

COMMITTEE ON PUBLIC UNDERTAKINGS
TENTH REPORT
(2002-2003)
(THIRTEENTH LOK SABHA)

INDUSTRIAL DEVELOPMENT BANK OF INDIA

MINISTRY OF FINANCE (BANKING DIVISION)

[Action Taken by the Government on the recommendations contained in 5th
Report of the Committee on Public Undertakings (Thirteenth Lok Sabha)]

LOK SABHA SECRETARIAT

NEW DELHI

April , 2003/Vaisakha , 1925(S)

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Committee on Public Undertakings
(13th L.S.)**

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Tenth Report on Action Taken by Government on the recommendations contained in the Fifth Report of Committee on Public Undertakings (Thirteenth Lok Sabha) on Industrial Development Bank of India.

2. The Fifth Report of Committee on Public Undertakings (2001-2002) was presented to Lok Sabha on 25th July, 2001. Replies of Government to all the recommendations contained in the Report were received on 5th July, 2002. The Committee took the oral evidence of the representatives of the Ministry of Finance (Department of Revenue and the Department of Economic Affairs – Banking Division) on 27th January, 2003 to seek clarifications on some of the replies furnished to the recommendations contained in the Fifth Report, as these replies were incomplete and unsatisfactory. The Committee on Public Undertakings considered and adopted this Report at their sitting held on 31 March, 2003.

3. An analysis of the Action Taken by Government on the recommendations contained in the Fifth Report (Thirteenth Lok Sabha) of the Committee is given at Appendix II.

New Delhi

April 17, 2003

Chaitra 24, 1925(s)

PROF. VIJAY KUMAR MALHOTRA

CHAIRMAN

COMMITTEE ON PUBLIC UNDERTAKINGS

COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS

(2002 – 2003)

CHAIRMAN

Prof. Vijay Kumar Malhotra

MEMBERS

LOK SABHA

2. Shri Mani Shankar Aiyar
3. Shri Sudip Bandyopadhyay
4. Shri Ram Tahal Chaudhary
5. Shri Ajay Singh Chautala
6. Shri Shivraj Singh Chouhan
7. Smt. Sangeeta Kumari Singh Deo
8. Shri C. K. Jaffer Sharief
9. Shri K. E. Krishnamurthy
10. Shri Vilas Muttemwar
11. Dr. Prasanna Kumar Patasani
12. Shri Chandra Nath Singh
13. Shri Tarit Baran Topdar
14. Shri V. Vetriselvan
15. Shri Dinesh Chandra Yadav

RAJYA SABHA

16. Shri Suresh Kalmadi
17. Shri Kalraj Mishra
18. Shri Satish Pradhan
19. Shri K. Kalavenkata Rao
20. Shri Jibon Roy
21. Smt. Ambika Soni
- *22. Shri Lalitbhai Mehta #

SECRETARIAT

- | | | |
|----|---------------------|-------------------------|
| 1. | Shri John Joseph, | Additional Secretary |
| 2. | Shri S. Bal Shekar, | Director |
| 3. | Shri C.S. Joon | Deputy Secretary |
| 4. | Shri Raj Kumar | Under Secretary |
| 5. | Shri Tirthankar Das | Sr. Executive Assistant |

* **Elected to the Committee w.e.f. 13.12.2002 vice Shri Vikram Verma ceased to be Member of the Committee on being appointed as Minister w.e.f. 26.8.2002.**

APPENDIX II

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE FIFTH REPORT (THIRTEENTH LOK SABHA) OF THE COMMITTEE ON PUBLIC UNDERTAKINGS ON INDUSTRIAL DEVELOPMENT BANK OF INDIA

I. Total number of recommendations :	14
II. Recommendations/Observations that have been accepted by the Government (vide recommendations at Sl. Nos. 1,6,9 and 14)	4
Percentage to total:	28.60%
III. Recommendations/Observations which the Committee do not desire to pursue in view of the Government's reply (vide recommendations at Sl. Nos. 4 & 12)	2
Percentage to total	14.30%
IV. Recommendations/Observations in respect of which reply of the Government have not been accepted by the Committee (vide recommendations at Sl. Nos. 3 & 8)	2

Percentage to total **14.30%**

**V. Recommendations/Observations in respect of
which final replies of the Government are
still awaited**

**(vide recommendations at Sl. Nos. 2, 5, 7,
10,11 and 13)**

6

Percentage to total: **42.90%**

CHAPTER 1

REPORT

This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Fifth Report (Thirteenth Lok Sabha) of the Committee on Public Undertakings (2001-2002) on Industrial Development Bank of India which was presented to Lok Sabha on July 25, 2001.

2. Action Taken notes have been received from the Government in respect of all the 14 recommendations contained in the Report. In respect of recommendation Sl. Nos. 3 and 12, since the Action Taken Replies were found to be inconclusive, detailed reply was sought from the Department of Revenue in respect of Recommendation Sl. No. 3 and from the Banking Division in respect of Recommendation Sl. No. 12, which have been received.

These have been categorized as follows :

- (i) Recommendations/Observations that have been accepted by the Government
:
Sl. Nos. 1, 6, 9 and 14 (Total : 4)
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:
Sl. Nos. 4 and 12 (Total : 2)
- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:
Sl. No. 3 and 8 (Total : 2)
- (iv) Recommendations/Observations in respect of which final replies of the Government are still awaited :
Sl.Nos. 2, 5, 7,10, 11 and 13 (Total : 6)

3. The Committee desire that the final replies in respect of the recommendations for which only interim replies have been furnished by the Government should be furnished expeditiously.
4. The Committee will now deal with the action taken by the Government on some of the recommendations in the succeeding paragraphs.

RECOMMENDATION (SI. No. 3) – DECLARATION OF IDBI AS AN INFRA-STRUCTURE UNDERTAKING

5. The Committee in their Fifth Report have recommended with regard to the need for declaration of IDBI as an infra-structure undertaking as follows :

“The Committee have been informed that IDBI has, since its inception upto the end of March, 2000, sanctioned by way of direct finance a sum of Rs. 30,994 crore to the infra-structure sector. It has also sanctioned another Rs. 10,248 crore by way of indirect finance to the infra-structure sector during that period. Thus, a total of Rs. 41,242 crore has been sanctioned by IDBI in favour of the infrastructure sector, out of which the disbursement is to the tune of Rs. 16,895 crores so far. Although, the Ministry of Finance has stated that IDBI mainly provides funds on long-term basis for development of industry and infra-structure and as such many a time infra-structure bonds were raised by IDBI, the Committee find that this organisation has not been declared as an Infra-structure Undertaking under Sector 10(23)(G) of the Income-tax Act and also it has not been permitted to issue Capital Gains Bonds under Section 54EC of the Income-tax Act. The Committee find that only NABARD, National Highways Authority of India and Rural Electrification Corporation have been empowered to issue such Bonds in the latest budget for 2001-02 under Sector 54EC of Income-Tax Act. The Committee note that earlier Financial Institutions including the IDBI and Mutual Funds etc. were permitted to issue Capital Gains Bonds/Deposits under Sector 54EA and 54EB of the Income-Tax Act. But now, these sections have been replaced by Section 54EC in the latest budget, which in effect excluded IDBI and its subsidiary SIDBI from issuing Capital Gains Bonds/Deposits. The Committee feel that there is need for declaring IDBI as an Infra-structure Undertaking under Section 10(23)(G) and also for permitting it to issue Capital Gains Bonds under Section 54EC of the Income-Tax Act keeping in view its pioneering role in financing the development of infra-structure in the country. The Committee, therefore, recommend that necessary legislative measures may be initiated to confer these facilities on IDBI immediately to help it in its resource mobilisation efforts. The Committee are sure that this step would facilitate raising of

long-term funds at concessional rates with exemption from tax on income from such Bonds in the hands of the investors and would also help IDBI in funding huge infra-structure projects. This would also mean that the income derived by the financial institutions by way of interest from long-term finance given to an entrepreneur wholly engaged in infra-structure activities is totally exempt from income-tax. The Committee desire that the Government should consider this question in the context of difficulties experienced by IDBI in cost-efficient mobilisation of long-term resources at a reasonable cost in the existing market scenario. The Government should also appreciate the fact that the infrastructure sector required huge investments and funds for this sector is not at all flowing from Foreign Direct Investment Channels and the initiatives of venture capitalists are in their infancy to provide any succour to it. With no proper debt market with adequate liquidity and depth in the country and with the vagaries of a poor capital market often hit by various scams, the capital-intensive infrastructure sector is not likely to get the required funding in the days to come. Therefore, in respect of IDBI, the Committee are unable to agree with the recommendations of Narasimhan Committee (I) that the Domestic Financial Institutions should seek to obtain resources from the market at competitive rates, as this is well-nigh impossible in the current scenario and would make IDBI sick in the days to come, as is evidenced in the recent decline of 27.03 percent in its profits at Rs. 691 crore for the year 2000-2001, compared to Rs. 947 crore in the previous year.”

6. The Ministry of Finance (Banking Division) in their action taken reply dated 3.7.2002 on the above recommendation have stated as follows :

“Banking Division, DEA has taken up the matter with Department of Revenue. However, the proposal has not been accepted.”

7. After perusing this reply, the Committee decided to take oral evidence of the Secretaries of both the Banking Division and the Revenue Department to i) ascertain the reasons for furnishing such unreasoned reply; and ii) to know the reasons for not granting the status of infrastructure undertaking to IDBI inspite of its pioneering role in financing the development of infra-structure in the country. During the evidence held on 27.01.2003, different views were expressed by the representatives of the Ministry of Finance (Department of Revenue) and

the Banking Division on the issue of granting infrastructure undertaking status to IDBI. The Committee were not convinced with the divergent views on this issue.

8. Subsequently, the Committee sought a detailed reply from the Department of Revenue on this issue. In response to this, the Department of Revenue furnished on March 7, 2003 a detailed reply in this regard, which is reproduced below :

“The Committee in their report had recommended :-

- a) According approval to IDBI as an infrastructural undertaking under section 10(23G) of the Income Tax Act; and
- b) According permission to IDBI to issue bonds under Section 54 EC of the Income Tax Act.

2. Section 10(23G) of the Act provides for exemption of any income by way of dividends, other than dividends referred to in section 115-O, interest or long-term capital gains of an infrastructure capital company from investments by way of shares or long-term finance in any enterprise or undertaking wholly engaged in the specified businesses and which has been approved by the Central Government under the section.

3. As per Explanation 1 to Section 10(23G) an ‘infrastructure capital company’ means such company as has made investments by way of acquiring shares or providing long-term finance to an enterprise wholly engaged in the business of -

- i) developing; or
- ii) maintaining and operation; or
- iii) developing, maintaining and operating, any infrastructure facility.

4. Thus any company which finances an infrastructure Company gets the benefit of tax exemption in respect of the income derived from financing such activity. IDBI has manifold functions including financing of infrastructure activities. The tax relief to the IDBI would thus be limited to its activities connected with financing of infrastructure projects.

5. The Committee had desired during oral evidence held on 27.01.2003 that the views of the IDBI may be obtained by the Department of Revenue before furnishing a reply in the matter.

6. Accordingly, the Secretary (Revenue) had a meeting with the Secretary (Banking) and Shri P.P. Vora, Chairman & Managing Director of the IDBI and discussed the issues relating to the recommendations made by the Committee.

7. Shri Vora agreed that the IDBI was getting the benefit under Section 10(23G) of the Income Tax Act on its income by way of dividends, interest on long-term capital gains from investments by way of shares of long-term finance in enterprise engaged in infrastructure activities and approved u/s 10(23G) of the Act. The only contentious issue in this matter was whether the Gross income of IDBI from financing of this activity was eligible for exemption or the net income. The issue is already being agitated by the IDBI before various appellate authorities. Since appellate proceedings are quasi-judicial proceedings, it is not possible for the Department of Revenue to issue any kind of instructions in the matter.

8. The second issue is regarding permission to issue bonds u/s 54EC of the Income Tax Act. It may be mentioned that earlier sections 54EA and 54EB provided an omnibus basket of investment options to capital gains arising from transfer of long term capital assets including a wide ranging instruments such as notified shares, bonds and also deposits in scheduled banks as well as institutions like HUDCO, ICICI, NHP, PFC, etc. The objective of giving incentive to development of infrastructure cannot remain focused with such plethora of investment options specially when the amount that can be mopped up is limited to income derived by individuals/institutions which falls in the category of capital gains. Accordingly, the Finance Act, 2000 inserted sun-set clauses to the provisions of sections 54EA and 54EB of the Income-Tax Act, 1961, in respect of transfer of long term capital assets to be made on or after 01.4.2000.

9. Subsequently, a new Section 54EC was inserted by the Finance Act, 2000 w.e.f. 01.4.2001, to have tax free investment options for long-term capital gains with limited but targeted instruments focused on agriculture and road infrastructure. The specified assets introduced were bonds issued by NABARD and NHAI. The Finance Act, 2001 has extended the benefit of exemption u/s. 54EC to the Rural Electrification Corporation (REC) to give impetus to electrification of villages and energisation of pump sets in rural areas. The Finance Act, 2002 has further extended the benefit to bonds issued by National Housing Bank (NHB) and the Small Industries Development Bank of India (SIDBI) for development of housing sector and promotion of small-scale enterprises.

10. A number of representations were received from various quarters to extend the benefit of Section 54EC to bonds issued by ICICI, HUDCO,

IDBI etc. As the investible funds available are limited, extending the benefit to a number of corporations and bodies would dilute the focus of the incentive with investible funds being dispersed among a large number of entities. Extending the scope further would defuse the focus of the objective for which the section was enacted.

11. In view of the above reasons, it was decided not to extend the benefit of Section 54EC to IDBI.

12. The issue was reviewed further at the time of formulation of Budget for 2003-2004 and it was decided to limit the benefit to the existing institutions only.”

9. The Committee note that IDBI is getting the benefit under Section 10(23G) of the Income Tax Act on its income by way of dividends, interest on long-term capital gains from investments by way of shares or long-term finance in enterprises engaged in infrastructure activities and approved u/s 10(23G) of the Act. The Committee have also been informed that the only contentious issue in this matter is whether the gross income or the net income of IDBI is eligible for exemption under the relevant section of the Income Tax Act. They are surprised to note that the Administrative Ministry seem to be satisfied with the plea that the issue is being agitated by IDBI before various appellate authorities and since appellate proceedings are quasi-judicial in nature, it is not possible on their part to issue any kind of instructions in the matter. From this entire episode, the Committee have gathered an impression that IDBI's claim for infrastructure undertaking status under section 10(23G) would have been turned down by the Administrative Ministry and as a result, IDBI would have decided to agitate the matter before several appellate authorities for want of justice. The Committee do not approve of the stand taken by the Ministry of Finance that they are precluded from taking any action in the matter since the matter has been sought to be

resolved through various quasi-judicial fora. The Committee feel that there is no bar on the government to take remedial action in the matter which would lead to the elimination of the litigation altogether. It is not at all a desirable situation that a government undertaking should agitate matters in a legal forum against its own Ministry/Department in the Government.

The Committee feel that there is need for declaring IDBI as an infra-structure Undertaking under Section 10(23G) of the Income Tax Act, keeping in view its pioneering role in financing the development of infra-structure in the country. They, therefore, desire that keeping aside the fact that the issue is being agitated by IDBI before various appellate authorities, the Department of Revenue should confer the status of an infrastructure undertaking on IDBI without any further delay.

Similarly, on the issue of granting permission to issue capital gains Bonds u/s 54EC of the Income Tax Act, the Committee have been informed that NABARD, National Highways Authority of India, Rural Electrification Corporation, National Housing Bank and Small Industries Development Bank of India have been extended the benefit under this section. They are surprised to note that in spite of a number of representations from various quarters to extend the benefit of section 54EC to bonds issued by ICICI, HUDCO, and IDBI etc., nothing concrete has been done so far in this regard. Moreover, the Committee are not at all convinced with the contention of the Government that the investible funds available are limited and extending the scope further would defuse the focus of the objective for which the section was enacted. On the other hand, the Committee feel that with further cuts in the interest rate, investors will come forward with more investible funds. The Committee are also of the opinion

that extending the scope further by giving the benefit of Section 54EC to IDBI will certainly help the overall development of the economy and will not lead to any dilution of the focus. The Committee, therefore, desire that the Government should initiate necessary steps to extend the benefit of Section 54EC to bonds issued by IDBI immediately to help in its resource mobilisation efforts.

RECOMMENDATION SL. NO. 8 – EARMARKING OF RESOURCES OF SOME PART OF PROVIDENT FUND/PENSION FUND ETC. FOR COMPULSORY INVESTMENT

10. With regard to earmarking of resources of some part of provident fund/pension fund etc. for compulsory investment, the Committee have, in their Fifth Report recommended as follows :

“The Committee note that IDBI at present has to meet almost the entire requirement of their funds at market related rates both from wholesale and retail segments from the year 1991 onwards, after the Government of India withdrew its concessional funds support. The Committee feel that IDBI requires long-term funds to match the duration of the long-term loans it grants and they take note of the fact that the duration of the long-term loans sanctioned by IDBI ranges from 7 to 10 years and in respect of infra-structure, the duration of the term is even longer. Since the long-term debt market has not developed well in India to raise adequate resources, it would be difficult for the IDBI to find long-term funds on a sustained basis at a reasonable cost. Therefore the Committee recommend that the Government should lay down guidelines in such a manner which ensures that at least some part of the funds such as the Provident Fund, Pension/Gratuity Funds, Postal Savings Funds are compulsorily invested with IDBI to help its financing needs. The Committee hope that the Government would take a positive action in this matter, keeping in view the fact that the overall impact of reduction in interest-rate on National Saving Schemes/Public Provident Fund/Employees Provident Fund announced in the latest budget would enable the commercial banks to reduce their interest rates on deposits and lending rates and IDBI would also need to consider revising its lending/borrowing rates in the light of measures to be announced by banks. This would further affect the profitability and viability of IDBI, as already margin between the Average Return and Average Cost in their lending operations has come down to only 1.9% in 1999-2000 from 3.9% in 1997-98 and the average cost of funds has increased due to raising of fresh funds at higher costs. The overall impact of the current reduction of interest rates would further erode this operating margin due to the fact that the maturing assets are more than the maturing liabilities in the next two or three years.”

11. The Ministry of Finance (Banking Division) in their action taken reply on the above recommendation have stated as follows :

“Such stipulations undermine efficiency of financial system as a whole. The difficulties in accessing long term funds are common to all the FIs and not to IDBI alone. Hence, any IDBI specific prescriptions would not be justified.”

12. The Committee are not convinced by the reply of the Government that difficulties in accessing long term funds are common to all the Financial Institutions. The Committee in this context wish to point out that IDBI does not have a level-playing field with all other Financial Institutions and banks, as has been pointed out in several recommendations of the Committee in their original Report. The Committee desire that the Government should view the whole matter from the point of view of the viability of the operations of IDBI and the continuing decline in operating margins to abysmal levels and also the expectations of the Government that IDBI should continue to function as a developmental financing institution. It is obvious that the expectation of the Government and their strict and unhelpful prescriptions with respect to IDBI are naturally contradictory and do not go in tandem. The Committee need hardly stress the fact that IDBI should have access to cheaper funds to undertake long-term lending in the infrastructure sector and since this has to be done through short-term borrowings at market-related rates in a highly competitive environment, IDBI requires special support from the Government. The Committee, therefore, reiterate their recommendation that the Government should stipulate that some parts of the Funds such as Provident Fund, Pension Gratuity Fund, Postal Savings Fund, etc. are compulsorily invested with IDBI to help its financing needs.

RECOMMENDATION SL NO. 12- DEBT RECOVERY TRIBUNALS (DRTs)

13. With regard to Debt Recovery Tribunals, the Committee have, in their Fifth Report recommended as follows :-

“The Committee are surprised to note that although Debt Recovery Tribunals (DRTs) for handing the recovery cases of Banks and Financial Institutions have been specially created, their functioning has not helped much in the expeditious recovery of dues of the financial institutions. They also find that not only the DRTs lack infrastructural facilities and trained staff, their procedures are not uniform too. The Committee therefore, recommend that separate DRTs should be set up for financial institutions, as their claims are normally larger than the claims involved in the cases of banks. In order to improve the disposal rate and to reduce pendency, the Committee recommend that DRTs should be set up at every District Headquarter and also at commercially important towns. The Committee further recommend that the pecuniary limits of DRTs should be to try high value cases only, thus considerably bringing down the workload on them. The Committee desire that a code of procedure to be followed by all DRTs should be framed immediately as at present each DRT is following its own set of procedures imparting uncertainty and lack of clarity in the matter. Apart from this, there is needed to provide proper infrastructure and adequate staff to the DRTs. The Committee wish to point out in this connection that many DRTs do not have proper premises to function and infrastructure facilities are very much lacking in them. The Committee recommend that urgent measures should be taken to ensure that the full complement of staff and machinery are in place in all the DRTs in a time bound manner.”

14. The Ministry of Finance (Banking Division) in their action taken reply dated 3.7.2002 on the above recommendation have stated as follows:-

“There were 21 DRTs as on 31.3.2001. Subsequently 8 more DRTs were set up taking the total to 29. As on date there are 29 DRTs and DRTs are functioning. As a result of the continuous monitoring of the performance of the DRTs. As well as setting up of new DRTs recovery position has improved considerably. As on 30.9.2001 DRTs have disposed off 18703 cases and a recovery of Rs. 3527 crores have been made. DRTs have made improved performance in each year as well as seen from the statement below:

(Amt. in crores)

	of Cases disposed off	involved	recovered
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.1999	7	5.32	26
.2000	5	2.80	3.40
.2001	62	35.84	3.32
.2002	93	55.51	3.51

15. After finding the reply irrelevant and incomplete, it was decided to call the Secretary, Banking Division to tender oral evidence in this regard. During the evidence held on 27.01.2003, it was pointed out by the Committee that the recommendation had five separate aspects/issues and the reply furnished did not indicate any action taken by the Government on those specific aspects/issues. The Secretary, Banking Division had promised to send a detailed reply on it. The detailed reply furnished by the Banking Division is as under :

“(i) DRTs should be set up exclusively for Financial Institutions.

Most of the cases involving multiple banking or consortium accounts where the Financial Institutions (FIs) provide term loans and Banks provide working capital, the security and collateral against both types of cases are under joint charge to the Banks and FIs. Therefore, it is in the interest of the Banks/FIs that their claim against the same party is heard in the same DRT. It is in recognition of this fact that the Act was amended in 2000 bringing a specific clause (Section 19 (2) specifying that where a Bank or a FI which has to recover its debt from any person, has filed an application to the Tribunal and against the same person, another bank or FI also has a claim, the later bank or FI may join the applicant bank or FI at any stage of the proceedings, before the final order is passed. The main objective of the Act is expeditious recovery of debts due to Banks and FIs. This amendment carried out in the year 2000 was meant to achieve the above objective so that in the same case other Banks and FIs can also join to avail of the opportunities to recover through the same proceedings. Recovery through sale of properties after the decree of the DRT will also be earlier and faster for all the claimants.

(ii) DRTs should be set up at every District Headquarters and commercially important Towns.

To begin with, 5 DRTs were set up in 1994 immediately after the enactment of the DRT Act. Subsequently the number of DRTs was increased to 21 upto 31 March 2001. In the year 2001-2002, 8 more DRTs were set upon taking the total to 29. As on 30 September 2002, 62,305 cases had been filed before the DRTs, out of which 27, 497 cases were disposed off. Initially the pace of disposal was not up to the desired level mainly because of the validity of the Act being challenged in various High Courts. In fact, Delhi High Court in 1995 declared the Act as ultra virus. The legal anomalies were rectified by amending the Act in the year 2000 and subsequently, the Supreme Court in its judgement dated 14 March 2002 declared the DRT Act as a valid piece of legislation. The initial problems caused backlog of cases and the backlog is expected to be reduced considerably with the progress currently being achieved. In the year 2001-2002, 8913 cases were disposed off as against 1048 cases during 1996-97 and 4637 cases during 2000-01. As on 30 September 2002, 34808 cases are pending which works out to about 1200 cases on an average per DRT. With the current momentum in the disposal of cases, the pendency is likely to come down considerably. At this stage, therefore, there is no proposal to set up more DRTs. However, Ministry is keeping a watch on the progress of disposal. Rationalization/setting up of DRTs will be considered at the appropriate stage taking into consideration the number of cases filed before DRTs and their disposal.

(iii) DRTs should handle only high value cases to bring down the workload.

Section 1 (4) of the DRT Act stipulates that provisions of the Act will not apply where the amount of debt due to Banks and FIs or to consortium of Banks or FIs is less than Rs. 10 lakhs. The Act further provides that the Central Government can by notification specify such other amount being not less than Rs. 1 lakh. In the circumstances, the pecuniary limit of Rs. 10 lakh now fixed in the Act is considered to be reasonable. Further enhancement in the limit will take large number of cases out of purview of DRTs thereby defeating the very purpose of the Act.

(iv) Code of procedure to be followed by all DRTs should be framed immediately.

Under Section 22(1) of the Act, the Tribunals and Appellate Tribunals are not bound by the procedure laid down by the Code of Civil Procedure. The same section facilitates the Tribunals and Appellate Tribunals to regulate their own procedures, including the places at which they have their sittings. Section 36 of the Act empowers the Central Government to make rules to carry out the provisions of the Act in regard to the salaries and

allowances and other terms and conditions of service of the Presiding Officers and Chairpersons and employees, the form in which the application will be made, the document and other evidence by which such application will be accompanied, fees payable in respect of filling of such application will be accompanied, fees payable in respect of filling of such applications etc. Accordingly, DRT Rules were framed and notified in 1993. The above rules were further amended taking into account the amendments carried out in the Act in the year 2000 and the observations made by the Supreme Court on 14 March 2002. The amended rules were notified on 21 January 2003. The DRT (Procedure) Rules govern fees payable in respect of filling of various applications, the form in which the application will be made, the documents and other evidence by which such applications will be accompanied, working hours of the Tribunals, responsibilities of the Registrars etc. It is expected that this will bring further clarity and uniformity in the procedures. Besides, Rules have been framed in regard to financial and administrative powers, procedure for appointment of presiding Officers, salary and allowances and other terms and conditions of service of the Presiding Officers, recruitment of employees etc.

(v) DRTs should be given adequate infrastructure/support.

There were initial problems regarding staff and infrastructure in the DRTs. The staff strength of DRTs originally was 16, which was subsequently increased, and now it stands at 30 including the Presiding Officer. The present strength is considered adequate to meet the current workload of DRTs. Banking Division appoints Presiding Officers, Registrars, Recovery Officers and Assistant Registrars. Recruitment for the remaining staff is done by the DRTs as per the Recruitment Rules notified. There are instances of vacancies in these positions on account of premature repatriation of existing staff for various reasons as well as time taken for completing the selection procedure. In order to meet such exigencies, Banking Division have requested all the nodal banks to provide adequate staff on temporary basis.

DRTs have been provided with adequate accommodation/infrastructure in various places. All DRTs, except DRT at Lucknow and Kolkatta-III, are located in regular rented accommodation. In Lucknow and Kolkata-III DRT, regular accommodation is being arranged with the help of the Nodal Banks. Though the banks are providing logistics to the banking Division/DRTs for arranging the accommodation, rents and other related expenditure are met out of the Budget provision.”

16. After perusing this reply, the Committee at this stage do not desire to pursue this recommendation any further.

NEED FOR FURNISHING DETAILED REPLIES TO RECOMMENDATIONS OF PARLIAMENTARY COMMITTEES

17. A perusal of replies to Recommendations Sl. Nos. 3 and 12 shows a complete lack of respect and accountability on the part of the Executive. The Committee are not happy with the incomplete replies given by the Government. Moreover, the grounds on which the recommendations of the Committee have not been accepted by Government have not been communicated to the Committee in their reply. Generally, when the recommendations of any Parliamentary Committee are not accepted by the Government, they come out with detailed reasons as to why the recommendation of Committee is not acceptable or cannot be implemented. The Committee strongly condemn this tendency on the part of the Government to ignore various aspects of the well-considered recommendations of the Committee which aim at improving system-efficiency. They wish to point out that this evasive reply displays the casual attitude of the Government in dealing with parliamentary institutions and denotes the refusal of the Executive to remain accountable to the Legislature, thus violating the very essence of the constitutional scheme that underlies the concept of parliamentary democracy. The Committee take a very serious view of this matter and desire that the government should put an end to this tendency.

They also desire the Cabinet Secretary to issue instructions/ guidelines to the Secretaries of all the Departments of the Government of India to ensure that whenever any Department is to furnish replies to the recommendations of a Parliamentary Committee contained in its reports, the reply furnished by the Department concerned should be relevant and it should touch upon all the

issues raised in the recommendation. The Committee feel that such a mechanism would check casual attitude on the part of the officers of various Ministries/Departments in furnishing replies to the recommendations of Parliamentary Committees. They also hope that this will certainly strengthen the system of Parliamentary Democracy in India and make the Committee system more effective.