-97)

(Rs. crore)

Category of Banks	Net Bank Credit March 1996		RIDF-II
	NBC	1.5% of NBC	No Allocation to Private Sector Banks
1. Old Private Sector Banks	14093.58	211.40	
2. New Private Sector Banks	4396.94	65.95	
Total	18490.52	277.35	

RIDF – III (1997-98)

(Rs. crores)

Category of Banks	Net Bank Credit March 1997 @		RIDF-III	
	NBC	1.5% of NBC	Allocation	Deposits made
1. Old Private Sector Banks	14573.23	218.60	87.00	33.88
2. New Private Sector Banks	6852.33	102.78	209.00	91.96
Total	21425.56	321.38	296.00	125.84

RIDF – IV (1998-99)

(Rs. crores)

Category of Banks	Net Bank Credit March 1998 @		RIDF-IV	
	NBC	1.5% of NBC	Allocation	Deposits made
1. Old Private Sector Banks	18462.82	276.94	65.38	13.85
2. New Private Sector Banks	9941.32	149.12	506.27	107.25
Total	28404.14	426.06	571.65	121.10

RIDF – V (1999-2000)

(Rs. crores)

Category of Banks	Net Bank Credit March 1999 @		RIDF-V	
	NBC	1.5% of NBC	Allocation	Deposits made
1. Old Private Sector Banks	21251.68	318.77	27.93	----
2. New Private Sector Banks	13340.41	200.11	863.67	----
Total	34592.09	518.88	891.60	----

29. On the concrete steps taken by RBI to increase the credit flow to agriculture from private sector Commercial banks in a written reply submitted to the Committee, Ministry of Finance (Deptt. of Economic Affairs) stated as under :-

> "The measures taken in the recent past for increasing the flow of credit to agriculture by commercial banks take into account the private sector banks also. These include simplification of procedural norms as recommended by the R.V. Gupta Committee, issue of Kisan Credit Cards, etc. The RBI reviews the performance of private sector banks on the basis of data furnished by them and these banks are asked by RBI to step up credit flow to agriculture. With all these measures, the private sector bank's credit to agriculture has gone up from 6.7% of NBC in March 1996 to 9.5% in March, 1999."

30. Elaborating on the shortfall in lending to agriculture by private sector commercial banks, Deputy Governor, RBI during the oral evidence held on 16 March, 2000 stated as follows :-.

> "Here, there has been a shortfall and we concede it. …… but in the case of private sector banks, there is a pronounced shortfall. We totally agree. We have been following up with them at the Board level and discuss these features when we call top management of banks in the RBI and ascertain as to what they were doing. **They have not done enough so far**."

31. Responding to a query as to whether the Reserve Bank of India (RBI) is in a position to punish, in any way, any private sector bank for not complying with the RBI directive on lending to agriculture, Deputy Governor, RBI during oral-evidence held in connection with the examination of Demands for Grants of (2000-2001) of Ministry of Finance (Deptts. of Economic Affairs and Expenditure) on 16 March,2000 stated as below:-

> "The question arises whether we should penalise them? Sir, penalising them will be very easy, but there is the question of disbursement of credit. If we put a penal provision, I think that the functionaries, who are responsible for disbursing these credits, will go all out and reach the target. It is all right, but in that process, we do not know what type of assets they are accumulating. This is one dilemma, which the Reserve Bank faces while thinking of any measure which in effect penalises the banks."

32. In this context, Secretary (Deptt. of Economic Affairs) supplemented as under :-

> " …. Even though the Banking Regulation Act, 1949 enables or empowers the RBI to indicate the shares as well as to take action strictly, no penal action has been taken against any private bank because the main problem is that we should ensure that the banks are in a position to find enough viable projects to be funded."

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

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

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

which these banks have to improve their farm credit substantially in order to conform to prescribed targets.

Since there is no cogent explanation coming forth from either RBI or Govt. for low percentage vis-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.

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

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

8. Priority Sector lending to agriculture by Public Sector Banks

34. With regard to percentage attainment of targets set for lending to agriculture under priority sector by public sector commercial banks, the RBI have furnished following Bank-wise data for the last five years.

% of total agriculture to NBC

Sl. No.	Name of Bank	March 95	March 96	March 97	March 98	March 99
1	2	3	4	5	6	7
1.	State Bank of India	13.18	13.04	15.10	14.63	16.17
2.	State Bank of Bikaner & Jaipur	13.10	13.28	13.02	12.66	13.86
3.	State Bank of Hyderabad	15.63	17.92	19.21	15.65	16.95
4.	State Bank of Indore	14.62	16.04	18.52	17.58	18.77
5.	State Bank of Mysore	17.10	16.68	17.60	16.86	18.24
6.	State Bank of Patiala	16.12	16.43	20.05	17.03	18.60
7.	State Bank of Saurashtra	13.49	13.11	14.22	14.50	16.28
8.	State Bank of Travancore	16.54	20.57	21.92	21.40	22.44
9.	Allahabad Bank	13.00	11.18	13.53	13.25	15.45
10.	Andhra Bank	15.82	15.68	18.63	18.28	18.38
11.	Bank of Baroda	15.14	17.41	17.09	17.99	18.73
12.	Bank of India	12.81	14.56	18.43	18.46	18.75
13.	Bank of Maharashtra	14.11	15.51	17.20	16.50	16.66
14.	Canara Bank	16.55	16.98	21.36	20.25	18.72
15.	Central Bank of India	10.73	10.54	12.29	10.99	11.27
16.	Corporation Bank	10.73	8.77	13.16	11.56	9.19
17.	Dena Bank	11.15	11.77	13.23	14.00	16.08
18.	Indian Bank	18.03	16.91	20.71	19.21	18.20
19.	Indian Overseas Bank	15.30	19.86	21.06	19.21	18.68
20.	Oriental Bank of Commerce	18.40	17.45	19.58	20.02	18.75
21.	Punjab National,Bank	13.45	13.58	13.70	13.08	13.35
22.	Punjab & Sind Bank	11.28	12.35	13.92	14.93	15.23
23.	Syndicate Bank	13.98	13.40	17.65	15.87	16.01
24.	Union Bank of India	14.44	14.48	14.98	15.53	15.79
25.	United Bank of India	12.00	12.00	16.49	15.35	15.52
26.	UCO Bank	11.79	*11.60*	14.02	13.35	14.15
27.	Vijaya Bank	13.10	14.58	17.44	15.12	15.57
	Total	**13.90**	**14.29**	**16.35**	**15.72**	**16.28**

35. The data on percentage of Non-Performing Assets (NPAs – Gross) of public sector banks - bank-wise as well as a whole group - due to priority sector lending in general and lending to agriculture in particular since March, 1997 as furnished by RBI is as follows :-

As on 31 March, 1997

(Rs. in crore)

	Agriculture	SSIS	Other Priority Sector	Total NPAs in Priority Sector	Gross NPAs	Total NPAs i.n Priority Sector as % to *Gross* NPAs	Total NPAs in Agriculture *as* % to Gross NPAs
	1	2	3	4	5	6	7
Allahabad Bank	257.40	272.62	194.61	724.63	1308.79	55.37	19.67
Andhra Bank	45.50	78.42	49.42	173.34	357.69,	48.46	12.72
Bank of Baroda	539.16	569.95	296.79	1405.90	2711.99	51.84	*19.88*
Bank of India	433.94	363.51	293.90	1091.35	1927.33	56.62	22.52
Bank of Maharashtra	131.59	157.70	123.39	412.68	749.44	55.07	17.56
Canara, Bank	441.06	562.53	263.09	1266.68	3145.39	40.27	14.02
Central Bank of India	293.93	476.77	394.46	1165.16	2517.85	46.28	11.67
Corporation Bank	71.13	42.32	48.95	162.40	307-82	52.76	23.11
Dena Bank	94.30	102.75	56.63	253.68	642.10	39.51	14.69
Indian Bank	316.23	518.15	268.65	1103.02	2901.16	38.02	10.90
Indian Overseas bank	188.91	231.81	141.51	562.23	955.12	58.86	19.78
Oriental Bank of Commerce	65.63	61.57	47.46	174.66	367-54	47.52	17.86
Punjab National Bank	590.09	540.95	359.26	1490-30	2426.14	61.43	24.32
Punjab & Sind Bank	107.22	224.19	117.20	448.61	1089.70	41.17	9.84
Syndicate Bank	177.13	249.04	143.33	569.50	1127.15	50.53	15.71
UCO Bank	247.30	232.96	301.15	781.41	1592.38	49.07	15.53
Union Bank of India	211.18	239.58	175.49	626.25	987.81	63.40	21.38
United Bank of India	98.91	250.08	282.18	631.16	1397.85	45.15	7.08
Vijaya Bank	86.41	79.32	57.62	223.35	511.96	43.63	16.88
Total of Nationalised Banks	**4397.01**	**5254.21**	**3615.09**	**13266.31**	**27025.21**	**49.09**	**16.27**
State Bank of Bikaner & Jaipur	77.46	60.96	34.06	172.48	454.99	37.91	17.02
State Bank of Hyderabad	72.84	96.69	128.91	298.44	704.25	42.37	10-34
State Bank of India	2239.42	2186.05	1094.89	5520.36,	10552.59	52.31	21.22
State Bank of Indore	75.56	71.20	36.71	183.47	266.76	68.78	28.33
State Bank of Mysore	122.67	83.03	50.65	2.56.35	437.48	58.60	28.04
State Bank of Patialvk	71.58	83.15	65.61	220.34	454.80	48.45	15.74
State Bank of Saurashtra	30.76	79.49	18.62	128.87	249.95	51.56	12.31
State Bank of Travancore	65.85	69.40	55.20	190.45	586.85	32.45	11.22
Total of SBI Group	**2756.14**	**2729.97**	**1484.65**	**6970.76**	**13707.77**	**50.85**	**20.11**
Total of Public Sector	**7153.15**	**7984.19**	**5099.73**	**20237.07**	**40732.98**	**49.68**	**17.56**

As on 31 March, 1998

(Rs. in crore)

	Agriculture	SSIS	Other Priority Sector	Total NPAs in Priority Sector	Gross NPAs	Total NPAs i.n Priority Sector as % to *Gross* NPAs	Total NPAs in Agriculture *as* % to Gross NPAs
	1	2	3	4	5	6	7
AlIababad. Bank	226.75	270.60	175.67	673.02	1458.93	46.13	15.54
Andhra Bank	29.26	81.63	41.59	152.48	335.00	45.42	8.73
Bank of Baroda	502.16	530.01	254.63	1286.80	2770.64	46.44	18.12
Bank of India	409.95	345.88	233.41	989.24	2312.25	42.78	17.73
Bank of Maharashtra	121.31	133.18	135.03	389.52	709.09	54.93	17.11
Canara Bank	399.56	649.80	268.34	1317.70	3488.49	37.77	11.45
Central Bank of India	381.92	589.55	458.28	1429.75	2414.53	59.21	15.82
Corporation Bank	53.80	63.21	49.94	166.95	341.86	48.84	15.74
Dena **Bank**	74.56	103.67	185.87	383.90	774.79	48.97	9.62
Indian Bank	322.70	534.66	307.92	1165.28	3029.29	38.47	10.65
Indian **Overseas Bank**	189.57	238.83	131.23	559.63	1016.97	55.03	18.64
Oriental Bank of Commerce	60.64	85.48	50.43	196.55	397.23	49.48	15.27
Punjab National Bank	519.79	532.83	285.83	1338.45	2491.92	53.71	20.86
Punjab & Sind Bank	95.93	262.52	114.13	472.58	1038.90	45.49	9.23
Syndicate Bank	149.79	229.23	129.11	508.13	1055.35	48.15	14.19
UCO Bank	249.80	254.03	321.22	825.05	1560.32	52.88	16.01
Union Bank of India	253.24	332.59	232.49	818.32	1194.73	68.49	21.20
United Bank of India	136.44	347.53	388.32	872.29	1450.76	60.13	9.40
Vijaya Bank	77.38	89.03	66.22	232.63	536.36	43.37	14.43
Total of Nationalised Banks	**4254.55**	**6674.26**	**3829.46**	**13758.27**	**28377.27**	**48.48**	**14.99**

State Bank of Bikaner & Jaipur	119.88	77.12	29.91	226.91	463.04	49.00	25.89
State Bank of Hyderabad	130.85	128.02	106.69	365.56	777.57	47.01	16.83
State Bank of India	1853.18	2317.04	1492.20	5662.42	10991.64	51.52	16.86
State Bank of Indore	60.17	69.80	41.25	171.22	299.83	57.11	20.07
State Bank of Mysore	119.83	99.07	48.02	266.92	503.77	52.98	23.79
State Bank of Patiala	67.43	88.51	68.46	224.40	514.74	43.59	13.10
State Bank of Saurashtra	37.05	77.07	20.34	134.46	265.49	50.65	13.96
State Bank of Travancore	89.34	105.75	78.29	273.38	911.00	30.01	9.81
Total of SBI Groups	**2477.73**	**2962.38**	**1885.16**	**7325.27**	**14727.08**	**49.74**	**16.82**
Total of Public Sector Banks	**6732.28**	**8636.64**	**5714.62**	**21083.54**	**43104.49**	**48.91**	**15.62**

As on 31 March, 1999

(Rs. in crore)

	Agriculture	SSIS	Other Priority Sector	Total NPAs in Priority Sector	Gross NPAs	Total NPAs i.n Priority Sector as % to *Gross* NPAs	Total NPAs in Agriculture *as* % to Gross NPAs
	1	2	3	4	5	6	7
Allahabad Bank	186.77	279.48	192.65	658.90	1362.79	48.35	13.70
Andhra Bank	51.23	107.38	63.71	222.32	450.21	49.38	11.38
Bank of Baroda	574.64	817.33	361.11	1753.08	3301.54	53.10	17.41
Bank of India	404.51	377.23	263.92	1045.66	2596.58	40.27	15.58
Bank of MaharAshtra	120.15	132.10	127.06	379.31	715.76	52.99	16.79
Canara Bank	342.74	-452.83	261.32	1056.69	2043.84	51.70	16.77
Central Bank of India	317.26	596.44	380.39	1294.09	2436.23	53.12	13.02
Corporation Bank	68.37	72.87	59.62	200.86	371.18	54.11	18.42
Dena Bank	101.19	183.68	142.31	427.18	857.90	49.79	11.80
Indian Bank	324.14	488.95	258.53	1071.62	3119.93	34.35	10.39
Indian Overseas Bank	178.47	242.43	159.58	580.48	1217.67	47.67	14.66
Oriental Bank of Conunerce	85.61	137.79	41.94	285.34	519.10	51.12	16.49
Punjab National Bank	427.81	530.40	258.10	1216.31	2832.20	42.95	15.11
Punjab & Sind Bank	123.50	227.84	109.18	460.52	1098.35	41.93	11.24
Syndicate Bank	i47.86	259.53	100.38	507.77	995.60	51.00	14.85
UCO Bank	284.61	250.82	299.06	834.49	1548.46	5189	18.38
Union Bank of India	257.37	348.96	218.92	825.25	1462.42	56.43	17.60
United Bank of India	205.90	292.70	343.20	841.80	1548.58	54.36	13.30
Vijaya Bank	71.72	78.52	69.84	220.08	475.92	46.24	15.07
Total of Nationalised Banks	**4273.85**	**6877.08**	**3710.82**	**13861.75**	**28954.26**	**47.87**	**14.76**
State Bank of Bikaner & Jaipur	105.26	129.05	37.62	271.93	675.48	40.26	15.58
State Bank of Hyderabad	143.05	170.86	135.66	449.57	901.52	49.87	15.87
State Bank of India	2157.53	2705.46	1488.61	6351.60	13431.93	47.29	16.06
State Bank of Indore	58.84	68.57	52.27	179.68	327.19	54.92	17.98
State Bank *of* Mysore	118.10	136.69	58.66	313.45	589.44	53.18	20.04
State Bank of Patiala	83.85	121.13	52.32	257.30	717.75	35.85	11.68
State Bank of Saurashtra	53.85	173.25	28.07	255.17	458.27	55.68	11.75
State Bank of Travancore	86.74	111.97	59.70	258.41	885.62	29.18	9.79
Total of SBI Group	**2807.22**	**3616-98**	**1912.91**	**8337.11**	**17987.20**	**46.35**	**15.61**
Total of Public Sector	**7081.07**	**9494.06**	**5623.73**	**22198.86**	**46941.46**	**47.29**	**15.08**

36. On the share of NPAs due to priority sector in general and agricultural lending in particular of the public sector banks, Secretary, Deptt. of Economic Affairs during oral evidence inter-alia stated as follows :-

> "It is not correct that in respect of the priority sector, the NPAs are higher. We have got the information for public sector banks. I can furnish it to the Committee. On 31.3.1998, the priority sector lending was a little more than 40 per cent whereas the NPAs was 46.4 per cent of the total NPAs. Next year, that is, up to 31.3.1999, it came down to 43.72 per cent. that shows that as far as the NPAs are concerned, the priority sector lending is not worse."

37. To enable the public sector banks to perform in a more competitive manner, the Government of India have adopted the policy of providing autonomous status to these banks subject to certain benchmarks. The criteria for grading a bank and considering it eligible for autonomous status is subject to fulfillment of following criteria :-

(a) positive net profits for the last three years

(b) Capital Adequacy Ratio of more than 8%

(c) Net NPA level below 9% of net advances

(d) Minimum owned funds of Rs. 100 crore

38. The banks who have fulfilled the above said criteria have been given autonomy in the following fields :-

1. **Creation of posts:** Creation of posts up to TEGS-VI delegated to the banks fulfilling specified criteria.
2. **Direct recruitment of officers by banks :** Assessment of the requirements and making direct recruitment of specialist officers as well as campus recruitment upto 30 percent of the vacancies of Probationary Officers earmarked for direct recruitment.
3. **Rural/Semi-urban postings :** Formulation of their own policies for rural/semi-urban posting keeping in view their requirements.

39. Based on this criteria, as at the end of March, 1999 as many as 17 out of 24 Public Sector Banks have become eligible for autonomous status as shown in the data furnished below :-.

(in crore rupees)

Name of Bank	31 March, 1997	31 March, 1998	31 March, 1999				
1	2	3	4	5	6	7	8
State Bank of India	1,349.25	1,861.20	1,027.80	12.51	7.18	10,402.30	***
State Bank of Bikaner & Jaipur	40.48	90.48	91.88	12.26	10.45	419.35	
State Bank of Hyderabad	52.45	97.12	111.53	10.65	8.78	496.09	***
State Bank of Indore	17.06	27.71	31.04	12.35	10.10	193.93	
State Bank of Mysore	40.24	50.54	33.58	10.23	10.55	242.49	
State Bank of Patiala	59.03	143.01	101.20	12.47	8.23	657.70	***
State Bank of Saurashtra	108.29	126.41	25.36	14.35	7.70	412.12	***
State Bank of Travancore	40.25	63.30	43.27	10.27	10.80	381.10	
Allahabad Bank	64.30	129.21	135.00	10.38	12.54	849.07	
Andhra Bank	35.70	75.25	90.04	11.02	4.26	491.57	***
Bank of Baroda	276.53	461.35	421.44	13.30	7.70	2,898.44	***
Bank of India	360.02	364.51	201.14	10.55	7.28	2,406.66	***
Bank of Maharashtra	47.19	56.29	51.89	9.76	8.72	478.25	***
Canara Bank	147.40	203.02	225.06	10.96	7.09	2,412.81	***
Central Bank of India	150.83	174.89	146.25	11.88	9.79	1,722.92	
Corporation Bank	125.13		192.03	13.20	1.98	974.60	***
Dena Bank	72.91	105.04	110.09	11.14	7.67	696.69	***
Indian Bank	-389.09	-301.50	-778.50	Neg.	21.67	-283.25	
Indian Overseas Bank	104.51	113.06	55.34	10.15	7.30	718.63	***
Oriental Bank of Commerce	180.25	210.00	230.12	14.10	4.50	1,231.48	***
Punjab & Sind Bank	20.00	65.09	60.45	10.94	10.48	373.80	
Punjab National Bank	237.71	477.35	372.12	10.79	8.96	1929.75	***
Syndicate Bank	66.96	82.66	142.58	9.57	3.93	698.40	***
UCO Bank	-176.23	-96.22	-67.77	9.63	10.83	830.30	
Union Bank of India	215.68	250.10	160.22	10.09	8.70	1,682.62	***
United Bank of India	-113.64	9.62	14.70	9.60	14.70	562.93	
Vijaya Bank	18.96	23.31	30.23	10.00	6.72	410.15	***

Note. Based on the eligibility criteria prescribed by the Government, the banks eligible for autonomous status have been identified at our end and are denoted by '***' in the last column (8).

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

The Committee also observe that some of the public sector banks whose lending to agriculture stood continuously way below the directed percentage were made eligible for autonomous status. Since the Committee are of view that autonomy has to be

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

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

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

9. Lending to Weaker Sections under Priority Sector

41. In view of the need for quicker upliftment of the weaker and the downtrodden sections of the society RBI have specified that 10% of Net Bank Credit (NBC) of banks both public and private should be lent to weaker sections comprising borrowers in various segments such as agriculture, SSI, SC/ST borrowers, beneficiaries of Govt. sponsored schemes, etc.

42. The data on the amount of funds (percent of NBC) lent to weaker sections by public sector commercial banks is as follows :-

Public Sector Banks lending to weaker section

	Name of the Bank	March 1995	March 1996	March 1997	March 1998	March 1999
1.	State Bank of India	6.88	6.42	6.86	7.00	6.23
2.	State Bank of Bikaner & Jaipur	8.04	7.50	7.47	7.58	7.94
3.	State Bank of Hyderabad	11.21	12.34	14.63	14.72	10.61
4.	State Bank of Indore	8.47	7.70	7.52	6.38	6.25
5.	State Bank of Mysore	7.65	0.06	5.38	7.13	11.48
6.	State Bank of Patiala	8.48	9.96	10.28	8.59	10.11
7.	State Bank of Saurashtra	4.97	4.54	4.61	4.58	4.44
8.	State Bank of Travancore	17.34	24.49	25.47	25.37	12.72
9.	Allahabad Bank	9.47	8.67	9.01	8.43	8.75
10.	Andhra Bank	8.98	9.78	8.93	9.63	10.41
11.	Bank of Baroda	8.20	13.14	8.22	8.13	8.08
12.	Bank of India	5.54	5.91	5.44	4.92	5.60
13.	Bank of Maharashtra	7.59	7.71	7.32	7.27	7.42
14.	Canara Bank	9.31	9.37	11.42	11.22	11.01
15,	Central Bank of India	8.70	8.62	9.93	9.73	7.51
16.	Corporation Bank	4.88	4.18	4.97	3.34	3.09
17.	Dena Bank	5.54	4.67	4.73	3.69	3.75
18.	Indian Bank	10.60	10.46	12.77	12.28	11.71
19.	Indian. Overseas Bank	10.11	11.66	11.85	11.13	10.60
20.	Oriental Bank of Commerce	8.75	7.60	10.06	8.89	7.13
21.	Punjab National Bank	10.91	10.88	10.26	9.17	9.04
22.	Punjab & Sind Bank	5.80	6.18	6.18	5.76	4.66
23,	Syndicate Bank	9.05	8.82	10.18	8.52	10.02
24.	Union Bank of India	7.23	7.13	7.72	7.47	8.43
25.	United Bank of India	10.25	10.49	10.28	9.68	8.90
26.	UCO Bank	10.45	9.94	10.15	8.56	8.99
27.	Vijaya Bank	7.67	8.99	10.31	10.01	8.53
	All PS Banks	**8.23**	**8.45**	**8.69**	**8.31**	**7.82**

43. In reply to a query, whether the private sector banks have to lend to weaker sections at the same percent of NBC as their counterparts in public sector, Ministry of Finance (Department of Economic Affairs)/ RBI in their written reply stated as follows:-

> "Private sector banks are required to lend to weaker sections at the same percentage as applicable to public sector banks"

44. On the percentage attainment of target for lending to weaker sections by private sector banks since 1995, Ministry of Finance (Deptt. of Economic Affairs)/ RBI furnished the following data:-

Private Sector Banks lending to weaker sections

Name of Bank		March, 1995	March, 1996	March, 1997	March, 1998	March, 1999
1		2	3	4	5	6
1.	Bari Doab Bank Ltd.	2.41	1.35	2.13	0.00	-
2.	Punjab Coop. Bank Ltd.	0.00	0.00	0.00	-	-
3.	Jammu & Kashmir Bank Ltd.	1.16	0.00	2.75	-	4.08
4.	Bank of Rajasthan Ltd.	1.79	1.77	2.04	1.93	3.42
5.	Karnataka Bank Ltd.	1.56	1.75	2.20	1.93	2.68
6.	Vaishaya Bank Ltd.	1.62	2.02	1.93	2.23	2.62
7.	Catholic Cirin Bank Ltd.	3.65	3.19	2.29	3.80	2.04
8.	Dhanlakshmi Bank Lt.	1.58	'0.90	1.43	1.58	1.57
9.	Fedral Bank Ltd.	4.88	5.89	7.08	5.37	6.10
10.	Lord Krishna Bank Ltd.	1.03	0.84	1.18	1.08	1.08
11.	Nadugandi Bank Ltd.	2.57	2.53	2.26	1.76	1.52
12.	South Indian Bank Ltd.	3.46	3.09	3.94	3.81	4.24
13.	Ratnakar Bank Ltd.	2.87	2.74	1.77	1.57	2.29
14.	Sangali Bank Ltd.	3.71	4.33	4.83	4.51	4.35
15.	United Western Bank Ltd.	2.50	2.08	2.61	6.61	2.07
16.	Ganesh Bank of Karundvaad Ltd.	10.44	10.31	10.04	10.70	10.49
17.	Bank of Madurai Ltd.	3.02	2.69	4.54	3.68	3.25
18.	Bharat Overseas Bank Ltd.	0.21	0.17	0.67	0.94	0.94
19.	Karur Vysya Bank Ltd.	2.30	2.88	3.60	3.02	2.40
20.	Lakshmi Was Bank Ltd.	4,15	5.38	5.38	6.41	4.85
21.	City Union Bank Ltd.	5.32	6.07	7.64	9.06	8.54
22.	Tamilnad Mercantile Bank Ltd.	1.89	2.07	2.54	4.20	2.82
23.	Bareilly Corpn. Bank Ltd.	3.54	5.09	3.39	2.42	2.87
24.	Benaras State Bank Ltd.	1.87	1.90	2.41	1.46	1.88
25.	Nainital Bank Ltd.	5.51	4.76	3.49	3.69	3.33
26.	Kasinath Sett Bank Ltd.	0.19	-	-	-	-
27.	Sikkim Bank Ltd.	-	4.21	0.11	0.05	0.05
28.	SBI Commercial & Intd. Bank Ltd.		0.00	0.00	0.00	0.00
29.	UTI Bank Ltd.		0.00	0.00	0.00	0.00
30.	IndusInd Bank Ltd.	-	0.79	1.53	1.23	1.04
31.	ICICI Banking Corpn. Ltd.	-	0.00	0.00	0.00	0.00
32.	Global Trust Bank L td.	-	0.00	0.00	0.00	0.00
33,	HDFC Bank Ltd.	-	0.00	0.00	0.00	0.00
34,	Centurion Bank Ltd.	-	0.00	0.00	0.00	0.00
35.	Bank'of Punjab Ltd.	-	0.00	0.00	0.00	0.00
36.	runes Bank Ltd.	-	0.00	0.00	0.00	0.00
37.	Development Credit Bank Ltd.	0.01	0.01	0.01	0.01	0.25
38.	IDBI Bank Ltd.	-	0.00	0.00	0.00	0.00
	All Pri vate banks	2.50	2.06	2.35	2.39	2.18

45. On why the lending to weaker sections by private sector commercial banks is so low vis-à-vis targets and what action is taken/proposed to be taken by the Govt./RBI against private sector commercial banks, in a written reply submitted to the Committee Govt./RBI stated as follows :-

> "Lending to weaker sections by Private sector banks as a proportion to net bank credit is lower mainly because of their lack of wide branch network in rural/semi-urban areas on the basis of shortfall in achieving the overall priority sector lending target, allocation is made to private sector banks for contribution to RIDF."

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

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

The Committee believe that the allocations made to private sector banks towards contribution to RIDF on account of their short lending to weaker sections does not serve the desired purpose. It is because the allocations made to RIDF corpus are not matched by actual contribution by the private sector banks as there is lack of demand from beneficiaries of the schemes- State Governments. When these banks are unable to meet their contributions towards RIDF on account of shortfall in lending of agricultural

credit, it is futile to expect that they will fulfil their obligation so far as shortfall in their lending on account of weaker sections is concerned. Hence, the Committee recommend that the possibility of devising a scheme on the lines of RIDF with funds contributed by banks having shortfall under weaker section lending may also be considered by the Government.

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

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

10. DEBTS RECOVERY TRIBUNALS

47. Under the provisions of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 which provides establishment of Recovery Tribunals and Appellate Tribunals for expeditious adjudication and recovery of debts due to Banks and Financial Institutions and matter connected therewith or incidental thereto, the Central Govt. have established one Debt Recovery Appellate Tribunal (DRAT) and Twelve Debt Recovery Tribunals (DRTs).

48. The data on total number of cases referred to DRTs, the number cases disposed off and the number of cases pending along-with the amounts involved therein both in absolute and percentage terms as furnished by Ministry of Finance (Deptt. of Economic Affairs) is as follows:-

(Amount in Crores)

Year	No. of Cases Filed/ Transferred	Amount Involved	No. of Cases disposed off	Amount Involved	No. of Cases pending	Amount Involved	% of Amount of Cases Pending/Amount of Total cases filed
95-96 upto 31.3.96	6338	10122.24	579	442.28	5759	9679.96	95.63
96-97 upto 31.3.97	5297	4191.35	1048	516.41	4249	3674.94	87.68
97-98 upto 31.3.98	7243	3659.23	2107	1178.37	5136	2480.86	67.80
98-99 upto 31.3.99	8455	9502.16	2203	979.26	6252	8522.90	89.69
99-2000 upto 30.9.99	5503	10982.55	1996	1450.52	3507	9532.03	86.79

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

11. Demand No. 28
Department of Economic Affairs

Assured Return Schemes

50. The data on the amount of funds given to mutual fund subsidiaries of public sector banks, Financial Institutions and insurance companies i.e. GIC and LIC to enable them to redeem the units at the rate agreed upon by the mutual funds (fund-wise) for the last 5 years as furnished by Securities and Exchange Board of India (SEBI) is as follows :-

Name of the Fund	**Name of the Scheme**	**Contribution made sponsor/AMC (Rs. Crores)**
BOI Mutual Fund		
	Double Square plus	31.58
	Festival Bonanza Growth Scheme	1.38
Canbank Mutual Fund		
	Canstar*	1000.00
GIC Mutual Fund		
	GIC Big Value	46.88
	GIC Rise II	170.00
PNB Mutual Fund		
	Premium Plus 91	2.80
Indian Bank Mutual Fund		
	Ind Jyothi	23.18
	Swarnapushpa	0.42
SBI Mutual Fund		
	Magnum Bond Fund	12.29
	MMIS 91	42.27
	Magnum Triple Plus Scheme	125.97
	MMIS 89	18.67
	MMIS 97	4.55
LIC Mutual Fund		
	Dhanvarsha (3)	12.40
	Dhanvarsha(4)	136.92
	Dhanvarsha (5)	53.34
	Dhanshree 89	7.50
Total		**1690.15**

**approximately*

51. As 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 assured returns to redeem the units at a prefixed price resulting in bailing out of such funds by the sponsors, the Committee recommended that mutual funds sponsored by public sector

commercial banks and insurance companies, if their investment strategies are not in tune with the objectives of the scheme, should not be allowed to float assured return schemes.

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

> "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."

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

12. Demand no. 33

Department of Expenditure

Expenditure Reforms Commission

54. To address the problem of high rate of growth of non-developmental expenditure in a systematic way – beginning with the process of right sizing the Government – the then Finance Minister while presenting the budget for 1999-2000 proposed to constitute Expenditure Reforms Commission (ERC) headed by eminent and experienced person. Accordingly Govt. of India constituted Expenditure Reforms Commission.

55. On the reasons for packing the ERC with bureaucrats either serving or retired, the Ministry of Finance in a written reply stated as follows :

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

56. With regard to terms of reference of the Commission the Ministry of Finance (Deptt. of Expenditure) furnished the following information :-

(1) Keeping in view the evolving role of Government, the need to foster convergence and avoiding overlap in the functions of different Central Government Ministries, Departments and attached organisations and the role of the State Governments, suggest a road map for reducing the functions, activities and administrative structure of the Central government;

(2) Review the framework of all subsidies, both explicit and implicit, examine the economic rationale for their continuance and make recommendations for making subsidies transparent and suggest measures for maximising their impact on the target population at minimum cost;

(3) Review the framework for determination of user charges of Departmental and commercial entities and suggest and effective strategy for cost recovery through user charges;

(4) Review the adequacy of staffing under Central Government Ministries, attached offices and institutions and suggest measures for rationalising the staff and cadres of different services. In this context also review the existing arrangements for re-deployment and re-training of surplus staff to ensure that any additional manpower for new areas of Government activities are met by re-deployment;

(5) Review the procedure for setting up of Government funded autonomous institutions and their pattern of funding and suggest measures for effecting improvement and reducing budgetary support for their activities; and

(6) Consider any other relevant issue concerning expenditure management in Government and make suitable recommendations.

57. In response to a written query as to why a period of one year was given to ERCto submit its final report especially in the light of the fact that the then Finance Minister in his Budget speech for the year 1996-97 had given only four months time for submission of the Report by the proposed Expenditure and Reforms Commission, Ministry of Finance (Department of Expenditure) inter-alia furnished the following reply :

"The then Finance Minister while presenting the Budget for the year 1996-97, though stated that the Report of the proposed Expenditure Management and Reforms Commission would be submitted in four months. Keeping in view the objectives and terms of reference assigned to the Commission, a period of one year has been fixed for submission of the Report. However, it has been stipulated that the Commission may send recommendations to the Government on quarterly basis so that action can be taken as and when these recommendations are received."

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

59. On the number of Deputy Secretary and above level officer on the roles of the Central Government for the last 7 years Ministry of Finance (Department of Expenditure) furnished the following data :

As on	Secretary Level	Addl. Secy. Level	Joint Secy. Level	Director Level	Dy. Secy. Level
1.3.94	98	77	361	371	416
1.3.95	92	84	343	339	408
1.3.96	114	81	344	362	407
1.3.97	105	88	369	403	396
1.3.98	117	98	400	472	410
1.3.99	136	107	430	489	395

1.3.2000	**149**	**10**	**449**	**516**	**442**

1. *The table relates to number of officers at centre and not total posts in Government of India, The Officers covered are :-*
(i) *All tenure officers on Central deputation and CSS officers in respective of the fact whether they are holding Secretariat positions or fields posts in Public Sector Undertakings, etc.,*
(ii) *Officers in position of Chairman and Members of CBDT, Railway Board, PNT Board Central Electricity Authority, Central Water Commission who have ex-officio status as Secretary/Additional Secretary.*
2. *The Officers working on foreign assignment with international organisations are not included.*

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

14. Modernisation of Ministry of Finance

61. On the computerisation/modernisation of insurance companies, Special Secretary (Insurance) during the evidence inter-alia stated as under :

> "As far as Life Insurance Corporation of India is concerned, they have now computerised both front and back end of 97 to 98 per cent of their business. Maybe, a couple of offices are still remaining. It is because the number of policies are few in those offices.
>
> We are planning, in the current year, to do this Metro Area Network connectivity in six places that include Delhi, Hyderabad, Ahmedabad, Pune and Mumbai. Next year we are planning to do it in about 31 districts of the country. All major districts of the country would be covered by this. Now, as far as Wide Area Network connectivity is concerned, the connectivity of these six centres plus another additional 31 centres, that we are going to start in the month of April. We are trying to have a Wide Area Network process will have connectivity amongst these six Metro areas. Subsequently, this will mean that around 50 to 60 per cent business of the Life Insurance Corporation of India would get covered by this Metro and Wide Area Network inter-connectivity. That would mean that any person who wants to pay the premium of his/her policy at a certain branch could do it from some other place. Again, if he wants to get any information about his policy and other things, he/she could get it on telephone because of this connectivity."
>
> As far as the General Insurance Corporation of India is concerned, I would like to submit that it has four subsidiaries. The position here is not very good though they have got computerisation in most of their branches. Computerisation has not expanded that well. We would complete that in the next two years. We are going to have connectivity amongst these branches.

62. With regard to modernisation in banking sector, Special Secretary (Banking) during the above said oral evidence informed as under :

> "In respect of bank modernisation, CVC has given instructions that 70 per cent of bank transactions, volume-wise should be fully computerised by March, 2001."

63. On the computerisation of Ministry of Finance itself Secretary, Ministry of Finance (Department of Economic Affairs) during evidence held on 31 March, 2000 inter-alia stated as under :

> "Ministry of Finance has developed a software for file tracking system. We just have launched it and we are now linking it. We would be able to trace all the files wherever they are though this system."

64. Supplementing further on the issue Finance Secretary stated as below :

> "I must share with you that the internal computerisation - that is the Ministry's own functioning quite apart from the sectors that we deal with like banking, insurance tax, etc. – is very high on the agenda. It is an ongoing process but this year it is very high on the agenda. Again, as you have mentioned, it is modernisation and not just

computerisation. It is looking at the physical configuration, actual office set up, the internal systems, forms and documentation, communication technology and computerisation. All these are high priority for this year's functioning."

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

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

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

15. A Few Suggestions to Contain Fiscal Deficit

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

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

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

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

NEW DELHI;
20 April, 2000
31 Chaitra, 1922(Saka)

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

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

The Committee sat on Friday, 31 March, 2000 from 1100 hrs. to 1330hrs. and again from 1430 hrs. to 1700 hrs.

PRESENT

Shri. Shivraj V. Patil – Chairman

MEMBERS

LOK SABHA

2. Shri Raashid Alvi
3. Shri Ajoy Chakraborty
4. Shri Rattan Lal Kataria
5. Shri Brahmanand Mandal
6. Shri M.V. Chandrashekhara Murthy
7. Shri M.V.V.S. Murthy
8. Shri Prakash Paranjpe
9. Shri Raj Narain Passi
10. Dr. Sanjay Paswan
11. Shri Annasaheb M.K. Patil
12. Shri Varkala Radhakrishnan
13. Shri Ram Singh Rathwa
14. Shri S. Jaipal Reddy
15. Shri T.M. Selvaganpathi
16. Mohammad Shahabuddin
17. Shri Ajit Singh
18. Shri C.N. Singh
19. Shri Kirit Somaiya

RAJYA SABHA

20. Dr. Manmohan Singh
21. Shri K. Rahman Khan
22. Shri M. Venkaiah Naidu
23. Dr. Biplab Dasgupta
24. Shri P. Prabhakar Reddy
25. Shri Ranjan Prasad Yadav
26. Prof. M. Sankaralingam
27. Shri Amar Singh

SECRETARIAT

1. Dr. A.K. Pandey - Additional Secretary
2. Dr. (Smt.) P.K. Sandhu - Director
3. Shri S.B. Arora - Under Secretary

WITNESSES

Deptts. of Eco. Affairs and Expenditure

1.	Shri P.G. Mankad	Finance Secretary
2.	Dr. E.A.S. Sarma,	Secretary (EA)
3.	Shri C.M. Vasudev,	Secretary (Exp.)
4.	Dr. Shankar N. Acharaya	C.E.A.
5.	Shri B.K. Chaturvedi	Spl. Secy. (EF)
6.	Shri Devi Dayal	Spl. Secy. (Bkg.)
7.	Shri J.S. Mathur	Addl. Secy (Bud.)
8.	Shri M. Venkateswaran	Addl. Secy. (Exp)
9.	Shri A.M. Sehgal	C.G.A.
10.	Shri R.S. Prasad	Principal Director (Staff)
11.	Shri Navin Kumar	JS (Admn.)
12.	Dr. J. Bhagwati	JS(CM)
13.	Shri M. Damodaran	JS (Bkg.)
14.	Shri Shekhar Aggarwal	JS(Bkg.)
15.	Mrs. Usha Mathur	JS(per.)
16.	Shri J.N. Choubey	JS (PF-I)
17.	Shri A.K. Singh	JS(PF-II)
18.	Shri N.R. Rayalu	JS & FA
19.	Shri S. Behura	JS, DEA

Reserve Bank of India

20.	Shri A. Ghosh	CGM, RBI
21.	Shri M.R. Srinivasan	CGM, RBI
22.	Shri A.V. Sardesai	CGM, RBI
23.	Shri D. Suryanarayana	GM, RBI
24.	Shri M.G. Warrier	DGM, RBI

NABARD

25.	Shri A.K. Chakravorty	CGM, NABARD

2. At the outset, the Chairman welcomed the representatives of Ministry of Finance (Departments of Economic Affairs, Expenditure and Revenue), Reserve Bank of India, National Bank for Agriculture and Rural Development (NABARD) and their colleagues to the sitting of the Committee.

3. The Committee then took oral evidence of the representatives of Ministry of Finance and others on Demands for Grants (2000-2001) of the Ministry of Finance (Deptts. of Economic Affairs and Expenditure).

4. The Committee then adjourned for lunch to meet again at 1430 hrs.

5. The Committee resumed the discussion on the Demands for Grants (2000-2001) of the Ministry of Finance (Deptts. of Economic Affairs and Expenditure).

6. The Chairman requested the representatives of Ministry of Finance to furnish notes on certain points raised by the Members during the discussion.

7. The evidence was concluded.

8. A verbatim record of proceedings has been kept.

The witnesses then withdrew.

(The Committee then adjourned)

Minutes of the Thirteenth sitting of Standing Committee on Finance (1999-2000)

The Committee sat on Wednesday, 19 April, 2000 from 1500 hrs to 1700 hrs.

PRESENT

Sh. Shivraj V. Patil - Chairman

MEMBERS

LOK SABHA

2. Shri Rattan Lal Kataria
3. Shri Krishnamraju
4. Shri M.V.V.S. Murthy
5. Shri Kamal Nath
6. Shri Rupchand Pal
7. Shri Prakash Paranjpe
8. Dr. Sanjay Paswan
9. Shri Varkala Radhakrishnan
10. Shri Kirit Somaiya
11. Shri Kharebela Swain

RAJYA SABHA

12. Dr. Manmohan Singh
13. Shri N.K.P. Salve
14. Shri Krishna Kumar Birla
15. Shri P. Prabhakar Reddy
16. Shri Amar Singh
17. Shri Vijay Darda

SECRETARIAT

1. Dr. A.K. Pandey - Additional Secretary
2. Sh. Harnam Singh - Joint Secretary
3. Dr.(Smt.) P.K. Sandhu - Director
4. Sh. S.B. Arora - Under Secretary
5. Sh. N.S. Hooda - Assistant Director

2. At the outset, the Chairman welcomed the Hon'ble Members to the sitting of the Committee. The Committee then took up for consideration the following draft Reports :-

(i) Draft Report on Demands for Grants (2000-2001) of the Ministry of Finance (Departments of Economic Affairs and Expenditure)

(ii) XX XX XX

(iii) XX XX XX

(iv) XX XX XX

3. The Committee after deliberations adopted the above draft Reports subject to the following:-

Subject	Remarks
i) Report on Demands for Grants (2000-2001) of the Ministry of Finance (Deptts of Economic Affairs and Expenditure)	Modifications/changes given in Annexure I
ii) XX XX XX	XX XX XX
iii) XX XX XX	XX XX XX
iv) XX XX XX	XX XX XX

4. The Committee also decided to meet again on Thursday, 20 April, 2000 to consider and adopt a new recommendation on Fiscal Deficit to be added to the Report on Demands for Grants (2000-2001) of the Department of Economic Affairs and Expenditure.

5. The Committee authorised the Chairman to finalise the draft Reports 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.

The Committee then adjourned

ANNEXURE - I

Modification/Amendments made by the Standing Committee on Finance in their draft report on Demands for Grants (2000-2001) of Ministry of Finance (Departments of Economic Affairs & Expenditure) at their sitting held on 19 April, 2000.

Page 29, Para 40, Sub-para 3:

Delete "viz. Corporation Bank, Central Bank of India, Punjab National Bank, etc."

Page 33, Para 46

At the end of second sub-para *Add* " and the same should be monitored "

Page 44, Para 60

At the end *Add* " and the period within which the 10% reduction will be made effective."

Minutes of the Fourteenth sitting of Standing Committee on Finance (1999-2000)

The Committee sat on Thursday, 20 April, from 1400 hours to 1600 hours.

Present

Sh. Shivraj V. Patil - Chairman

Members

LOK SABHA

2. Shri Rattan Lal Kataria
3. Sh. M.V.V.S. Murthy
1. Shri Rupchand Pal
2. Shri Prakash Paranjpe
3. Shri Raj Narain Passi
4. Dr. Sanjay Paswan
5. Shri Annasaheb M.K. Patil
6. Shri Varkala Radhakrishnan
7. Shri Ram Singh Rathwa
8. Shri C.N.Singh
9. Shri Kirit Somaiya
10. Shri Kharebela Swain
11. Shri Narayan Dutt Tiwari

RAJYA SABHA

12. Shri P. Prabhakar Reddy
13. Prof. M. Sankaralingam
14. Shri Vijay Darda
15. Shri Suresh A. Keswani

Secretariat

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

2. At the outset, the Chairman welcomed the Hon'ble members of the Committee. The Committee then took up for consideration a new recommendation on Fiscal Deficit. The Committee adopted the recommendation on the said subject as shown in the *Annexure*.

3. The Committee authorised the Chairman to incorporate the recommendations in the Report and present the same to both Houses of Parliament.

The Committee then adjourned.

ANNEXURE

16. A Few Suggestions to Contain Fiscal Deficit

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

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

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

If steps are taken to remedy the deficit of the kind high lighted above, in a concerted manner, the scourage of financial deficit can be done away with. The Government as a whole

should pay attention to these aspects. In view of the importance of the issue of fiscal deficit, the Committee intend to examine the issue in greater depth and come out with a Report on the subject, at a later date.