

**COMMITTEE ON THE WELFARE
OF SCHEDULED CASTES AND
SCHEDULED TRIBES
(1980-81)**

(SEVENTH LOK SABHA)

FOURTEENTH REPORT

MINISTRY OF FINANCE

**Department of Economic Affairs
(Banking Division)
Credit Facilities for Scheduled
Castes and Scheduled Tribes**

Presented to Lok Sabha on 28-4-81

Laid in Rajya Sabha on 28-4-81



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1981/Valsakha, 1903 (Saka)

~~Price: Rs. 4.00~~

301-43a

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**COMMITTEE ON THE WELFARE OF SCHEDULED CASTES
AND SCHEDULED TRIBES (1980-81)**

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INTRODUCTION

I, the Chairman, Committee on the Welfare of Scheduled Castes and Scheduled Tribes, having been authorised by the Committee to submit the Report on their behalf, present this Fourteenth Report on the Ministry of Finance, Department of Economic Affairs (Banking Division)—Credit Facilities for Scheduled Castes and Scheduled Tribes.

2. The Committee took the evidence of the representatives of the Ministry of Finance, Department of Economic Affairs (Banking Division) on the 3rd and 4th February, 1981. The Committee wish to express their thanks to the Secretary, Ministry of Finance Department of Economic Affairs (Banking Division) and other officers of that Ministry for placing before the Committee material and information, the Committee wanted in connection with the examination of this subject.

3. The Report was adopted by the Committee on the 22nd April, 1981.

4. A summary of conclusions/recommendations contained in the Report is appended (See Appendix VI).

NEW DELHI;
April 23, 1981

Vaisakha 3, 1903 (Saka)

R. R. BHOLE,
Chairman,
Committee on the Welfare of
Scheduled Castes and
Scheduled Tribes.

CHAPTER I

INTRODUCTORY

A. Economic Status of Scheduled Castes and Scheduled Tribes

Article 46 of the Constitution lays down:

“The State shall promote with special care that educational and economic interests of the weaker sections of the people and in particular of the Scheduled Castes and the Scheduled Tribes, and shall protect them from social injustice and all forms of exploitation.”

1.2. The Working Group on Scheduled Castes and other Backward Classes during Medium Term Plan 1978-83 in their Report has observed that in the Five Year Plans, programmes were undertaken for meeting the special needs of these communities. These programmes in the Backward Classes Sector are conceived as a supplement to the total developmental efforts to be made by the general sector of development for promoting social and economic well-being of these people. Under the successive plans, Rs. 322.25 crores were spent on this sector. Of these, more than 60 per cent were spent on educational schemes, 10 per cent on economic schemes and the remaining 30 per cent on health, housing, drinking water supply and grant-in-aid to voluntary organisations, etc. It would be thus seen that very little attention was paid to the economic development of the Scheduled Castes in the previous Five Year Plans.

The Commissioner for Scheduled Castes and Scheduled Tribes in his 26th Report for the year 1978-79 has stated:

“The uninhibited march towards equality, upward mobility towards economic viability and assured social proximity to the national mainstream may be the dependable variables to determine a purposeful reappraisal of the advancement of the weaker sections, more particularly, the Scheduled Castes and the Scheduled Tribes. With the tasks and ideals so pronouncedly declared and imperative mandates so specifically provided in our Constitution, every assessment of our endeavours need must bear and reflect upon the answer to the all embracing question as to how far the members of these classes have been viably integrated and brought at par with the rest of the people.

Thirty two years are no small period to stabilise transformation in a society and yet may not be long enough to fully stone the sins of centuries. Efforts have been made, perhaps not commensurate with the magnitude of the problems. The results achieved could not, therefore, answer to the crying needs in a manner of a leveler.

* * * * *

The nation can legitimately claim on all-round growth. But the same cannot be said of the weaker sections like the Scheduled Castes and Scheduled Tribes. We have not succeeded in getting for them freedom from poverty, inequalities and injustices. In spite of constitutional guarantees, protective legislations and numerous developmental programmes, the vast majority of the members of these communities still continue to be improverished. The Scheduled Castes are not owners of productive resources and continue to suffer from social ostracism. The Scheduled Tribes living in relatively under-developed parts of the country are slowly losing control of productive resources as a result of some of our unimaginative laws and development schemes.

Significant strides have been made in the various fields of development. Agricultural output has risen consistently and there has been diversification and expansion in our industrial capability, which have, in their turn, resulted in growth of banking, trade and commerce as also increased employment and better earnings in the case of certain sections of the people. But, by and large, the beneficiaries in the rural and urban sectors have been the affluent sections. The weaker sections, the bulk of which include the Scheduled Castes and Scheduled Tribes, have yet to derive tangible benefits. According to an estimate of the year 1977-78, of the 290 million people living below poverty line, 160 million were below 75 per cent of the poverty line and the bulk of them constitute the Scheduled Castes and the Scheduled Tribes."

1.3. In a paper submitted to the Study Group of the Committee which visited Vijaya Bank of India, Bangalore, it has been stated that while the State has to continue to play its role in as far as providing compulsory free education at the primary and higher levels, equal social status, house sites and better civic amenities are concerned, financial institutions in general and commercial banks in particular can play a dynamic and catalytic role towards their eco-

conomic development. Banks should formulate schemes for providing financial assistance to this class of people with a sense of social and national obligation. A certain percentage of financial assistance by way of loans should be earmarked as a part of corporate goal for fulfilment every year by the commercial banks.

1.4. The majority of the people belonging to Scheduled Castes and Scheduled Tribes live in villages offering opportunities for undertaking house-hold small industrial and cottage activities which mostly comprise of pot making, leather tanning, rope making, Charkha spindle winding, carpentry, basket making etc. There are also openings for small industrial and trading activities connected with welding, craftsmanship, shop keeping, mat making etc. Depending on the major type of activity in each village based on the availability of raw materials, infrastructural facilities etc. banks should formulate schemes either for individuals or for groups of such people to provide them gainful employment.

B. Credit Facilities

(i) By Public Sector Banks

1.5. In a note furnished by the Ministry of Finance, Department of Economic Affairs (Banking Division) the Committee have been informed that since the nationalisation of 14 large banks in 1969 several instructions have been issued to banks with a view to increase the flow of credit to Scheduled Castes and Scheduled Tribes. The banks have been advised to evolve special schemes tailored to meet the requirements of members of these communities to give wide publicity to such schemes and to ensure their participation in such schemes and to enlarge the flow of credit to them for self-employment. In general, the banks have been advised to consider loan proposals from members of Scheduled Castes and Scheduled Tribes with utmost sympathy and understanding.

1.6. The District/Block Credit plans have been specially weighted in favour of Scheduled Castes and Scheduled Tribes. These include special bankable schemes suited to members of these communities. The banks have been advised to ensure participation of these communities in such schemes and allow larger flow of credit to them for self-employment.

1.7. The Margin Money Scheme provides for margin money assistance upto 10 per cent of the total investment for small units with investment in plant and machinery upto Rs. 1 lakh, so that the borrower's contribution is reduced upto 10 per cent. In the case of entrepreneurs belonging to Scheduled Castes and Scheduled Tribes, the margin money is increased upto 15 per cent and borrower's own contribution further comes down to only 5 per cent. (The Scheme now forms part of District Industries Centres Scheme).

1.8. In all lendings to priority sector, preference is given to members of Scheduled Castes and Scheduled Tribes. The target for priority sector advances which was 33-1/3 per cent to be achieved by March, 1979 has been raised to 40 per cent of bank's aggregate credit to be achieved by 1985.

1.9. Banks have been asked to grant loans upto Rs. 5,000/- to small/marginal farmers without margin. Mortgage of properties should not be insisted upon for loans upto Rs. 5,000/-. For loans upto Rs. 2,500 to farmers the rate of interest charged cannot exceed 10.85 per cent.

1.10. Credit limits upto Rs. 25,000/- to village or cottage industries may be sanctioned as composite term loan for equipment finance or working capital or both with repayment period of 7 to 10 years. There should be no insistence as margin and the bank should not ask for any collateral security. In addition, all concessions meant for weaker sections of the society are available to Scheduled Castes and Scheduled Tribes in obtaining bank credit.

1.11. Loans can also be obtained from Primary Credit Societies. Land Development Banks and Large Size Multipurpose Societies organised in tribal and hill areas to provide credit and non-credit requirements of tribal population.

(ii) *By Other Financial Institutions*

1.12. The all-India Financial Institutions, namely the Industrial Development Bank of India (IDBI), Industrial Financial Corporation of India, Industrial Credit and Investment Corporation of India and Industrial Reconstruction Corporation of India mainly cater to the needs of the medium and large scale industrial concerns in the Corporate Sector. They do not give direct financial assistance to individuals and partnership concerns. The needs of the small scale industrial concerns are met by the State Financial Corporations or commercial banks.

1.13. The IDBI which provides reference assistance to commercial banks and State Financial Corporations in respect of loans given by them, on its part has decided to extend refinance in respect of such composite loans under its Automatic Refinance Scheme (ARS). It is expected that the small composite loans will go a long way in making credit available to the economically weak members of Scheduled Castes & Scheduled Tribes and backward classes. For encouraging entrepreneurs belonging to Scheduled Caste and Scheduled Tribe, IRBI has made the following relaxations with effect from September, 1979 in its Refinance Scheme:

- (i) Promoter's contribution might be reduced to 5 per cent of project cost exclusive of any seed capital assistance that may be available;
- (ii) Levy of a uniform rate of interest of 6 per cent p.a. irrespective of the location of the project in backward/non-backward areas, so that the Scheduled Caste and Scheduled Tribe borrowers need not pay interest in excess of $9\frac{1}{2}$ per cent per annum i.e. the rate normally applicable to projects in backward areas;
- (iii) These relaxations will be extended initially in the case of refinance of terms loans, including the composite loans, upto Rs. 25,000/-.

C. Development Corporations

1.14. Development Corporation have been functioning in many States for ameliorating the economic conditions of the persons belonging to Scheduled Castes & Scheduled Tribes. The following States/Union Territories have set up such Corporations:—

1. Andhra Pradesh
2. Assam
3. Bihar
4. Gujarat
5. Haryana
6. Karnataka
7. Kerala
8. Maharashtra
9. Punjab
10. Uttar Pradesh
11. West Bengal
12. Madhya Pradesh
13. Orissa
14. Rajasthan
15. Himachal Pradesh
16. Tripura
17. Chandigarh
18. Tamil Nadu.

1.15. Central Assistance is given to the State Governments for investment in the share capital of each Corporation so that the Government of India's assistance bears the ratio of 49:51 to the investment made in this Corporation by the State Governments. Central

Assistance of Rs. 12.24 crores was released in 1979-80 to the State Governments for this purpose.

1.16. The Centrally Sponsored Scheme of assistance to States for the share capital investment in the Corporations has helped in giving a special thrust to the activities of the Corporations. Several Corporations which were dormant have been and are being revived; some Corporations which were working at a very moderate level have extended their activities and increased the scope of their programme substantially after the commencement of the centrally sponsored scheme.

D. Regional Rural Banks

1.17. Regional Rural Banks are specially designed as credit institutions to cater exclusively to the needs of weaker sections of community which includes Scheduled Castes and Scheduled Tribes. At present 84 Regional Rural Banks covering 141 districts in 17 States of the country are functioning. State-wise distribution of these banks is indicated in Appendix I.

1.18. Based on the recommendations of various Committees Regional Rural Banks (RRBs) have been advised to adopt simplified lending procedures as well as liberalised terms of ending for the purpose of financing weaker sections of the community including Scheduled Caste and Scheduled Tribe borrowers. Interest rate structure of the Regional Rural Banks is at par with the lending rates of all credit institutions operating in the rural sector for weaker sections including Scheduled Caste and Scheduled Tribe borrowers.

1.19. The only scheme under which a specific percentage of funds has been earmarked by the banks exclusively for members of Scheduled Castes and Scheduled Tribes is the Differential Rate of Interest (DRI) Scheme. To ensure that persons belonging to Scheduled Castes and Scheduled Tribes get their due share of benefits under the DRI Scheme, banks were advised in May, 1977 to give at least one-third of their advances under the Scheme to beneficiaries belonging to Scheduled Castes and Scheduled Tribes. The banks were further advised in December, 1978 to step up their advances to Scheduled Castes and Scheduled Tribes so that they get at least 40 per cent of the total advances under the scheme. Similar guidelines were issued by the Reserve Bank of India to private sector banks in December, 1978.

1.20. Since DRI Scheme is the only scheme in which a specific percentage of funds has been earmarked by the banks for members

of SCs and STs, in this report, the Committee have tried to assess the impact of DRI Scheme on the economic development of Scheduled Castes and Scheduled Tribes, the progress made so far in the implementation of the Scheme, performance of the banks and other financial institutions implementing the Scheme and difficulties encountered by the banks in its implementation.

1.21. The Committee note that according to an estimate of the year 1977-78, of the 290 million people living below poverty line, 160 million were below 75 per cent of the poverty line and the bulk of them constitute the Scheduled Castes and Scheduled Tribes.

1.22. The Committee also note from the report of the Working Group on Scheduled Castes and other backward classes during medium Plan (1978—83) published in August, 1978, that during the successive Five Year Plans Rs. 322.25 crores were spent for promoting social and economic well-being of these people. Of these only 10 per cent were spent on economic development.

1.23. The Committee fully agree with the views expressed by the Commissioner for Scheduled Castes and Scheduled Tribes that "thirty two years are no small period to stabilise transformation in a society and yet may not be long enough to fully atone the sins of the centuries. Efforts have been made perhaps not commensurate with the magnitude of the problems—faced by the weaker sections, more particularly by the Scheduled Castes and Scheduled Tribes. The nation can claim an all-round growth. But the same cannot be said of the weaker sections like Scheduled Castes and Scheduled Tribes.

1.24. The Committee are strongly of the opinion that only through economic development of Scheduled Castes and Scheduled Tribes we can succeed in getting for them freedom from poverty, inequalities and injustices. For which, vigorous and combined efforts will have to be made both by Government and private agencies engaged in the upliftment of these communities and more financial resources will have to be provided during the next Five Year Plan.

CHAPTER II

ORGANISATIONAL SET UP

In regard to the organisational set-up both at the Ministry level and in the Reserve Bank of India for providing credit facilities for Scheduled Castes and Scheduled Tribes, the Committee have been informed that Banking Division in Finance Ministry operates through five sub-divisions broadly dealing with, Banking operations and Administration (including legislation), Industrial Finance, Agricultural Credit, Development and Coordination, Industrial Relations and Vigilance. Requirements of beneficiaries, including Scheduled Castes and Scheduled Tribes belonging to different sectors of economy are being looked after by the concerned subject matter sub-division. A cell set up in 1973 is looking after the subjects of reservations in recruitment, of promotions and service conditions of Scheduled Castes and Scheduled Tribes in banks and other financial institutions under the administrative control of Banking Division. There is no separate set up dealing exclusively with the credit requirements of Scheduled Castes and Scheduled Tribes.

2.2. Asked whether there is a separate cell in the Reserve Bank of India to look after the credit needs of Scheduled Castes and Scheduled Tribes, the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) has stated during the course of his evidence that the Reserve Bank of India has an entire division which look after the priority sector lending.

2.3. In reply to a specific question as to why there was no separate and exclusive cell in the Reserve Bank of India to look after the credit needs of Scheduled Castes and Scheduled Tribes, the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) has stated during evidence:

“While we appreciate that it is necessary that we should know how much money is going to the Scheduled Castes and Scheduled Tribes within the priority sector, the number of branches is very large and so far we have not segregated information in respect of Scheduled Castes and Scheduled Tribes within the priority sector. The point is: whether this ought to be done if it is to be done, what:

volume of work it will involve and whether by merely reporting to the Reserve Bank of India, the purpose will be served. In the process of dispensation of credit to the Scheduled Castes and Scheduled Tribes, the banks have a definite role to play but they are only a partner in the game with the State agencies, developmental agencies and all that. There are so many channels through which funds flow. Funds flow only when they are linked with subsidy schemes under the various schemes. We may have funds but if the State agencies are not prepared with the schemes, if subsidies are not available the banks performance will not be satisfactory. Actually, it is the district level which alone can assess and review and monitor the whole objective that we have in view."

He further added:

"Apart from the district consultative committee in which the State agencies and banks are there, we also have at the State level an agency where all the banks, State officials meet together to sort out the problems which cannot be sorted out at the district level. The bank finances or the co-operative finances etc., are linked with budgetary support. This is an exercise which has to be supervised at the grassroot level, at the State level and the review at the Central level will not be as detailed and meaningful as it has to be at the ground level."

2.4. Asked whether Government will examine the feasibility of having a Cell or an organisation at the Central level consisting of one member from the Reserve Bank of India, one member from the Ministry of Finance and one from the Ministry of Home Affairs to see how the allotted funds are being spent and what are the schemes to be taken up to eradicate poverty and to help Scheduled Castes and Scheduled Tribes, the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) in his evidence before the Committee has stated that coordination at the Central level is not difficult. From time to time Ministries of Central Government are having discussions with the Planning Commission on various developmental Schemes. But the unit of administration being the district and block being the area, the people of that area have to be helped. As such, Government want to have a district plan for each district which would identify the types of schemes which could be taken up in that particular district. In some districts for example, Sericulture may be possible, and in

some others, it may be something else. It has to be resource-based depending upon the resources and skills of the people in that area. Another important aspect is the kind of infrastructural facilities which are needed in a particular area. For that purpose Government have designated one of the banks in each district as the lead Bank. The Collector and other developmental agencies are also associated. There is a constant discussion as to what the schemes are and whether they are worthwhile taking up there from the State Governments point of view. So, the schemes are being taken up from the banks point of view also. Although Banks give money for the schemes but money is also made available by the co-operatives. Money is also coming from the regional rural banks as also from other corporations in the State.

2.5. On the question of coordination between the State Governments and Banking Institutions, the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) has stated during the course of evidence before the Committee:

"It is common knowledge that the scheme really benefited the people concerned only where coordination was there between the different agencies. Where the infrastructural facilities were available they worked very well, but where there were no infrastructural facilities, and there was no coordination between the State agency and the Banking Officials, there this scheme may not have worked well. According to them some areas may be risky for giving money than others. There are some regional disparities also where linking of these financial institutions with the district plans was difficult. So, at some places this scheme has worked and at some others it has miserably failed. We will check up with the figures and district plans and analyse the causes why the schemes picked up in some district and failed in another. The National Institute of Bank Management will take due note of this and go into the whole scheme."

2.6. The Committee regret to note that there is no separate set up or Cell in the Ministry of Finance, Department of Economic Affairs (Banking Division) and the Reserve Bank of India to look after the credit requirements of the Scheduled Castes and Scheduled Tribes exclusively.

The Committee are of the view that to understand the varied and complex economic problems of the people belonging to these

communities, there should be separate organisations both in Ministry of Finance, Department of Economic Affairs (Banking Division) and the Reserve Bank of India. They recommend that special cells should be constituted to deal with all matters relating to the credit requirements of Scheduled Castes and Scheduled Tribes

27. The Committee take note of the statement made by the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) during the course of his evidence before them that 'it is common that this scheme really benefited the people concerned only where coordination was there between the different agencies. Where the intrinsic facilities were available it worked very well, but where there were no intrinsic facilities, and there was no coordination between the State agency and the Banking Officials, there this scheme may not have worked well'. The Committee would, therefore urge the Government to set up a body consisting of representatives of the Ministry of Finance, Ministry of Home Affairs, Reserve Bank of India and Planning Commission, State Government concerned to identify the schemes which could be taken up in a particular area depending upon the resources and skills of the people inhabiting that area, to lay down the financial targets for providing credit facilities and for proper coordination among the Centre, State, Banking and other financial institutions operating or helping in the operation of lending schemes for the Scheduled Castes and Scheduled Tribes.

CHAPTER III

D.R.I. SCHEME

A. Salient Features of the Scheme

The Committee have been informed that the Differential Rate of Interest Scheme was introduced in June, 1972. The Scheme has been modified from time to time and some of the salient features of schemes, as it stands today, are as under:—

- (i) The scheme is applicable to the entire country. All India Scheduled Commercial Banks are required to lend to borrowers covered under the scheme, a minimum of 1 per cent of their aggregate advances, as at the end of previous year ($\frac{1}{4}$ percent in case of banks with demand and time liabilities below Rs. 25 crores). A minimum of $\frac{2}{3}$ rd of such advances have to be lent through the bank's rural/semi-urban branches. At least 40 percent of the advances have to go to the persons belonging to Scheduled Castes and Scheduled Tribes.
- (ii) The scheme is to be implemented by all Indian Scheduled Commercial Banks. The sponsoring banks have also been asked to lend through the regional Rural Banks on an agency or refinance basis.
- (iii) The maximum rate of interest to be charged under the scheme is 4 per cent per annum.
- (iv) In addition to individuals; Orphanages, Women's Homes and Institutions for physically handicapped persons are also eligible for credit under the scheme.
- (v) Normally loans by banks under the scheme are advanced directly to the eligible borrowers. However, exceptions have been made in case of (a) State Corporations for development of Scheduled Castes and Scheduled Tribes and (b) such Cooperative Societies and large Sized Multi-Purpose Societies as are organised specifically for the benefit of Tribal population in areas identified by Government of India, through whom the credit may be routed for individual beneficiaries.

3.2. The purpose of starting the scheme was to enable persons who are poorest among the poor to engage themselves in productive endeavours with the help of their own labour and the labour of their family members and to improve their economic conditions.

3.3. The Scheme is operative in the entire country.

3.4. Banks are required to lend under the Scheme a minimum of 1 percent of their aggregate advances as at the end of the previous year (half per cent in the case of banks with demand and time liabilities below Rs. 25 crores). This target has been fixed w.e.f. November, 1978. Earlier this target was $\frac{1}{2}$ percent which was fixed in the original Scheme in 1972.

3.5. A minimum of 2/3rd of the DRI advances have to be lent through the banks' rural/semi-urban branches. At least 40 percent of the total advances under the Scheme have to go to the persons belonging to Scheduled Castes and Scheduled Tribes. The target of lending through the rural/semi-urban branches and to Scheduled Castes and Scheduled Tribes was fixed for the first time in 1977 when the guidelines on the Scheme were revised. The target of lending to Scheduled Castes and Scheduled Tribes was fixed at 33.3 percent in 1977 and was raised to 40 percent in 1978.

3.6. Guidelines indicating the terms and conditions, purpose, eligibility criteria etc., for obtaining credit under the Scheme are given in Appendix-II.

3.7. Details of DRI advances made by the public sector banks during the last five years are as under:—

(Rs. in crores)

As at the end of December	No. of borrowal accounts	Amount outstanding	of which to SC/ST		
			No. of borrowal a/c.	Amount standing	% to total under DRI advances
1975 . . .	4,65,013	20.70	N.A.	N.A.	N.A.
1976 . . .	9,99,582	46.21	N.A.	N.A.	N.A.
1977 . . .	13,91,440	67.82	5,03,463	23.31	34.4
1978 . . .	16,19,537	89.99	6,44,337	36.78	40.9
1979 . . .	20,85,407	140.96	8,78,466	61.13	43.4

3.8. The statements showing the total advances made to Scheduled Castes and Scheduled Tribes under the DRI Scheme, the total number of Scheduled Castes and Scheduled Tribes beneficiaries and the percentage of advances made under the DRI Scheme by the Public sector banks during 1977-79 are at Appendices-III and IV.

3.9. Asked whether the DRI Scheme is being operated by the non-nationalised banks also and if so, what was their performance during each of the last five years and what is the Government's check and control on these non-nationalised banks in regard to the operation of this scheme, the Ministry of Finance, Department of Economic Affairs (Banking Division) in a written note furnished to the Committee has stated that after the issue of revised guidelines for DRI Scheme the Governor, Reserve Bank of India held a meeting with Chief Executives of some major banks in private sector on 28-11-1978 wherein it was *inter-alia* decided that all Indian Scheduled Commercial Banks in private sector would also operate the DRI Scheme and lend 1 per cent of their total advance in the previous year under the Scheme such that 40 per cent of the advances are granted to Scheduled Castes and Scheduled Tribes. The smaller banks with total demand and time liabilities of less than Rs. 25 crores are, however, required to lend only $\frac{1}{2}$ per cent of the aggregate advances under the Scheme. The distinction between the Public Sector Banks, Private Sector Banks and Private Sector Banks having lead responsibilities has since been done away with as regard DRI Scheme.

3.10. The advances under the Schemes granted by Indian Private Sector Banks since 1977 are given below:—

As at the end of	(Amount in lakhs of Rupees)					
	Total advances outstanding		of which for SC/ST		Percentage of DRI advances to aggregate advances of the previous year	Percentage of advances for SC/ST to DRI advances
	No. of accounts	Amount	No. of Accounts	Amount		
December, 1977	825	9.68	496	3.95	0.01	41
December, 1978	11,115	112.35	8,159	76.13	0.05	68
December, 1979	27,924	306.81	13,730	160.13	0.11	52

3.11. The Government control on Private Sector Banks is exercised through RBI who has the authority to give directions to all Banking Companies in the public interest etc., under Section 35-A, Banking Regulation Act, 1949. The Banks in the private sector are required to submit to the Reserve Bank a quarterly statement indicating the progress made in lending under the DRI Scheme. The performance of individual banks is watched on the basis of the quarterly reports received by the RBI. Besides, Reserve Bank also makes a review of the performance of the individual banks at the time of their periodical inspections under Section 35 of Banking Regulation Act, 1949. The banks whose progress in lending under the Scheme is not satisfactory, are asked to step up their lendings and indicate the steps taken/proposed to be taken for this purpose.

3.12. When asked how many Banks in the private sector are operating the DRI Scheme, the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division), has stated during evidence that their number is 35. Out of these major six banks have recently been nationalised and they will now step up their DRI lending.

3.13. The Committee desired to know the progress made on account of loans disbursed under the Differential Rate of Interest Scheme. The representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) informed the Committee that the number of borrowers under Differential Rate of Interest Scheme is roughly about 21 lakhs. Banks have advanced a sum of Rs. 140 crores or so. While the quantum of loan advanced in total terms is increasing the real impact of these advances is yet to be seen. The whole purpose of the scheme is that the weaker sections and in particular among the weaker sections the Scheduled Castes and Scheduled Tribes get advance both for working capital as well as for other things at a concessional rate of interest and the rate of interest is fixed at 4 per cent which is lowest possible which can be conceived of.

3.14. In reply to a question, the witness had admitted that the spread of the loans under Differential Rate of Interest Scheme is not even throughout the country. In some States, it has picked up; in some States, the progress is not satisfactory, Government have asked the National Institute of Bank Management to carry out a survey and identify the achievements; whether, the purposes which Government have in view have been achieved or banks have given loans without any productive result. The whole thing depends upon whether the beneficiaries have been identified properly or not

and the identification of beneficiaries is a function of the State Government. Having identified the beneficiaries, a workable Scheme has to be worked out. The income of a borrower who has taken advance and invested money should increase; and he should not only sustain himself but he should also be able to repay the loan over a period. For this purpose, suppose cattle are provided to the Scheduled Castes and Scheduled Tribes and the weaker sections, the production of milk may increase but if there are no marketing facilities for the disposal of milk, what is the use of increasing production? There is need not only for giving loans under Differential Rate of Interest Scheme but also for providing infrastructural facilities so that the benefits really become meaningful. There may be difficulties and Government are aware of the problems. Government want to make changes in the whole scheme before taking further steps.

3.15. Asked about the real impact of the Differential Rate of Interest Scheme on the economic development of Scheduled Castes and Scheduled Tribes, the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) stated:

“We have asked them (National Institute of Bank Management) to find out more specifically whether the benefits of the schemes have reached the weaker sections or not and secondly, whether their earnings have gone up. We also want to know whether the procedure, forms, approach of officials etc. have posed any problem; whether any changes in the scheme are feasible. We feel that the entire working of the scheme administratively as well as procedurally and otherwise has to be examined.”

3.16. When the Committee pointed out that in spite of the fact that crores of rupees are being spent and the benefits have not percolated to the poor Scheduled Caste and Scheduled Tribe people and it is high time that Government have a second look at the differential Rate of Interest Scheme, the representative of the Ministry of Finance, Department of Economic Affairs, (Banking Division) stated that Differential Rate of Interest Scheme is only one of the schemes under which loans are provided to Scheduled Castes and Scheduled Tribes. There are many other programmes and many other lending agencies to meet the credit needs of the poor people. In fact, Central Government have asked the State Governments and the Banks that for each District there should be a District Credit

Plan! The idea is that the District Credit Plan should be a meaningful document for the rural development of the country to identify areas and unite clusters of people to implement the plan.

3.17. In reply to a question the Committee has been informed that at the end of December, 1979, 8,78,466 persons have been given advances and the total amount outstanding against Scheduled Castes and Scheduled Tribes works out to Rs. 61.13 crores.

3.18. In reply to a specific question about the number of villages and Scheduled Caste/Scheduled Tribe families benefited by loans given under Differential Rate of Interest Scheme and how far their economic condition has improved after taking loans, the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) has admitted in his evidence before the Committee:

"I must confess in all fairness that we ourselves are not absolutely certain about it."

3.19. Regarding working of the Differential Rate of Interest Scheme, the Committee pointed out that the Study Groups of the Committee which had toured the country and visited the Head Offices of certain Nationalised Banks, had received complaints that before getting bank loan the poor man had to spend months together and had to approach many people for the purpose. There were also complaints that the middlemen usually took the lion share out of the loan advanced to the poor people and the meagre amount left with the loanee hardly served the purpose for which the Bank had given the loan. Asked what steps Government propose to take to eliminate the middleman so that the benefits may accrue to the poor people and the money can be spent on the implementation of various programmes, the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) in his evidence before the Committee has admitted that such problems have come to their notice and the whole matter requires close scrutiny. He, however, added that Government have asked the banks to look into complaints more energetically, especially complaints of harassment by the middlemen. Government want to achieve the result in the shape of economic programmes for the benefit of the people concerned. The State agencies can help a lot in this connection. If State agencies identify the beneficiaries correctly the people will not get involved with middlemen. The problem that in some cases the money does not flow to poor people but goes away to some other channels is a real one and Government have to find a solution for it.

3.20. Asked the total number of branches of the Nationalised Banks and in branches out of that which are operating the Differential Rate of Interest Scheme, Ministry of Finance, Department of Economic Affairs (Banking Division) in a note furnished to the Committee has stated that as per available data as on June, 1980, 13862 branches of 14 public sector banks out of a total of 17175 were operating Differential Rate of Interest Scheme. All these branches are expected to land under the Scheme to all categories of persons including Scheduled Castes and Scheduled Tribes. Separate figures in respect of branches assisting Scheduled Caste and Schedule Tribe borrowers are however, not available. Bank-wise information is given below:

Name of the bank	Total of Branches	which branches operating DRI Scheme
State Bank of India	5054	5750
Central Bank of India	1792	1281
Bank of India	1289	1193
Punjab National Bank	1610	1249
United Commercial Bank	1124	1124
United Bank of India	820	601*
Deena Bank	811	542
Syndicate Bank	1049	1049
Union Bank of India P.	1122	882
Indian Bank	809	809
Indian Overseas Bank	763	570
State Bank of Patiala	344	285
State Bank of Mysore	366	322
State Bank of Saurashtra	222	205
	17175	13862

*September, 1980.

3.21. The Committee note that the purpose of starting DRI Scheme is to enable persons who are poorest among the poor to engage themselves in productive endeavours with the help of their own labour and the labour of their family members and to improve their economic condition. The Committee appreciate purpose of the scheme. They are, however, apprehensive whether this gigantic task can be achieved with the present resources earmarked under the DRI scheme for the Scheduled Castes and Scheduled Tribes, majority of whom fall below the poverty line. The Committee agree with the assessment of the Commissioner for Scheduled Castes and Scheduled Tribes in his 26th Report that the present limit of minimum of 1 per cent of aggregate advances (as at the end of the previous year) and at least 40 per cent of the total advances under the DRI Scheme fixed for the Banks will not serve the needs of the Scheduled Castes and Scheduled Tribes. The Committee, therefore, recommend that at least 2 per cent of the aggregate advances of banks, as at the end of the previous year, should be fixed for lending under the DRI Scheme and a minimum of 75 per cent of the total advances under the DRI should go to the Scheduled Castes and Scheduled Tribes.

3.22. The Committee, also, endorse suggestion of the Commissioner for Scheduled Castes and Scheduled Tribes that at least 10 per cent of the total loans advanced by banks should be given to the persons belonging to Scheduled Castes and Scheduled Tribes to meet their medium and long-term credit requirements.

3.23. The Committee are surprised to know that no review of the DRI Scheme has so far been made, though it was introduced in 1972. Every scheme which involves commitment of huge funds should as a rule be reviewed periodically to the purpose for which it was meant and also to know deficiencies in its operation so that timely action could be taken to rectify the same. The Committee hope that the survey now being carried out by the Institute of Bank Management would be completed soon and the suggestions which emerge out of this survey will be examined expeditiously for implementation.

3.24. The Committee take note of the statement made by the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) before the Committee that disbursement of loan under the DRI scheme is not even throughout the country. To remove this imbalance the Committee suggest:

- (1) Performance of banks in such areas where the loan position is poor should be reviewed at regular intervals with

a view to find the causes of imbalance and to take corrective measures;

- (ii) In such areas Banks should make special efforts to evolve suitable bankable schemes in conjunction with the district development authorities.
- (iii) State Government Agencies should be encouraged to come forward in a big way to extend cooperation to the banks in matters of providing infrastructural, technical and marketing facilities and identification of borrowers.
- (iv) State Government Field Agencies should be asked to make arrangements for imparting training to the beneficiaries for the development of skills in various activities in which they are engaged and for which bank finance is required.

B. Credit Limits

3.25. Credit limits prescribed under the Differential Rate of Interest Scheme are as follows:—

- (i) For a person to be eligible under the Scheme, his family income from all sources should not exceed Rs. 3,000/- per annum in urban and semi-urban areas or Rs. 2,000 per annum in rural areas. In addition, except for persons belonging to Scheduled Castes and Scheduled Tribes, he should not own land exceeding one acre in the case of irrigated land, 2.5 acres in the case of un-irrigated land.
- (ii) The maximum amount admissible under the scheme is Rs. 1,500/- for working capital loan and Rs. 5,000/- for term loan. Where a loan is sanctioned by banks to a small scale industrialist. Village artisan, etc. in the decentralised sector, a person may be granted a composite loan totalling Rs. 6,500/- without making any distinction between working capital and term loan.
- (iii) The term loan for acquisition of fixed assets is repayable within 5 years including a grace period not exceeding two years.

3.26. The Commissioner for Scheduled Castes and Scheduled Tribes in his Twenty-sixth Report (1978-79), para 4.56, has observed that out of 14 nationalised banks, the detail required by his office regarding actual benefits derived by persons belonging to Scheduled

Castes and Scheduled Tribes have been made available by 5 Banks only. It appears that Banks are not coming forward even now to provide credit assistance to the much needed sections of the society. It may be incidentally mentioned that it was pointed out in the earlier report of the Commissioner that $\frac{1}{4}$ of 1 per cent of the aggregate advances (now raised to 1 per cent) of the Reserve Bank to be given under Differential Rate of Interest would not serve the needs of eligible categories and it was suggested that at least 10 per cent of the total loans advanced by banks should be given to the persons belonging to Scheduled Castes and Scheduled Tribes to meet their medium and long-term credit requirements. It was also considered necessary that cooperatives organised for the Scheduled Castes and Scheduled Tribes should also be made eligible to get loans under the Differential Rate of Interest Scheme. It, however, appears that no serious thought has been given to these suggestions.

3.27. The Committee enquired whether the above observation and suggestion of the Commissioner for Scheduled Tribes have been considered, and if so, the Government's reaction thereto.

3.28. In a written note furnished to the Committee, the Ministry of Finance, Department of Economic Affairs (Banking Division) has explained that it would not be correct to say that banks are not coming forward to provide credit assistance under DRI to the much needed sections of the society. As at the end of December, 1979, banks have advanced .94 per cent of their aggregate advances at the end of the previous year under DRI against the revised target of 1 per cent.

3.29. The question of providing more credit assistance to weaker sections and SC/ST at concessional terms has been examined in Government and RBI in a number of forums. More specifically a Working Group set up by Govt. in 1978 examined the banks lending under DRI in great detail. Considering the cost of raising funds and their availability with banks, the working group came to conclusion that the target of lending half a per cent of aggregate advances under the scheme should not be enhanced. The Group also did not suggest any changes in earmarking of funds in favour of SC/ST which stood at 33-1/3 per cent. The Government, however, raised the level of lending under the scheme to 1 per cent of the aggregate advances. In addition, the earmarking of funds under the scheme in favour of SC and ST was raised to 40 per cent.

3.30. After the present Government took over, the whole question of lending to Priority sector and beneficiaries of 20 point programme was re-examined by a working group headed by Dr. Krishnaswamy, Dy. Governor, RBI. Although this working group

did not suggest any earmarking of credit in favour of SC/ST, it did identify the weaker sections in the fields of Agriculture and allied activities, Industry etc. and a portion of credit has been earmarked in their favour according to the recommendation of the Group. There are standing instructions to Banks issued by RBI that credit needs of SC/ST borrowers should be sympathetically considered. While efforts are being made to meet the credit requirement of the weaker sections including SC and ST in large measure, it would not be possible for the banks to meet all such requirements under DRI at 4 per cent of interest.

3.31. In his evidence before the Committee, the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) has stated that if Government raise the limits, the number of beneficiaries within the range of Rs. 3,000 and Rs. 2,000 will become less correspondingly. It is a common experience that those who are better placed are in a better position always to get money, Bank advances or other facilities. Those who are poor are at a disadvantage from the very beginning. Secondly, if the total amount is not increased and banks have to lend only 1 per cent of the total advances under Differential Rate of Interest Scheme and at the same time the maximum loan limit is raised, then Government will be benefitting only those who are better placed rather than the poor people.

3.32. When the Committee suggested that instead of 40 per cent, 80 per cent of the loans under Differential Rate of Interest should be reserved for Scheduled Caste/Scheduled Tribe people, the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) has stated:

"The basic question is their capacity to repay also. We do not want to burden them with large amounts of loan."

3.33. He further added:

"Our problem is that we have to finance the priority sector which is also financed at concessional rates of interest. Then we have to finance this particular scheme under Differential Rate of Interest. The total money available with the banks is so small that if we reduce the rates of interest and increase the quantum of money which is lent at low rates of interests, the profitability of banks will disappear in one year."

3.34. Drawing attention to the following news appearing in the Economic Times dated the 28th December, 1980, the Committee enquired (i) the reasons for fixing the maximum limit of Rs. 6500/- under the DRI Scheme, and (ii) whether there was a proposal to raise the limit and if not the reasons therefor:

"Officials and banking circles wonder whether the scheme is worth continuation. For one thing, its impact is negligible because of the very low amount available under the scheme. There is a strong feeling among these circles that if the amount thus sunk is utilised for creating marketing system in the rural sector, more and more people will benefit by it. Banking sources do not hope that the recovery position will improve. This is because lending under DRI is not linked to feasible projects."

3.35. In a written note submitted to the Committee, the Ministry of Finance, Department of Economic Affairs (Banking Division) has stated that the scheme is meant for weaker amongst the weak who are mainly engaged on a very modest scale in agriculture and allied activities cottage and village industries and vocations such as making reasonably cheap eatables, home delivery service of articles and commodities of daily use, running way-side tea stalls, playing of self-owned manual rickshaws and cycle rickshaws, repairing of shoes/sandles mainly by hand, basket making by hand etc. It is felt that a maximum amount of Rs. 5000/- for implements and Rs. 1500/- for working capital should be sufficient for the purpose. Any higher limit would mean lesser spread of the limited amount available. At present there is no proposal to raise this limit would mean lesser spread of the limited amount available. At present there is no proposal to raise this limit for the reasons stated above.

3.36. The Committee enquired whether Government propose to waive the family income limit of Rs. 3000 per annum in urban and semi-urban areas and Rs. 2000 per annum in rural areas in respect of Scheduled Caste and Scheduled Tribe borrowers under Differential Rate of Interest Scheme.

3.37. The representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) during the course of evidence, has explained that the criterion relating to landholding has been waived because Government want to identify the poorest among the poor; that is, those who do not have and will be eligible and will be given preference. The income criterion is to ensure that people

within these ceilings alone qualified for advances, and those whose income is more than the prescribed ceilings will be covered by the other schemes under the priority sector.

3.38. The Committee pointing out that compared to the magnitude of the problem for uplifting the poor Scheduled Castes and Scheduled Tribes above the poverty line, the efforts being made are meagre. Asked whether the Differential Rate of Interest Scheme is serving the purpose for which it is meant. The representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) in his evidence before the Committee has stated:—

“In the first place, we have reached a target of 0.94 per cent which is a little below 1 per cent. But we should not look at the problem in isolation. 20 point programme consists of programmes which benefit several categories of people, including the Scheduled Caste/Scheduled Tribe. Among the weaker sections, there are small and marginal farmers also. While this is one scheme under which we have specifically earmarked a certain percentage, of funds for Scheduled Caste/Scheduled Tribe, it has to be looked at in conjunction with the various other schemes that the Government has. For instance, the Central Government has special Central assistance for Scheduled Castes, which is given to the States. The State Plans which are financed substantially by Central assistance have also a number of schemes for the benefit of those categories of people. There are Scheduled Castes Development Corporations in each State in which the Central Government participates in the shape of equity. We have to see that the totality of resources available and the totality of schemes we have as part of our five year plan go to help those sections which deserve special attention. One can argue that funds should be earmarked for Scheduled Castes and Scheduled Tribes in each scheme in each sector. At present it is not so. That is a matter of policy. So far as banks are concerned, in respect of the Differential Rate of Interest Scheme, earmarking has been done, but not in respect of other schemes. Bank advances are linked with subsidies which come from the State Plan Schemes for milch cattle piggery, poultry, dairy farming, etc. under the small farmers development scheme, integrated rural development programme and various other programmes. There are elements of subsidy in these

and bank finance is one of the linkages. The whole object is to tackle that segment of our society which is below a certain level of income. The question is whether we earmark funds for particular categories or we treat a segment as a segment. At present the thinking of the Government is that we much tackle that segment of society which is below the poverty line and this should cover adequately people who belong to Scheduled Caste/Scheduled Tribe families. It is a question of having a proper infrastructure, having proper schemes worked out, having the extension agencies geared up and having proper co-ordination between extension agencies and banks and various other agencies. We have to see in totality what amount of resources will go to the poorer sections."

3.39. Continuing the witness stated:

"So far as banks are concerned, as it is, we are not very well equipped. There has been a lot of expansion of branches and now 15000 branches, i.e. 46 per cent of the total number of branches are in rural areas. The orientation of the bank employees has to be suitably adjusted and tailored to the new requirements. Their new duties are more onerous than the past. In the rural sector and agricultural sector, it is not only banks which will have to shoulder the responsibility for ameliorating the conditions of the people but cooperatives, regional rural banks and State extension agencies also have to do that."

3.40. The Committee enquired then how 50 per cent of the people who are below the poverty line can cross the poverty line during the Sixth Plan without more money being spent on them in comparison to the rich people. The representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) has explained:

"We have a break up, if Rs. 100 are deposited in the bank out of Rs. 100/-, Rs. 40/- get locked up because of the requirement of law. Every bank has to maintain a liquidity ratio with the Reserve Bank. It has to have some cash reserves. On these different items, different rates of interest are earned. On some of the items no interest is earned by the banks. So, we have to work out the cost of borrowing and lending by the banks. There must be a little spread out between the two. That means the cost of borrowing should not become more than the cost of lending because we have to meet the Establishment

charges etc. of the banks. Suppose, out of Rs. 100/- only Rs. 60 are available, Rs. 40/- get locked up, of which 40 per cent have to be lent to the priority sector, i.e. 1 per cent to Differential Rate of Interest. Then there are several schemes under which we have to charge concessional rates of interest. The balance which is available for the rest of the economy including the large, medium and small scale industries is, I think, about 12 per cent or 14 per cent. It is not as if large amounts of money are going to those sectors which are rich."

3.41. The Committee feel that the present condition for a person to become eligible for credit under the DRI Scheme i.e. his family income from all sources should not exceed Rs. 3000 per annum in urban and semi-urban areas and Rs. 2000 per annum in rural areas, needs to be reviewed. They recommend that the limit of family income should be raised to Rs. 6000 and Rs. 4000 per annum for urban semi-urban and rural areas respectively.

3.42. The Committee also desire that the present amount of credit admissible under the Scheme i.e. Rs. 1500 for working capital loan and Rs. 5000 for term loan, should be suitably enhanced so that a borrower finds it sufficient to meet his needs and he has not to raise a part loan from other sources.

3.43. Similarly, the Committee recommend that the period of 5 years fixed for repayment should be increased so as to help the borrowers to pay back the amount in easy instalments.

C. Application Forms

3.44. The Study Groups of the Committee which visited the Head Office of some of the nationalised banks during October, 1980 for on-the-spot study of the credit facilities for Scheduled Castes and Scheduled Tribes, were informed that Scheduled Caste and Scheduled Tribe borrowers falling under the DRI Scheme found it difficult in filling up the application forms for getting the loan and that at many places intermediary parties had cropped up which helped these people to fill up the application forms and get loan and charged commission from them.

3.45. The Committee enquired the steps being taken by Government to simplify the lending procedure and the application form so that Scheduled Caste and Scheduled Tribe borrowers in the villages are able to fill up the form and apply for loan without the help of intermediaries. The Ministry of Finance, Department of

Economic Affairs (Banking Division) in a note furnished to the Committee has stated that a Committee was appointed by Government of India in 1978 for simplification of application forms and lending procedure in the banks for loans to agriculture and allied activities. Earlier there was no uniformity in the banks on the subject and various application forms were in use. The application forms which are now available in regional languages as recommended by the above Committee have been adopted in the banks. The Committee has also made various recommendations for simplification of lending procedure which have been recommended to the banks. The margin and security norms for loans have been considerably liberalised for individual loan accounts upto Rs. 5000/-. The banks have been advised not to ask third party guarantees and landed property as security for such loans.

3.46. Asked whether any officer is deputed by the Banks, particularly in rural areas, to help Scheduled Caste and Scheduled Tribe borrowers to fill up form, etc. and complete the formalities to get loan, the Ministry of Finance, Department of Economic Affairs (Banking Division) in a note has stated that in the light of the recommendations of the Government Working Group (Baldev Singh Group), in areas covered by specific schemes, such as SFDA, DPAP, IRDP, etc., the concerned project authorities should arrange for the completion of the application form. In other areas the banks' staff should help the borrowers in this behalf and it is understood that they are doing this.

3.47. The Committee enquired whether there is a proposal to have application forms for loans in regional languages and to make them more simple, so that village people could fill the forms without the aid of middlemen, the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division), has stated during evidence:

"We have issued instructions that the forms should be available in regional languages."

3.48. The Committee pointed out that it was brought to their notice during their recent visits to the Head Offices of some of the Nationalised Banks that the Banks were taking too much time in sanctioning loans under Differential Rate of Interest Scheme. Some times people had to spend as much as Rs. 500/- for getting sanctioned a loan of Rs. 1000/-. In this connection, the representative of the

Ministry of Finance, Department of Economic Affairs (Banking Division) during the course of evidence has stated:—

“The Reserve Bank had taken up this point because there was inordinate delay in the disposal of applications. The Reserve Bank has prescribed a time limit for the disposal of applications: for instance, the applications for loan upto Rs. 10,000/- have to be disposed of within three to four weeks, and applications for a loan of Rs. 10,000/- and above have to be disposed of within three months. A study which was conducted by the Reserve Bank in 1977 has revealed that banks had cleared 89 per cent of the loan applications upto Rs. 10,000/- within four weeks and 84 per cent of the loan applications for Rs. 10,000/- and above within twelve weeks. This was a sample survey. So, it would not reflect the complete picture. We have asked the banks that they must keep an account of the applications which have been received.”

3.49. Asked whether any study has been made for the grounds of rejection of loan applications of Scheduled Caste and Scheduled Tribe borrowers under the DRI Scheme, the Ministry of Finance, Department of Economic Affairs (Banking Division) in a note has stated:—

“No such study in respect of Scheduled Castes and Scheduled Tribes has been undertaken by Reserve Bank of India.”

3.50. The Committee note that the lending procedure in the banks in regard to loans for agriculture and allied activities has been simplified and application forms in regional languages have also been introduced. The Committee recommend that similar action should be taken in the case of DRI Scheme.

3.51. The Committee regret to note that Government have not considered it necessary to study the grounds for rejection of loan applications from Scheduled Castes and Scheduled Tribes. In order that the applications from Scheduled Castes and Scheduled Tribes, are not rejected on flimsy grounds and there is no undue delay for finalising an application, it is imperative that Government should carry out periodical review and study the grounds for rejection of loan applications from Scheduled Castes and Scheduled Tribes and the time taken for their disposal, and take remedial measures to streamline the procedure.

3.52. The Committee recommend that Banks should appoint Credit Liaison Officers in each branch of the Bank operating DRI Scheme who may help the poor borrowers in filling up the forms and complete other formalities so that they are able to get a loan within three weeks, if not earlier.

D. Role of Bank Managers

3.53. The Committee desired to know the power delegated to Managers of A, B and C grade branches of Banks in rural and urban areas, separately and the powers of Divisional Managers, Deputy General Managers and General Managers and enquired whether Government propose to deligate more powers to Branch Managers with a view to expedite the disposal of loan applications from Scheduled Castes and Scheduled Tribes, particularly in the rural areas.

3.54. The Ministry of Finance, Department of Economic Affairs (Banking Division) in a note, has stated that the discretionary powers vesting in Branch Managers and other executives for various categories of loans vary from bank to bank. Banks have been instructed by the Reserve Bank of India that Bank Managers should be vested with adequate discretionary powers so that 80 per cent of the proposals could be disposed of at the branch level itself. Further, in December, 1978 the Reserve Bank of India advised banks that all Branch Managers should be vested with discretionary powers to sanction proposals emanating from artisans, village and cottage industries etc. upto Rs. 25,000/- without reference to any higher authority.

3.55. The Committee referred to the following news report which had appeared in The Economic Times, New Delhi, dated the 14th October, 1980:—

"The experience and suggestion of the bankers themselves were interesting. Mr. S. L. Chopra, the Chairman and Managing Director of the Punjab National Bank narrated that there had been 100 per cent recovery of the loans given to weaker sections in their Ranchi branch. He cited the various reasons for the bank credit having not gone to the weaker sections in the rural areas in the past. One of them was the bank managers were "town based" and had not rural Orientation. The banks also had not

been giving consumption loans forcing the farmers to go to the money-lenders and other sources. His suggestion was for the RRBs to be strengthened and expanded. He was in favour, of refunding the overdues and for giving new loans."

3.56. Asked the steps Government propose to take to improve the matters and entrust the job to dedicated bank managers, particularly in the rural areas, the Ministry of Finance, Department of Economic Affairs (Banking Division) has stated, in a note, that direct recruitment to the cadre of officers in public sector banks are made through open competition conducted by Banking Service Recruitment Boards on All India basis. However, officers selected for appointment undergo training and orientation courses before they are made incharge of branches. The quota of direct recruitment to the banks' cadre is very limited and it varies from 0 per cent to 25 per cent in different banks. Majority of the officers in the public sector banks are, therefore, persons who are promoted to the officers' cadre from the clerical cadre. Recruitment in the clerical cadre of the public sector banks is made through Banking Service Recruitment Boards on the basis of open competition held of regional basis or even sub-regional basis. A region normally comprises of a State and may even comprise of a few districts in a State where circumstances so warrant. Knowledge of local languages is also tested at the time of the interview. It is expected that with more and more candidates appointed to the clerical cadre of public sector banks there would be a qualitative change in the attitude of Branch Managers in future. Proper training and orientation of bank officials would also go a long way in equipping them for the new challenges that they are expected to meet and to deal with the problems of the rural poor.

3.57. The Committee feel that a Bank Manager in rural areas has a very vital role to play. He can act as a friend and guide of the weaker sections among whom he is posted to work. The Committee desire that a Manager should have a complete rural orientation before he is posted to any rural branch of a Bank. He should be imparted adequate training and knowledge about the socio-economic concept underlying the various landing schemes introduced to uplift the weaker sections of the society, particularly the Scheduled Castes and Scheduled Tribes.

E. Bank Credit Camps and Village Adoption Scheme

3.58. Study Groups of the Committee which visited the Head Offices of Dena Bank and Bank of India during October, 1980 were

informed that their field officers of the Banks had arranged credit camps in the villages for the purpose of identifying and giving loan to the weaker sections of the people. There the bank officers themselves filled up the forms for the intending borrowers and advanced the money on the spot thereby eliminating delay and the middlemen.

3.59. Asked whether Government would encourage holding of such Credit Camps by all the nationalised banks so that Scheduled Caste and Scheduled Tribe borrowers have not to go to cities and towns for their credit needs. The Ministry of Finance, Department of Economic Affairs (Banking Division) in a written note furnished to the Committee has stated that most of the banks organise credit camps involving a cluster of borrowers with the cooperation and support of Government officials, even though that may not be strictly under the name of "Holiday Credit Camps". A Working Group on the simplification of Application Forms and lending procedures (Baldev Singh Committee) had also recommended that advantage should be taken of weekly market days, traditional cattle and other fairs where officials of the development and Revenue Departments of the State Governments and those of the banks can organise concerted campaign for an on-the-spot collection of applications and sanction of agricultural loans. However, although credit camps have certain advantages, usual safeguards like proper identification of the borrowers, processing of the proposals, bankability etc. cannot be ignored for fulfilling targets.

3.60. It has further been stated that a mass loaning function at Nakodar was arranged by the Punjab National Bank on 30th December, 1980 in collaboration with Punjab Backward Classes Land Development and Finance Corporation. At this function loans were sanctioned to 36,328 persons amounting to Rs. 17.8 crores. The borrowers included small farmers, artisans, ladies, freedom fighters, handicapped persons, ex-servicemen and Scheduled Castes/Scheduled Tribes. About 50 per cent of the beneficiaries were sanctioned loans at 4 per cent rate of interest. In this programme, 17,886 Scheduled Castes/Scheduled Tribes were benefitted under the Differential Rate of Interest Scheme and were advanced loans amounting to Rs 788.71 lakhs.

3.61. Asked whether the Government propose to have such credit camps on a large scale as they would go a long way to achieve the object of providing credit to poor people, the representative of the

Ministry of Finance, Department of Economic Affairs (Banking Division) has stated during evidence:—

"I would suggest that banks staff should be mobile. At least for 2 or 3 days in a week they should be able to visit villages on a regular basis. They should contact people there. They should try to help them and work out the schemes and process the applications and merely sitting in office alone and receiving applications from people interested is not sufficient. Even that aspect has got to be considered."

3.62. In reply to a question whether all nationalised banks are holding credit camps and how far the experiment has succeeded in providing credit without delay, the witness has stated:

"The experience has not been so very uniformly satisfactory. In a short period of time they are supposed to collect the people, the beneficiaries and provide them loans. The State Government's cooperation is also very essential. Banks alone cannot do it. When you see things organised in a hurry and loans disbursed, when forward and backward linkages are not ensured, there will be difficulties."

3.63. A Study Group of the Committee which visited Indian Bank (Head Office) Madras was informed that it has been the general experience that sporadic lendings (i.e. one or two loans in a village or no loans at all in some villages) to small farmers or village resulted in large overdues. Therefore a suggestion was made that 'A more effective approach has to be made. This will require adopting a village, undertaking a survey to assess the credit needs of all categories of persons for various purposes and arrive at the amount needed from the bank for meeting productive activities of each inhabitant in the village. A formal commitment by way of sanction of an appropriate limit and a time-bound programme should also be made and given adequate publicity. The cooperation and assistance of Government and their machinery should be ensured. By this method, a complete census of the Scheduled Castes and Scheduled Tribes and other weaker sections and their requirements of finance can be made. It will also make it easier to approach them and advise them on suitable investments. Follow up by frequent visits by the Bank's field staff will be easier as a number of borrowers can be contacted at one place instead of their having to visit distant villages to meet one or two borrowers, as is happening in sporadic lendings. In the selection of villages, priority should be given to areas covered by special schemes such as SFDA, IRDP,

DPAP etc. The emphasis should be on financing small and marginal farmers, agricultural labourers, rural artisans and other weaker sections.

3.64. Commenting on the above suggestion the Ministry of Finance, Department of Economic Affairs (Banking Division) in a written note has stated that Government have been advocating that the Banks should adopt area approach and as far as possible resort to schematic lending instead of scattered lending. This would ensure better supervised credit. The schemes should be both activity-wise and beneficiary oriental.

3.65. Banks have been advised that their advances to priority sectors should be raised to 40 per cent by 1985 and that within the overall targets a significant portion should be allotted to the beneficiaries of the 20-Point Programme. The concept of weaker sections in the main components viz., agriculture and small scale industries has been introduced and separate sub-targets have been fixed for them.

3.66. As regards village adoption scheme (VAS), it has been particularly pointed out that the Village Adoption Scheme should result in integrated development of village economy and should not mean that other institutions are debarred from lending and that the concept of area approach has to manifest itself in intensive lending with proper staff support. As on 31st December 1979, banks had adopted 89,242 villages. The number of direct agricultural loan accounts serviced in these villages stood at 27.17 lakhs and the amount of advances outstanding there aggregated Rs. 639.76 crores.

3.67. Government have also issued detailed guidelines for implementation of the Integrated Rural Development Programme and giving of a higher priority to Scheduled Caste/Scheduled Tribes has been emphasized. The banks have also been advised that their credit planning should weigh in favour of small and marginal farmers, Scheduled Castes/Scheduled Tribes etc.

3.68. During evidence the Committee desired to know the policy of the Government of India regarding the adoption of a village by a bank for the purpose of its overall development. The representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) has stated that as on 31-12-1979, banks have adopted 89,242 villages. Recently a study has been made and Government have come across one particular problem in regard to the village adoption scheme. That scheme gives the impression that the adopting bank will cater to the entire requirements of a village.

The bank do not permit other agencies to function in that area and it does not fulfil all the requirements of the people. The result is that if the performance of a particular bank is good, it benefits the villagers, otherwise the village suffers as the other agencies are not allowed to come in. Government feel that the villagers should be entitled to have recourse to different channels of finance and should not be solely dependent on one agency.

3.69. Asked to state the number of Scheduled Castes and Scheduled Tribes villages adopted by the Banks and the number of Scheduled Caste and Scheduled Tribe families who have been given loans, the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) has stated:

"We are covering all the 5000 blocks in the country. Rs. 35 lakhs which will be given during the Sixth Plan period will be used as subsidy to the beneficiaries. This subsidy will be 33-1 $\frac{1}{3}$ per cent in respect of marginal farmers and 25 per cent in the case of small farmers; and artisans will also be covered. Government will pay this subsidy. This money will be available with each block. The beneficiary will take a bank loan against this subsidy. One-third money will come under this programme and the balance from banking sector. We feel that over a period of five years about 1.50 crores will be invested in each block. The beneficiaries who are identified, 23 per cent of them, should belong to the Scheduled Caste and Scheduled Tribe. The State Governments have been advised to identify the beneficiaries."

3.70. Asked whether it is a fact that the scheme of adopting villages is not applicable to areas covered under Tribal Sub-Plan, the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division), has stated:

"Recently the Government have taken a decision to cover all the blocks in the country by integrated rural development programme. It means that the blocks which were covered by the Tribal Sub-Plan will also be covered by the integrated rural development programme."

3.71. Pointing out that there are a large number of Harijan Wadas consisting of Scheduled Caste/Scheduled Tribe population and they are interested in the development of Harijan villages through the medium of the banks, the Committee suggested if every branch of a Bank could adopt one such Harijanwada or Harijan village for

development, it would achieve positive results. In this regard the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) has stated during evidence:

"There is no problem about it. Government's scheme is that Scheduled Castes and Scheduled Tribes in each village may get loan either from banks or from other Co-operative Societies. Where village adoption scheme is successful it may be adopted and the concerned bank may play its part. But banks can not take full responsibility in the matter as they do not have the necessary experience. Where a Bank is not successful, facilities may be provided in a village through the medium of other agencies. There should be no monopoly for any particular agency."

3.72. In reply to a question as to what Government are doing or propose to do in regard to villages where there is no lending institution, the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division), has stated that the more branches of the banks are being opened and it is the policy of the Government to provide banking services in all the villages. However, if in any particular area banking facilities are lacking the question of opening a branch there can be considered on a priority basis.

3.73. When the Committee pointed out that there should be a much deeper involvement of banks both in quantitative and qualitative terms for the implementation of various developmental programmes for the weaker sections of the community, the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) has stated during evidence:

"We are pursuing this question seriously. I would, however, submit that district is the unit where all these schemes get implemented and the State agencies are responsible for the administration of these schemes that we have. The finances have to be made available for the various schemes which the State Governments propose to implement. For this purpose, it is necessary to have proper credit plans so that viable schemes can be financed without much delay."

3.74. The Committee appreciate the steps being taken by Government for spreading its banking services network by opening more branches in rural areas with a view to cover all the villages. The Committee are also happy to note that Banks have arranged

credit camps for on-the-spot disbursement of loans to the potential borrowers and have adopted 89242 villages for development. The Committee have no doubt that group lending, such as credit camps and adoption of village, helps the bank to a great extent to exercise supervision for pre-sanction and post disbursement operations effectively and promptly with the nucleus staff available in the rural branches. The Committee would, however, like the banks to lay more emphasis and give priority in selection of Scheduled Caste and Scheduled Tribe villages or cluster of Harijan wadas in the villages for integrated development approach. Before selecting a village or cluster of Harijanwadass the Banks, the Committee hope, will have a realistic estimate of the credit needs of the people of the area and will prepare an integrated plan of action for each village and Harijanwada so as to achieve the objective of integrated development of village economy. To make the approach more meaningful, the Committee suggest that participation of other financial institutions and co-operation of State Development Agencies in the area should be ensured.

F. Recovery of Dues

3.75. With regard to the recovery under Differential Interest Rate Scheme, the Economic Times (New Delhi) in its issue of 28th December, 1980 has reported.

"The much trumpeted Scheme meant for the weaker sections of the society will have to be wound up in the immediate future according to informed banking and official sources here.

Even without saying a formal goodbye, which is most unlikely because of possible political overtones, lending under DIR is expected to come to a virtual halt by the end of this financial year.

This is because recovery under DRI has not crossed 20 per cent which is the lowest among the priority sector lendings. Total lendings under DRI as on December 1, 1980 is put at Rs. 141 crore, i.e., 0.94 per cent of the target.

It is pointed out that banks will be lending only the recovered percentage next year so that the outstanding and fresh lending together will constitute one per cent of the total credit as stipulated by the Government. To put it differently, if the outstanding is 80 per cent, lending next year will only be 20 per cent, the amount recovered, and not one per cent of the total credit."

3.76. The Committee desired to know the percentage of recovery for general advances, advances made in the priority sector and advances made under the DRI Scheme during the last three years and also enquired whether any assistance is given by the State to the financial institutions to recover the advances.

3.77. In a written note submitted to the Committee, the Ministry of Finance, Department of Economic Affairs (Banking Division) has stated that Reserve Bank of India have prescribed annual returns for reporting the recovery position of agricultural advances only. In the quarterly return prescribed by Government of India for DRI advances, recovery position should also be given. Under the new reporting system, introduced from March, 1980, banks will have to furnish recovery position in respect of all the priority sector advances. Data under the new reporting system has not started flowing.

3.78. Although no return has been laid down in regard to recovery position of other advances, the realisability or otherwise of all advances is looked into at the time of bank's periodical inspections.

3.79. The percentage of recovery to demand under agricultural advances for the three years ended June 1977, 1978 and 1979 was 50.0, 51.2 and 53.1, respectively. Their percentage of overdues to demand under DRI advances for these years was 73.8, 65.6 and 67.2 respectively. Further, it may be mentioned that concept of recovery has relevance in respect of advances which are granted in the form of loans to be repaid within a specified period. In other cases, where advances are given in the form of overdrafts or cash credits (running accounts), healthy operations in the account is the criteria to be applied in deciding whether the advance is good or otherwise.

3.80. Under the new information system of lead bank scheme, banks have to submit to Reserve Bank of India a statement showing demand and recovery of advances as at the end of June each year commencing from the year ended June, 1980.

3.81. "Total Demand" will include (a) overdues amount (principal and interest) remaining to be collected as at the beginning i.e., 1st July of the year under reference plus (b) current demand (principal and interest) during the period under reference in respect of the following items:

- (i) Advances repayable during the year;

- (ii) Advances, including overdrafts, cash credits, etc., recalled by banks during the year and advances treated as bad/doubtful of recovery or in respect of which suits have been filed [other than those already included in (a)]; and
- (iii) Instalments of term loans due for repayment during the year.

3.82. It may be seen that the concept of demand, unlike in the case of advances which are to be repaid within a specified time, in respect of running accounts, would relate to recalled advances, those treated as bad/doubtful and suit-filed accounts. Such recovery data for loan and running accounts would not be comparable.

3.83. It has further been stated in the note that a Committee had been appointed by the Reserve Bank of India regarding lending by the Commercial banks in the sphere of agriculture. Among the many recommendations, this Committee (Talwar Committee), which submitted its report in 1970, had drafted a model legislation for enactment by the State Governments which would enable the speedier recovery of bank dues by the State Government agencies instead of filing suits in the Civil Courts. Sixteen State Governments have already enacted the necessary legislations. The States of Andhra Pradesh, Tamil Nadu, Jammu and Kashmir and Kerala are considering enactment of necessary legislation. The Union Territories were advised to adopt the appropriate legislation of relevant States, with modifications, if necessary. The Delhi Administration is considering adoption of U.P. Act, the Chandigarh administration is considering Haryana Act, while Goa, Daman and Diu are studying Maharashtra Act for this purpose.

3.84. The Committee enquired whether any indepth study has been made of the reasons for slow rate of recovery of loans advanced to weaker sections of the society under DRI Scheme and if so, how far it is due to:

- (i) misutilisation of funds;
- (ii) growing sickness among the units set-up;
- (iii) lack of efficient management;
- (iv) lack of demand for the produce;
- (v) lack of adequate infrastructural facilities such as transportation; water and electricity supply;
- (vi) lack of efficient marketing facilities; and
- (vii) wilful default of the borrowers.

3.85. The Ministry of Finance, Department of Economic Affairs, (Banking Division) in a written note furnished to the Committee has stated that no in-depth study has been conducted so far. However, some important factors identified as responsible for slow rate of recovery are as under:

- (i) The borrowers are the weakest of the weaker sections of society and there are practical difficulties in verifying their income and means. Viability study of their credit proposals, therefore intends to become difficult and superficial in nature.
- (ii) The borrowers are engaged in small ventures and they have no organised marketing to get the best price for their produce which would also be in small quantities. They have no alternative source of repayment and if the venture financed under the DRI Scheme fails, the advances become difficult of recovery.
- (iii) Diversion of the credit extended and/or income generated in to unproductive expenditure cannot be ruled out.
- (iv) As the advances are of small amounts and the lendings are generally on scattered basis, the cost of supervision like conveyance charges for contacting the borrowers, etc. works out very high in proportion to the advance.
- (v) Wilful defaults under the impression that the loans need not be repaid and will be written off by the banks in due course.
- (vi) Banks may be complacent to take steps for recovery as they could recover as much as 90 per cent of loans from Deposit Insurance and Credit Guarantee Corporation/ State Governments guarantee the loans routed through the State owned Corporations.

3.86. In depth studies to be carried out could reveal how far the aforesaid reasons are responsible for unsatisfactory recovery position. All of them, to some extent or the other, have contributed to the poor recovery position.

3.87. The Study Groups of the Committee which visited the Headquarters of the Nationalised Banks in October, 1980 for on the spot study of Credit facilities for Scheduled Castes and Scheduled Tribes were furnished the following information regarding the recovery position :

Andhra Bank:

The recovery position is fairly satisfactory. The credit extended to Scheduled Castes and Scheduled Tribes largely falls within the broad spectrum of Priority Sector lendings and a major portion of which is in the agricultural sector. Our recovery of credit in agricultural sector in relation to demand is about 64 per cent in the case of crop loans and about 69 per cent in the case of term loans. We are not experiencing much difficulties in the case of recovery even from Scheduled Castes and Scheduled Tribes and this closely conforms to the broad pattern observed for the entire sector as a whole. The percentage of recovery under differential interest rate loan (SC/ST) is about 53 per cent.

Bank of Baroda:

Table below gives details of Differential Rate of Interest loans alongwith the amount of recovery in respect of Scheduled Caste/Scheduled Tribe borrowers:

(Rs. in lakhs)

Year	No. of A/cs.	Amount out-standing	% of DRI advances given to SC/ST to Total DRI advances	Total demand	Recoveries	% of recovery
December, 1977	23548	118.38	30.35%	22.03	9.56	43.39%
December, 1978	49087	432.47	49.60%	78.79	36.40	46.20%
December, 1979	72486	616.27	50.55%	162.63	80.10	49.25%
June, 1980	77378	600.50	50.25%	219.04	116.05	52.98%

Dena Bank:

Out of the total Differential Rate of Interest advances, 65 per cent of the advances have been granted to Scheduled Castes and Scheduled Tribes alone as against 40 per cent of the target fixed under the scheme. The percentage recovery to total demand of DRI advances as on June 1980 has been only 37 and the same is the case in respect of amount granted to Scheduled Castes and Scheduled Tribes. As on June, 1980, 56 per cent borrowers were defaulters and amount of default was 63 per cent of the total demand.

The major reasons for default have been stated to be:

Sickness or death in the families of the borrowers or natural calamities beyond the control of the borrowers. There were about 25 per cent of the borrowers who were not capable of generating income from their activities financed by the Bank. This shows that if non-viable schemes are financed either due to pressure of target oriented lending, it has resulted into defaults. The investigators reported that 23 per cent of the borrowers would not be able to repay the loans of the Bank due to:

- (a) Non-generation of income from the activities financed and lack of interest of the borrowers in running or development of the business.
- (b) Habitual defaulters due to vices.
- (c) Incompetence of the borrowers in their activities in which they are engaged.

The persons financed by the bank under the DRI Scheme belong to the weakest among the weaker sections of the community and the Branch Managers have been fairly successful to approach them through informal and formal agencies. However, the rapport between the Branch Managers and the borrowers have not been well-established and the Branch Managers have been depending upon the informal agencies to identify and introduce them to the branches. The Branch Managers have not undertaken follow-up measures after disbursement of the loans until the accounts were defaulted.

Bank of India:

The position of overdues and recoveries in respect of advances granted under DRI Scheme to Scheduled Castes/Scheduled Tribes as at the end of June, 1980 (provisional) was as under:

(Rs. in lakhs)									
	Demand upto June, 1980		Recoveries made during June quarter		Overdues		% to total demand (i.e. amounts due)	Outstanding at the end of June, 1980.	
	No. of A/cs.	Amount out- standing	No. of A/cs.	Amount out- standing	No. of A/cs.	Amount out- standing		No. of A/cs.	Amount out- standing
Total	73949	245.20	44481	98.33	38712	146.87	59.9	143435	903.30
of which SC/ST	39105	120.92	21251	45.15	20154	75.78	62.7	84657	449.84

It will be observed that the recovery percentage in respect of Scheduled Caste/Scheduled Tribe borrowers is more or less the same as it is in the case of other borrowers, i.e., about 40 per cent.

Canara Bank:

The recovery percentage from general public for the last 3 years is as under: (This is inclusive of the loans given to Scheduled Castes and Scheduled Tribes):

1977 .	56.0%
1978	52.7%
1979 .	49.3%

The Bank has not collected separate data regarding recovery performance of Scheduled Castes and Scheduled Tribes.

Indian Overseas Bank:

The percentage of recovery of Differential Interest Rate advances in respect of Scheduled Caste/Scheduled Tribe members is quite satisfactory over the general position, in view of the fact that the Scheduled Caste/Scheduled Tribe percentage of recovery as on June, 1980 stood at 33 per cent as against the general level of 21 per cent.

Indian Bank:

Of the outstandings of Rs. 82.34 lakhs from Scheduled Caste/Scheduled Tribe as on 31st March, 1980, Rs. 73.28 lakhs was overdue. Separate figures of the overdues to demand were not available with the Bank. For all advances under DRI Scheme, the percentage of overdues to demand was 69 per cent.

United Commercial Bank:

Although the Bank has increased advances under the DRI Scheme quite substantially during the period under report, the recovery position has not improved accordingly. The recovery position at the end of December, 1979 was 26.68 per cent against 27.32 per cent in 1978 and 35.25 per cent in 1977.

United Bank of India:

The guidelines issued by the Reserve Bank of India envisage that loans to the Scheduled Castes and Scheduled Tribes community

under the Differential Rate of Interest Scheme should amount to 40 per cent of the total credits advanced under this head. The Bank has been working in accordance with this guideline.

The Bank has earmarked 40 per cent of the total amount to be disbursed under the DRI Scheme for this community. With the above objective in view all possible efforts are made to extend the credit to the Scheduled Castes and Scheduled Tribes. Recovery figures are at present not available as the present data system does not provide this scope.

3.88. The representative of the Ministry of Finance Department of Economic Affairs (Banking Division) in his evidence before the Committee has stated that there are overdues in respect of the years 1977, 1978 and 1979 but recovery under Differential Rate of Interest is not unsatisfactory.

3.89. The Committee enquired if Government were satisfied with the repayment capacity of the borrowers under Differential Rate of Interest Scheme, then what are the reasons for not increasing the limit of 1 per cent of total advances to a minimum of 2 per cent of Bank's aggregate advances for being disbursed under the Differential Rate of Interest Scheme. The representative of the Ministry of Finance, Economic Affairs (Banking Division) has explained:

"It is a question of allocation of resources. It is for the Planning Commission to take a decision. I will put this point before Government."

3.90. Asked what percentage of the loans advanced by the banks has to be written off because those could not be recovered, the representative of the Ministry of Finance Department of Economic Affairs (Banking Division) has replied:

"It will vary from bank to bank. It is done as a last resort. I do not have the percentage written off readily available."

3.91. The Committee are surprised to note that no recovery reporting system under DRI Scheme had been introduced till March, 1980, though the DRI Scheme was initiated in 1972.

3.92. The Committee are further surprised to note that the Ministry of Finance, Department of Economic Affairs (Banking Division) has listed certain imaginary reasons for slow rate of recovery of the advances under the Differential Rate of Interest Scheme without

conducting any study about it. The Study Groups of the Committee which had visited Head Offices of certain Banks in the public sector were informed that the recovery position under DRI was fairly satisfactory and recovery from the Scheduled Caste and Scheduled Tribe borrowers was as good as from others. The Committee, therefore, suggest that the Banks should have no hesitation in advancing loans to Scheduled Caste and Scheduled Tribe borrowers when the recovery of dues from them is fairly satisfactory.

3.93. The Committee feel that no financial institution can function efficiently unless its recovery of loans and advances is prompt and in time. Moreover, if the recovery is good, the recovered dues can be ploughed back to provide assistance to greater number of people. The Committee would, therefore, like the Government to evolve a suitable machinery in consultation with the State Governments, which should help the banks to recover the dues in time.

G. Operation of DRI Schemes by Cooperatives

3.94. The Commissioner for Scheduled Castes and Scheduled Tribes in his 26th Report (1978-79) had recommended:

Out of 14 Nationalised Banks, the details required by this Office have been made available by 5 Banks only. It appears that Banks are not coming forward even now to provide credit assistance to the much needed sections of the society. It may be incidentally mentioned that it was pointed out in the earlier reports of the Commissioner that 1/2 per cent of 1 per cent of the aggregate advances (now raised to 1 per cent) of the Reserve Bank to be given under Differential Rate of Interest would not serve the needs of eligible categories and it was suggested that at least 10 per cent of the total loans advanced by banks should be given to the persons belonging to Scheduled Castes and Scheduled Tribes to meet their medium and long-term credit requirements. It was also considered necessary that Cooperatives organised for the Scheduled Castes and Scheduled Tribes should also be made eligible to get loans under the Differential Rate of Interest Scheme. It, however, appears that no serious thought has been given to these suggestions."

3.95. During the course of evidence of the representatives of the Ministry of Finance, Department of Economic Affairs (Banking

Division), the Committee enquired whether Government have accepted the above recommendation. The witness replied in the affirmative.

3.96. In a written note submitted to the Committee the Ministry of Finance, Department of Economic Affairs, (Banking Division) has further explained the position that under the existing scheme, banks may route credit through Cooperative Societies/LAMPS organised specifically for the benefit of the tribal population in areas identified by the Government of India on the same terms and conditions as are applicable to state-owned Corporations for the Welfare of Scheduled Castes/Scheduled Tribes.

3.97. This facility of routing credit under the scheme through cooperative Societies/LAMPS was extended to banks in November, 1980. In the formats revised by Government in March, 1980 details of advances routed through societies/LAMPS are required to be furnished.

3.98. Asked whether State Cooperative Banks are given adequate funds by Reserve Bank of India to operate Differential Rate of Interest Scheme, the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) has explained during evidence that the Reserve Bank of India did not provide any such funds but refinance facility was made available. Clarifying the position further he has added:

"The problem really is that the cooperatives are in a bad shape and their balance sheets, in most cases do not truly reflect their financial state of affairs and, they are further burdened with a scheme of this nature—Differential Rate of Interest Scheme—they will become bankrupt. In the balance sheets of the cooperatives, what is not recoverable is shown as likely to be recovered and therefore, their true state of affairs are not reflected. As it is, their cost structure is very high. If they are required to provide funds under the Differential Rate of Interest Scheme to farmers, it will only add to the burden which has already become too much."

3.99. He has further informed the Committee that in the States where there are Scheduled Castes and Scheduled Tribes Financial Development Corporations, they also give them money. Many of these schemes have the budgetary support of the State Governments. The Central Government are also involved directly or indirectly. All this has to be taken as part of the District Plan. Banks are

performing their role to the best of their ability on how to link up the credit with the other aspects of the schemes. For a number of years, expansion of banks branches is going on and which will go a long way to meet the requirements of the people.

3.100. When asked to explain the role of the nationalised banks for providing advances to the cooperatives which in turn give credit to the weaker sections of the Society, the Ministry of Finance, Department of Economic Affairs (Banking Division) in a note furnished to the Committee has stated that the scheme of financing of Primary Agricultural Credit Societies (PACSs) by Commercial banks was introduced in Kharif 1970 and it is now in operation in 13 States. By June, 1979, 745 branches of 25 commercial banks had taken over 3104 PACS for financing. The loans advanced by these banks to the societies for financing agricultural activities in the last three years are as follows:—

(Rs. in lakhs)

Year	Total short Loan issued	To weaker sections
1976-77	2283.28	737.18
1977-78	2369.55	892.02
1978-79	2649.34	971.50

3.101. Reorganisation of Primary Agricultural Credit Societies (PACSs) into strong and viable units has been the emphasis at the base level. The programme of reorganisation is more or less complete in nine States and is still in progress in three more States. The reorganised Societies have been, by and large, strengthened with Government share capital and equipped with fulltime paid Secretaries. For meeting the credit requirements of the rural population the accepted principle is that of multi-agency approach. In such a system, the required loans to a villager are available through the cooperative credit institutions or commercial banks including Regional Rural Banks (RRBs) wherever their branches exist. The co-ordination between the financial institutions is done through district level consultative committees and by apportioning to all the banks a share in the district credit plan prepared the Lead Bank. The Lead Bank of the District also monitors the implementation of the Credit Plan at regular reviews.

3.102. One of the factors inhibiting the coverage of the weaker sections was the vested interests in the Primary Agricultural Credits which prevented them from becoming members. For remedying this, certain measure have been taken (i) Cooperative Societies Act has been revised in almost all States which provides for open membership; and the onus will now be on the management to prove that persons applying for membership are not qualified to do so; (ii) the management of the societies have to provide adequate representation to the weaker sections in the Committees. The model bye-laws suggested by the Reserve Bank of India for Primary Agricultural Credits provide that 50 per cent of the members of the Managing Committee should be from the weaker sections; (iii) Under the Integrated Rural Development Programme, small and marginal farmers are provided interest free loans upto 40 per cent for purchase of shares. This has been done to overcome the financial difficulties faced by them from contributing to the share capital. The rate of share linking to borrowers of short term agricultural loans has been reduced to 5 per cent for small and marginal farmers and weaker sections as against 10 per cent for others.

3.103. Asked the total amount advanced by (i) Primary Agricultural Credit Societies (PACS) (ii) Large Multi-purpose Societies (LAMPS) (iii) Land Development Banks to the Scheduled Castes and Scheduled Tribes during each of the last five years for credit and non-credit requirements separately and the rate of interest for loans, the number of families benefited, and the minimum and maximum amount advanced to a family, the Ministry of Finance, Department of Economic Affairs (Banking Division) has stated in a note that the total amount advanced by the cooperatives to Scheduled Castes/Scheduled Tribes during the last 4 years for various requirements was as given below:—

(Rs. in lakhs)

	1974-75		1975-76		1976-77		1977-78	
	SC	ST	SC	ST	SC	ST	SC	ST
(i) Primary Agricultural Credit Societies (PACS)	36.04	22.06	49.02	28.79	79.68	30.41	84.41	37.42
(ii) Large Multi-purpose Societies (LAMPS)	NA	NA	20.23*				25.21*	
(iii) Land Development Banks*	11.21	15.92			14.65		20.86	

*Break up of Scheduled Caste/Scheduled Tribe not available.

3.104. Cooperatives are providing loans for agricultural purposes at the following rates of interests:—

<i>Short term agricultural loans</i>		<i>Rate of Interest</i>
(a) Small Farmers (upto Rs. 2500/-)		11.85%
(b) Others		14.00%
<i>Long-term Agricultural loans</i>		<i>Rate of Interest</i>
(a) Minor Irrigation and land Development purpose		10.25%
(b) Diversified purposes		
(i) For small farmers		10.25%
(ii) For others		11.35%

3.105. The number of members belonging to Scheduled Castes/ Scheduled Tribes which borrowed from Primary Agricultural Credit Societies during the last 4 years is given below:

	(in thousand)							
	1974-75		1975-76		1976-77		1977-78	
	SC	ST	SC	ST	SC	ST	SC	ST
(i) No. borrowed during the year	9.01	5.30	12.64	7.23	23.37	9.07	22.08	9.25
(ii) Indebted members at the end of the year	12.10	7.04	15.92	10.45	27.56	13.46	27.69	14.89

3.106. As regards minimum and maximum advance to a family, it was stated that there is no data readily available regarding the minimum and maximum advances provided by cooperative to Scheduled Caste/Scheduled Tribe families. Under the production oriented system of lending, however, credit is provided strictly with reference to the per acre crop-wise scales of finance decided by the Technical Groups in each district subject to a fairly high overall Individual Maximum Borrowing Power laid down by the Registrar of Cooperative Societies, which in practice is not at all a constraint for financing weaker sections. Term loans for development of agriculture as also for creation of assets are provided with reference to the cost of outlay on development/asset, subject to the repaying capacity of the borrowers.

3.107. Asked the States which are providing towards membership fee subsidy to encourage Scheduled Castes/Scheduled Tribes for becoming members of Cooperative Societies and enquired how far this has been helpful to the Scheduled Castes and Scheduled Tribes to become members of these societies, the Ministry of Finance, Department of Economic Affairs (Banking Division) in a note furnished to the Committee has stated that cooperatives laws have been amended to provide for universal membership i.e. automatic membership to all those farmers, labourers, rural artisans etc. in the areas of operation of cooperative societies who are otherwise eligible for membership. The rate of share linking to borrowings has been reduced to 5 per cent for small and marginal farmers and weaker sections as against 10 per cent. for others. Under the Integrated Rural Development Programme, small and marginal farmers are provided interest free loans upto Rs. 40 for purchase of shares to overcome financial difficulty faced by them from contributing to the share capital. Information regarding impact of these benefits in the weaker section becoming members of the societies is not available.

3.108. The Committee desired to know the other schemes for which subsidy or margin money is provided by Government agencies/Cooperatives. The Ministry of Finance, Department of Economic Affairs (Banking Division) in a written note furnished to the Committee has stated that Government provide subsidy for various purposes under special programme like SFDA/MFAL, DPAP, CAD, IRDP, etc. and for construction of rural godowns. The Government and Reserve Bank of India have instructed the commercial banks to lend full credit support to the above mentioned programmes. The extent of subsidy available to marginal farmers is 1/3rd of the cost of project and for small farmers it is 1/4th of the cost of the project. The schemes are administered by the Ministry of Rural Reconstruction who make adequate budgetary provision for capital subsidy. The programmes are implemented through Project Officers who are appointed by the State Governments.

3.109. The Committee are happy to note that, as recommended by the Commissioner for Scheduled Castes and Scheduled Tribes, the Government have extended the DRI Scheme for operation by the Co-operative Sector. The Committee, however, regret to note that no information could be made available by Government regarding the extent of advances made to Scheduled Castes and Scheduled Tribes by the Co-operatives under the DRI Scheme.

3.110. The Committee are of the view that if any dent has to be made in the economic conditions of Scheduled Castes and Scheduled Tribes, all the financial institutions i.e. Banks, Co-operatives; etc., will have to be directed and geared to identify the potential beneficiaries among the Scheduled Castes and Scheduled Tribes, giving them viable schemes, helping them to secure loans under the DRI Scheme and finally advising and guiding them for the successful implementation of those schemes.

3.111. The Committee would like the Government to make adequate central funds available to the Cooperatives so that they could be organised better for providing assistance to the Scheduled Castes/ Scheduled Tribes for their rapid economic development.

3.112. The Committee would also like the State Government concerned to exercise effective executive and financial control over the Co-operatives so that they are cleansed of alleged malpractices.

H. Publicity

3.113. The Committee pointed out that to make bank credit available to Scheduled Castes and Scheduled Tribes it is necessary to create awareness of the schemes among the potential beneficiaries. Unless proper publicity is given to the schemes, eligible borrowers in sufficient numbers may not come forward to avail themselves of the financial assistance available and enquired the steps Government are taking in this regard.

3.114. The Ministry of Finance, Department of Economic Affairs (Banking Division) in a written note furnished to the Committee has stated that though commercial banks have, within a decade of their entry in agricultural credit, reached a large number of borrowers and also deployed a sizeable part of their credit to this sector, there is certainly great scope for improving the coverage of target groups, particularly those belonging to Scheduled Castes and Scheduled Tribes and the linkages between development programmes and credit programmes in the context of integrated approach to rural development. The first step is to identify the target groups to be followed by the more difficult task of persuading the identified persons to borrow for the purpose of development through one or more of the identified schemes considered useful. The Banks, State level officials and their extension agencies have to appreciate that their Job is not confined to release of loans and subsidies but one of assistance in accelerating the implementation of the integrated

approach to rural development. For this purpose, lending under various programmes that are area specific with appropriate forward and backward linkages and pre-sanction appraisal followed by intensive supervision by the field staff can go a long way in meeting the requirement and also in creating the necessary consciousness. This, however, does not mean that publicity through different publicity media is not necessary but by publicity alone necessary awareness may not be created which may actually result in the borrowers having advantage of lending under various schemes.

3.115. Government and the Reserve Bank of India have issued guidelines for the implementation of DRI Scheme to all the nationalised banks and private sector banks.

3.116. The Committee are firmly of the view that if the Scheduled Caste and Scheduled Tribe communities are to be encouraged to take advantage of credit facilities greater awareness, among the potential beneficiaries of these schemes will have to be created. They therefore, recommend that Government and the Banks should jointly evolve a publicity scheme including audio-visual aids for publicising these schemes among the Scheduled Castes and Scheduled Tribes.

3.117. The Committee recommend that for this purpose the Government should also bring out a brochure in English/Hindi and other regional languages giving particulars of various schemes for which loans on soft terms are available with the financial institutions/banks/cooperatives. Copies of this brochure should be freely and widely distributed to the extension agencies and the organisations working for the upliftment of the Scheduled Castes and Scheduled Tribes in the country.

CHAPTER IV

PRIORITY SECTOR LENDING BY PUBLIC SECTOR BANKS

A. Purpose for Advancing

4.1. In a note furnished by the Ministry of Finance (Banking Division) the Committee have been informed that since the nationalisation of major commercial banks in 1969, attention and effort has been devoted to providing credit assistance to small production ventures, particularly of those belonging to the weaker sections of the society. By and large, such ventures are in sectors such as agriculture and allied activities, small industry, small road and water transport, retail trade and small business and self-employment of professionally qualified people. These sectors have been given a "Priority" status in the public sector banks lending operations. As a result, a whole range of economic activities of the poorer people such as small scale farming, dairy farming, poultry, piggery or bee keeping, handloom weaving, tanning, basket weaving, shoe-making, pottery, cycle repairing, taxi/auto rickshaw or cycle rickshaw or tonga plying, fish, meat and vegetable vending etc. which were once considered outside the purview of commercial banks credit, have become eligible and have been receiving credit support from the public sector banks.

4.2. The purposes for which credit is made available by the banks under various Priority Sectors can be grouped as follows:—

(1) *Agriculture*

- (a) Short term working capital loan for seeds, fertilisers, pesticides, irrigation dues and other agricultural operations; working capital for dairies, piggaries, poultry farms, fisheries, fertilisers/seed/pesticides distribution etc.
- (b) Term loans for irrigation (digging of wells or sinking of tube wells, installation of pumpsets), farm mechanisation, draught animals, land development, market yards, rural electrification, agro-service centres etc. and also for long-term investment in dairy, poultry, piggary, sheep rearing etc., construction of farm structures, warehouses etc.

(2) *Small Scale Industries:*

Short-term or working capital credit for raw materials, holding of other inventory, overhead operating expenses etc.

Term loans for investment in equipment and plant and machinery, setting up industrial estates, etc.

(3) *Transport:*

Short-term or term loans depending on requirements for purchase of vehicle-truck, bus, taxi, auto rickshaw, tonga, rickshaw, cart etc. as also operating expenses.

(4) *Retail Trade and Small Business:*

Short-term loans or working capital credit for operating requirements of the business/trade.

Term loans, if necessary, for purchase of equipment such as furniture, crockery etc. in a restaurant, sewing machines for tailors, iron press for washermen etc.

(5) *Professional & self-employed:*

Short term/term loans as per requirements to persons who hold a degree or diploma or are skilled in the chosen technical field for setting up of independent business such as medical clinics or dental clinics, architectural/engineering firms, chartered accounting firms, constructions units, management consultancy firms etc.

(6) *Educational Loans:*

Loans for pursuit of studies-usually in the form of term loans.

4.3. In a note furnished to the Committee, it has been stated that in all lendings to priority sector, preference is given to members of Scheduled Caste/Scheduled Tribes. The target for priority sector advances which was 33-1/3 per cent to be achieved by March, 1979 has been raised to 40 per cent of banks' aggregate credit to be achieved by 1985.

4.4. Public sector banks are required to step up their lending to the priority sector to the level of 40 per cent of their aggregate credit by the end of the Plan period 1985. Banks are required to prepare specific bankable schemes suited to members of SC/STs for large flow of credit to them for self-employment. Credit proposals from them were to be considered with understanding and utmost sympathy.

4.5. Asked the total lending of the Public Sector banks to the priority sector and the percentage of it which has gone to Scheduled Castes and Scheduled Tribes, the Ministry of Finance, Department of Economic Affairs (Banking Division) has furnished a statement giving the figures as on June, 1980. The statement is at appendix V.

4.6. The Committee desired to know the concessions available to SC/ST borrowers of priority sector lending, the Ministry of Finance, Department of Economic Affairs (Banking Division), in a note furnished to the Committee has stated that available data for end June, 1980 shows that the total priority sector advances of the public sector banks (SBI Group + 20 nationalised banks) amounted to Rs. 6852 crores involving 116 lakh borrowal accounts. These advances accounted for 34.5 per cent of the aggregate advances of these banks. Of the priority sector advances of the public sector banks, advanced to Scheduled Castes & Scheduled Tribes amounted to Rs. 278 crores involving 17.3 lakh borrowal accounts. These advances accounted for 4.1 per cent of the amount and 14.9 per cent of the accounts involved in the public sector banks' aggregate credit to the priority sectors.

4.7. Credit extended by the public sector banks under the DRI Scheme forms part of their priority sector advances. Besides, the earmarking of a minimum of 40 per cent of DRI credit and exemption from the landholding criteria for eligibility for assistance under the scheme which are special features for lending to SC/ST borrowers, these borrowers also receive the concessions extended to the weaker sections of the society as a group. These concessions can be briefly grouped as follows:—

(1) *Concessions in terms of relaxation of norms of security and margins:*

Agricultural loans upto Rs. 1000 are given only against D. P. Note/Loan Agreement. Loans upto Rs. 5000 are given against hypothecation of movable assets created out of the loan amount. Loans upto Rs. 25,000 given to artisans and village and cottage industries are to be given without insistence on additional collateral security or margin.

(2) *Concessions in terms of liberal assessment of credit requirements:*

The banks have to assess the credit requirements of artisans and village and cottage industries in a liberal manner, making allowance

for unforeseen contingencies due to operational bottleneck or for consumption requirements in accordance with the stipulated norms.

(3) Concessional treatment of working capital requirements:

The working capital requirements of artisans and village and cottage industries for one full operating cycle are provided for in the form of a term loans and not as a fluctuating loan.

(4) Concessions in repayment schedules:

Banks have been asked to provide credit to artisans, village and cottage industries with re-payment schedules of not less than seven years but up to ten years. There is also an initial moratorium period of 12 to 18 months, both for interest and principal.

(5) Concessionality in Interest Rates:

Under the DRI scheme, assistance is available to eligible persons at 4 per cent rate of interest. Besides this concession, loans of over three years term to small and marginal farmers for activities allied to agriculture are available at a maximum rate of 10.25 per cent. Short term credit to small and marginal farmers upto Rs. 2500 is extended at a rate of not exceeding 11.85 per cent. Besides, the advances of banks to smaller borrowers in the priority sectors have been exempted by the Reserve Bank from the purview of its stipulation of the Minimum Lending Rate. Most of the public sector bank have some gradation in their interest rate structure, the smaller loans being charged a lower rate of interest as compared to that charged on bigger loans.

4.8. Asked if any amount has been earmarked or percentage fixed for lending to SC/ST borrowers under the priority sector lending, it has been stated:

“Earmarking of credit to SC/ST borrowers is undertaken only in respect of the DRI Scheme. Under the priority sectors lending programme as a whole credit to SC/ST borrowers is not earmarked. However, the banks have been asked to ensure that at least 50 per cent of their Direct Finance to farmers and 12.5 per cent of their credit to small scale industries should go to weaker sections by March 1983 and March 1985 respectively. The weaker

sections have been defined in the Agricultural Sector as small and marginal farmers and borrowers having credit limits upto Rs. 10,000 for activities allied to agriculture and in the small industry sector as artisans. Village and cottage and thiny industries not having credit limits in excess of Rs. 25,000 each. The thrust of the bank lending to weaker sections is expected to cover the flow of credit to SC/ST borrowers in an increasing manner. The public sector banks have been specifically asked to make special efforts to improve their coverage of SC/ST borrowers in the priority sectors."

4.9. A suggestion was made to the Study Group of the Committee which visited a nationalised bank that in the priority sector the sum equal to the amount permissible under DRI scheme might be given to Scheduled Castes and Scheduled Tribes @ 4 per cent and any amount needed in excess thereof may be advanced at normal higher rate.

When asked the reaction of Government to the above suggestion, the Ministry of Finance, Department of Economic Affairs (Banking Division) in a note submitted to the Committee has stated that the DRI scheme is basically meant to cater to the credit requirements of the weakest amongst the weak and assist them in their efforts to better their economic condition by small productive endeavours. It is expected that the credit requirements of such borrowers would not exceed the ceiling amounts (i.e. Rs. 1,500 for working capital and Rs. 5000 for term loans) laid down under the Scheme. Borrowers who require finance on larger scale may not be considered as the weakest amongst the weak. Most of such borrowers would be eligible for bank advances under Priority Sector which are also given at concessional rates of interest. The suggestion that interest at 4 per cent may be charged on the amount permissible under DRI scheme and at higher rate of interest on amount in excess thereof would also work to the detriment of poorer sections and therefore would not be in accordance with the spirit of the scheme.

4.10. The Commissioner for Scheduled Castes and Scheduled Tribes in his 26th Report (1978-79) has stated:

"In the Report of the year 1973-74 it was further mentioned that all the State Governments/Union Territory Administrations should consider the desirability of setting up of Special Cells in the respective Directorate of Social/ Hari-

jan Welfare for giving guidance to the Scheduled Caste/Scheduled Tribe entrepreneurs for setting up small scale industrial units. Such Cells could also be assigned the task of preparation of model schemes for the benefit of Scheduled Caste/Scheduled Tribe entrepreneurs. In the 1974-75 Report, it was observed, trade, business had remained unexplored and untapped for persons belonging to Scheduled Castes/Scheduled Tribes due to reasons beyond their control. In the 1977-78 Report, it was mentioned that Small scale Industries Development Organisation could be of considerable help in promoting the economic welfare of Scheduled Castes/Scheduled Tribes if their schemes were suitably modified in favour of Scheduled Castes/Scheduled Tribes and conscious attempts were made to assist the entrepreneurs belonging to these categories."

4.11. The Committee enquired the steps Government are taking to achieve better coordination among Government Departments, Banking Institutions and Voluntary Organisations in this regard. The Ministry of Home Affairs in a note furnished to the Committee had stated that the Ministry of Home Affairs fully share the view that the Directorate of Social Welfare must be involved in the development, and particularly the economic development of the Scheduled Castes. Thus the Director of Social Welfare of Director in charge of the welfare of Scheduled Castes is on the Board of Directors of the State's Scheduled Castes Development Corporation and is expected to be closely associated with the programmes of economic development. In the guidelines issued by the Government of India the importance of this has been fully recognised. The relevant portion of these guidelines sets out:

"In view of the need for liaison with various Departments and institutions, the Managing Director has to be an officer of appropriate seniority. But even more important is the selection of an individual suitable and competent in terms of the social and promotional nature of the job. It will help if he has a suitable Secretariat status and in that capacity deal with matters relating to the Corporation at the State Government level. In some States, the Director in charge of Scheduled Castes is the Managing Director of the Corporation and also has an ex-officio position in the State Secretariat."

4.12. The State Governments have formulated Special Component plans for the Scheduled Castes; in this, each sector and each Department is required to identify the schemes relevant to the Scheduled Castes, earmark the outlays and quantify the flows of benefits. Thus, for setting up of small scale units, Department of Industries and the SSIDC etc. would in their Special Component Plan, put in suitable schemes for Scheduled Caste entrepreneurs. On the basis of their respective Special Component Plans, the Department of Industries, SSIDC etc. would be in a better position to guide the Scheduled Castes entrepreneurs than a Special Cell in the Directorate of Special Welfare. While there would always be scope for improving the Special Component Plan in each sector, it may not be necessary to set up a separate cell within the Directorate of Social Welfare for this purpose.

4.13. The existing machinery of State level and District level Consultative Committee is envisaged to enable better coordination. The Working Group on Development of Scheduled Castes for Sixth Plan 1980—85 which was set up by Planning Commission, has, however, recommended that these committees should be made more effective. The Banking Division is presently considering a proposal for setting up "Grievance Committees" at District level which will look into all difficulties in smooth flow of institutional credit and make suitable recommendations to concerned financial institutions. It is expected that establishment of these committees would go a long way in removing any constraints in implementation of the credit plans.

4.14. Asked whether there is any coordinating agency at Central and State levels to see that there is no shortage of raw materials, funds and other infrastructural facilities for Scheduled Castes and Scheduled Tribes engaged in small scale industries in the rural areas, the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) has stated during evidence:

"At the State level, we have coordination committees where banks are required to be present with the State officers. They discuss and sort out their problems. We are doing the review with each bank. This exercise had not been done for the last two or three years. But our Secretary has started this review. The Planning Commission discusses with the State twice a year and review the performance. Apart from that various Ministries also review the performance in consultation with State Governments at the national level."

4.15. Referring to the fact that crores of rupees are being spent in big industries and the banks are providing huge funds for large industrial concerns, the Committee enquired whether the benefits of such huge investment have percolated to the poor Scheduled Castes and Scheduled Tribes. In that context the Committee wanted to know whether it is possible for the banks to earmark 20 to 25 per cent of their financial resources for Scheduled Castes and Scheduled Tribes. If that is done, many new entrepreneurs will set up small industries. The representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) has stated during evidence:

"Wherever resources are divisible this relates to State plan resources. They have to be earmarked only for Scheduled Castes and Scheduled Tribes. Under Integrated Rural Development Project there is only a subsidy i.e. one third or 33 per cent of the total amount required. The finance comes from the bank finances and we will give finances to all the beneficiaries. So we expect that 33 per cent of the Scheduled Castes and Scheduled Tribes people will get bank finance and get subsidy under the scheme of the Integrated Rural Development Programme. The Committee has to consider the question whether earmarking of funds is more important or identification of beneficiaries is more important. We have no problem in providing financial assistance if beneficiaries are identified and there if a scheme for this."

4.16. Asked what are the industries that Government have surveyed for the Scheduled Castes and Scheduled Tribes in the rural areas for the purpose of advancing loan and whether Government propose to make a large provision for the purpose, the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) has stated during the course of his evidence:

"The Ministry of Rural Reconstruction has been made responsible for rural industries and the welfare of artisans and other small people. In the tiny sector, the idea is to find out what resources can be tapped, what infrastructure is available and how it is to be developed, what kind of facilities can be generated and what kind of activities can be undertaken. In some areas, fishery is important; in other areas horticulture is important. So

various kinds of activities are being identified; and depending upon the people available in that area who can take up these activities, an integrated approach is being thought of. In the past, some detailed study had been made and we found that proper linkages had to be established. We have to find out whether the raw material is available or the skill is available or the skill needs to be developed; we have also to find out where the market is for the product and so on. All these infrastructural facilities have to be tied up so that whatever activities are generated become fruitful. For this purpose, a lot of exercise is required."

4.17. The Committee desired to know whether any attempt has been made by the Banks or the Government for diversification of vocations for Scheduled Castes and Scheduled Tribes and whether they have been encouraged and financed to set up industries/business other than leather business and basket making etc. which are exclusively reserved for them. The representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) during the course of his evidence has stated that the State Bank of India, the Central Bank and 10 other Banks have drawn up a scheme for financing bullock-carts. They are financing Cigar makers, cycle rikshaw pullers, handloom weavers etc. The Indian Overseas Bank and the Punjab National Bank have drawn up a scheme for financing some category of people. There is a list of this type of schemes which have been worked out by the banks and which are suited to the local areas according to their requirements.

4.18 The Committee note that upto June, 1980, total priority sector advances of the public sector banks (SBI Group and 20 nationalised banks) amounted to Rs. 6,852 crores. Out of this, the money advanced to Scheduled Castes and Scheduled Tribes amounted to Rs. 278 crores only i.e. 4.1 per cent of the total amount advanced under this sector. The Committee feel that this is the most disappointing position. As pointed out earlier, according to an estimate of the year 1977-78, of the 290 million people living below poverty line, 160 million were below 75 per cent of the poverty line and the bulk of them constituted the Scheduled Castes and Scheduled Tribes. The Committee would, therefore, like that an immediate review of the results of the present policies should be made, so that deficiencies in them could be identified and a wholesome strategy is evolved with a view to allocate/make available a

sizeable portion of national wealth for the weakest of the weaker sections of the society to bring them at par with the rest of the people, in a targeted period.

4.19. Till the overall review as suggested above by the Committee is made, the Committee recommended that the Government should reserve 10 per cent of the total credit available under the priority sector for lending to Scheduled Castes and Scheduled Tribes so that more persons belonging to these communities could take advantage of the priority sector lending scheme.

4.20. The Committee would also like the Government to do away with the margin money in the case of Scheduled Caste and Scheduled Tribe borrowers particularly where assets created out of the procured loan are hypothecated to the banks.

4.21. The Committee endorse the recommendation made by the Commissioner for Scheduled Castes and Scheduled Tribes in his 26th report that all State Governments/Union Territory Administrations should consider the desirability of constituting special cells in the respective Directorate of Social/Harijan Welfare for giving guidance to Scheduled Caste and Scheduled Tribe entrepreneurs for setting up small scale industrial units.

4.22. The Committee are happy to note that Banking Division is presently considering the proposal for setting up Grievance Cells at District levels which will look into all difficulties in smooth flow of institutional credit and make suitable recommendations to concerned financial institutions. The Committee would like the Government to give shape to this proposal and would also suggest that Director of Social/Harijan Welfare at State level and District Welfare Officer at District level should be associated with such Grievance Cells.

4.23. The Committee are unable to agree with the view point of the Ministry of Finance's representative that if the suggestion that 'interest at 4 per cent may be charged on the amount permissible under DRI scheme and at higher rate of interest on amount in excess thereof' would work to the detriment of poorer sections and therefore would not be in accordance with the spirit of the scheme. They feel that this suggestion should be gone into deeply with a view to make more funds available to Scheduled Caste and Scheduled Tribe borrowers for taking up productive and economically viable ventures.

B. Consumption Loans

4.24. The Working Group on Priority Sector lending under the 20 Point economic programme in its report has stated that one of the important criteria for advances being classified as priority sector hitherto has been that such advances should be for productive purposes. Although on this basis it would not be possible to classify as priority sector housing finance for members of the weaker sections who have been allotted house sites, the Group feels that such advances to the weaker sections of the society would need a special treatment. The Group has also recommended that direct loans to Scheduled Castes and Scheduled Tribes and the economically weaker sections, i.e. the low income group where individual loan amounts do not exceed Rs. 5000/- for house construction finance should be treated as a separate category under the 'Priority Sector' advances.

4.25. The Group also feels that the pure consumption loans given by banks to the agriculturists etc., which in any case would not exceed Rs. 500/- per family per year for different purposes should also be treated as direct advances to the 'Priority Sector'.

4.26. The Committee enquired the decision taken by Government in the matter. The representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) during the course of his evidence has stated. 'This is already being done.'

4.27. In reply to a further question, the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) has explained the "consumption" loan as under:—

"People require some money during the agricultural season for various personal activities, otherwise they have to go to the money lenders, and once they get into the clutches of the moneylenders, it becomes difficult for them to get themselves extricated. Banks will give them money which they will repay. This is usually given alongwith production loans, because, during the period the crop is raised, he might need some money for his own use."

4.28. When the Committee pointed out that Scheduled Castes and Scheduled Tribes have very negligible landholdings and major portion of the money goes to the farmers who do not belong to

these communities, the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) has observed:—

“It is possible that a large amount may go to the farmers. But even those who are artisans or who are doing dairy work or poultry or landless labourers are also entitled to this facility.”

4.29. When the Committee pointed out that in the rural areas majority of the Scheduled Castes and Scheduled Tribes are marginal farmers or landless labourers and during non-crop and non-season days they are unemployed and have to borrow in cash or in kind from the village traders at a very high rate of interest and enquired Government's proposals for introducing employment oriented schemes and to provide them consumption credit during non-season period, the Ministry of Finance, Department of Economic Affairs (Banking Division) in a written note furnished to the Committee has stated that there is already a scheme in operation for granting consumption credit upto Rs. 500/- to small and marginal farmers and landless labourers at concessional rate of interest. This is applicable to Scheduled Castes/Scheduled Tribes also. Banks provide credit facilities to small and marginal farmers and landless labourers for allied activities like dairying, sheep, rearing, etc., to supplement their income.

4.30. Asked whether Government have accepted the recommendation made by the working group on Tribal Development during medium term plan 1978—83 that the Reserve Bank of India should provide refinance facility for consumption credit advanced to the tribals by the Central Financing Agencies, the representative of the Ministry of Home Affairs has stated during evidence that the matter is under consideration.

4.31. In reply to a specific question whether the recommendation made by the Working Group has been accepted, the representative of the Ministry of Home Affairs has stated during evidence:

“This was actually the recommendation of the Working Group which was appointed by the Ministry of Home Affairs. These recommendations have been sent to various Ministries. This was for a mid-term plan. Since then we have gone in for the Sixth Plan. A new Working Group appointed for the purpose has given us a report and that report is now under consideration.”

He has further explained:

"Consumption loan is now being given by LAMPS. These are Multi-purpose Cooperative Societies operating in the tribal areas. Their functions are three-fold; firstly, their function is to procure from the tribals the forest produce; their second function is to sell to the tribals the consumer items at the controlled price or at reasonable prices so that they are not treated badly by the village banias, the third function of extending the consumption credit has been taken over by the LAMPS. A part of the functions is carried out by the State Cooperative Banks through the District Central Cooperative Banks.

4.32. When the Committee pointed out that Reserve Bank of India is not providing funds to the State Cooperative Banks for consumption loan and in the absence of that facility the Banks do not give consumption loan to the tribals, the representative of the Ministry of Home Affairs during the course of his evidence has stated:

"We are in touch with the Reserve Bank of India and also the Ministry of Finance."

4.33. The Committee are surprised to know that recommendation of the Working Group on Tribal Development made in its Report of July 1978 that the Reserve Bank of India may refinance consumption credit advances to the Tribals by the Central Financing Agencies was still under the consideration of Government. The Committee expect that schemes relating to the upliftment of economically weaker sections of society are given priority and decisions on them are not delayed so long. They hope that early decision will be taken in the matter... ..

4.34. The Committee note that the consumption loan has now been given a place under the priority sector lending. The Committee desire that Government should immediately issue necessary instructions that the 'consumption loan' should be considered as an essential component of the credit so that there is no reluctance on the part of public sector banks and other financial institutions for financing consumption credit given to the Scheduled Caste and Scheduled Tribe borrowers.

C. Housing Loans

4.35. It has been stated that Banks have been permitted to advance housing loans directly for the benefit of Scheduled Castes/Scheduled

Tribes and economically weaker sections. Whereas the normal rate of interest on such loans is 12 per cent, the rate of interest on direct loans to Scheduled Caste/Scheduled Tribes is only 4 per cent provided the Housing Loan given to an individual does not exceed Rs. 2500/-. As at the end of December, 1979, the amount outstanding on account of direct loans advanced to individuals/groups of borrowers belonging to economically weaker sections and Scheduled Castes/Scheduled Tribes was 17.74 crores.

4.36. Asked what percentage does the amount of Rs. 17.74 crores advanced for construction of houses to individuals/groups of borrowers belonging to economically weaker sections and Scheduled Castes/Scheduled Tribes constitute to the total housing loan advanced at normal rate of interest of 12 per cent to persons other than these people, the Ministry of Finance, Department of Economic Affairs (Banking Division) in a note furnished to the Committee has stated that the revised figures of amount outstanding as at the end of 1979 in respect of Direct Housing loans advanced by banks are as given below:

	(Amounts in lakhs of Rupees)		
	Amount outstanding as at the end of 1979		
	Public sector banks	Private sector banks	Total
(i) Individuals/Groups of Borrowers belonging to economically weaker sections/SC/ST	1884.91	22.22	1907.13
(ii) Individuals/Groups of borrowers (other than economically weaker sections/SC/ST).	436.60	60.81	497.41
TOTAL	2321.51	83.03	2404.54

4.37. The amount of Rs. 19.07 crores is outstanding both against (a) SC/ST borrowers (at 4 per cent rate of interest) and (b) other weaker sections (at 12 per cent interest) and the break up of this amount between these two categories is not available. However, loans amounting to Rs. 4.97 crores which were due from individual/groups of borrowers other than those belonging to economically weaker sections/Scheduled Castes/Scheduled Tribes are charged interest at 12 per cent per annum.

4.38. In reply to a question it has further been stated that all banks have been advised to finance house construction activities. This finance includes direct finance to individuals and groups of

borrowers belonging to economically weaker sections including Scheduled Castes/Scheduled Tribes and other less well to do sections of society. Separate bank-wise figures for five years are however not available.

4.39. Asked when the maximum limit of Rs. 2500/- at 4 per cent rate of interest was fixed by the Banks and whether Government propose to increase this limit taking into consideration the rising cost of house construction, the Ministry of Finance, Department of Economic Affairs (Banking Division) in a note submitted to the Committee has stated that in the guidelines on housing finance issued to banks by the Reserve Bank in May 1979 it has been specified that rate of interest on direct loans to Scheduled Castes and Scheduled Tribes will be 4 per cent per annum provided the loan to individual does not exceed Rs. 2500/-. Dr. Krishnaswamy Working Group which was appointed by the Reserve Bank of India to examine the role of banking system in providing finance for housing schemes has *inter-alia* recommended that direct finance upto Rs. 5000/- for construction of houses granted to Scheduled Castes/Scheduled Tribes and the weaker sections of the society irrespective of Deposit Insurance and Credit Guarantee Corporation coverage, as also indirect finance given to any governmental agency for the purpose of constructing houses exclusively for the benefit of Scheduled Castes/Scheduled Tribes and low income groups and where loan component does not exceed Rs. 5000/- per unit should be treated as priority sector advances. This recommendation has been accepted and instructions have been issued to banks accordingly.

4.40. The Committee note that at the end of December 1979, the amount outstanding in respect of Direct Housing loans advances by banks (public and private sectors) to individual/groups of borrowers belonging to economically weaker sections/Scheduled Castes/Scheduled Tribes was Rs. 19.07 crores. The Committee regret that separate figures of the loans advanced to Scheduled Castes and Scheduled Tribes are not available. They recommend that separate figures of loans advanced to Scheduled Castes and Scheduled Tribes should be maintained.

4.41. The Committee also note that in the light of the recommendations of Dr. Krishnaswamy Working Group it has been decided (i) to raise the maximum limit of Rs. 2500/- for an advance for housing to Scheduled Castes/Scheduled Tribes and other weaker sections of the society to Rs. 5000/- and (ii) to treat indirect finance

given to any governmental agency for the purpose of constructing houses exclusively for the benefit of Scheduled Castes/Scheduled Tribes and low income groups and where loan component does not exceed Rs. 5000/- per unit, as priority sector advances. .

4.42. The Committee need hardly point out that bulk. of the Scheduled Caste and Scheduled Tribe communities live in rural areas, which are without adequate civic amenities, and living condition of a large part of the people is appalling. The Committee feel if the objective of improving the quality of life of these communities is to be achieved a substantial amount will have to be earmarked every year for advancing housing loans to the Scheduled Castes and Scheduled Tribes. These loans should be made available to these communities through various financial institutions at a nominal rate of interest. The Committee desire that the maximum limit of a housing loan for Scheduled Castes/Scheduled Tribes should also be raised to Rs. 7,500/- with a provision of 25 per cent subsidy. The Committee would also like that a systematic evaluation of the housing need of the Scheduled Castes and Scheduled Tribes should be undertaken immediately and schemes in the light of that evaluation should be evolved for financing from all sources so that a maximum number of Scheduled Castes and Scheduled Tribes could have a neat and clean dwelling place of their own in the minimum possible period. . . .

D. Review of Performance/Data Collecting

4.43. The Committee have been informed that Banks submit to Reserve Bank of India a quarterly statement of advances outstanding under the priority sector. Monitoring of the progress made in lending to the priority sectors is made on the basis of these quarterly statements. Progress achieved by Banks in reaching the targets fixed is also reviewed by the Reserve Bank of India during periodical inspections carried out by it under Section 35 of the Banking Regulation Act, 1949.

4.44. The progress made by the banks is mentioned on quarterly basis by the Reserve Bank of India as also by the Department of Economic Affairs (Banking Division) Ministry of Finance. The banks whose progress is found below the targetted level are advised to take remedial measures for improving their lending.

4.45. Asked when the performance of the banks was last reviewed and with what results; when the next review is likely to take place and at what intervals the review is made, the Ministry of

Finance, Department of Economic Affairs (Banking Division) in a note furnished to the Committee has stated that data on advances to priority sectors are collected by the Reserve Bank of India and the Government on a quarterly basis. Because of the spread of the branch network and the magnitude of the data compilation work, these are usually available with considerable time lag. Efforts are being made to cut down the delays by making controlling officers of the banks responsible for district-wise consolidation of data in respect of their branches and the Regional Offices of the Reserve Bank of India for consolidation of data from all banks.

4.46. The quarterly returns are analysed by the respective banks and memoranda thereon are placed by them before their respective boards of Directors. The periodicity of the reviews varies from bank to bank depending on the size of their branch network, the internal degree of mechanical processing system of apprising the Boards, etc. In some banks data for end—June 1980 have been reviewed while in others reviews relate to end—March 1980 or December, 1979.

4.47. Unless required for some special reason, an overall review of the banks' performance regarding priority sector lending is generally undertaken every half year. The latest review undertaken by the Government on the basis of the provisional returns from the banks relates to the position obtaining as at the end of June 1980, and has only recently been completed. The review has revealed that, as a group, the public sector banks had lent 34.5 per cent of their aggregate credit to the priority sectors. There were, however, 12 banks which had yet to reach the level of 33.3 per cent. Attention of these banks have been drawn to the need for more concerted action to step up the flow of credit to priority sectors in view of the revised target of 40 per cent which they have to achieve by March 1985. The share of Scheduled Caste/Schedule Tribe in the priority sector advances of the banks is also taken note of. As at the end of June 1980, the borrowers belonging to Schedule Caste/Scheduled Tribe accounted for advances of Rs. 278 crores or 4.1 per cent of the banks' aggregate priority sector advances involving 17.3 lakhs or 14.9 per cent of the borrowal accounts in their sectors. The banks have been asked to endeavour to set up their coverage of these communities.

4.48. When asked to state the reasons for not reaching the level of lending of 33.3 per cent of their aggregate credit by these banks and the action taken by Government or Reserve Bank of India in

this regard, the Ministry of Finance, Department of Economic Affairs (Banking Division) in a written note furnished to the Committee has informed that of the banks which had not attained the level of priority sector advances accounting for 33.3 per cent of their aggregate credit by June 1980, three viz. State Bank of Indore (33.04), Central Bank of India (33.09), Indian Bank (33.2 per cent) were in only marginal default. Another five banks viz. Indian Overseas Bank (32.65 per cent), Punjab and Sind Bank (31.86 per cent), New Bank of India (30.53 per cent), Vijaya Bank (31.19 per cent) and Corporation Bank (30.23 per cent) were close to the targetted levels. Three banks viz. United Bank of India (27.46 per cent) Allahabad Bank (27.90 per cent) and Oriental Bank of Commerce (26.85 per cent) were still considerably below the targetted levels.

4.49. In the case of Allahabad Bank and United Bank of India, the level of priority sector lending had been far below that of the other nationalised banks right from the time of bank nationalisation—around 6 per cent compared to the average of 14.6 per cent for the public sector banks. In terms of incremental efforts, therefore, even these banks have put in equal amount of effort. Oriental Bank of Commerce came into the fold of the public sector only on April 15, 1980.

4.50. The Chief Executives of all the public sector banks which have yet to achieve the targetted proportions of priority sector lending were addressed to ensure increased incremental effort towards raising the share of priority sector advances in their aggregate credit so as to reach the level of 40 per cent by March 1985. They have confirmed that measures are being taken to progressively reach this goal by the scheduled date.

4.51. The Statesman, New Delhi, under the caption "Banks a Big help, but mostly to the Big Fish" reported on 18th September, 1980:

"A symposium on the role of district industries centres was held today under the auspices of the State Bank of India in collaboration with the Small Industries Services Institute, Directorate of Industries and District Industries Centres.

The symposium was organised to find out the effectiveness of the commercial banks and financial institutions in rendering financial assistance to small and tiny units and new entrepreneurs in the range of DIC.

The Speakers were unanimous that banks and other financial institutions were doing commendable service for providing finance to the small-scale sector. Yet ironically enough the major part of these benefits had reached the organized sector units mostly located in urban areas. Tiny sector comprising entrepreneurs in rural areas, traditional artisans and technically qualified small entrepreneurs who wanted to set up new ventures, had not been given the due attention by the institutions responsible for providing essential inputs, including finance."

4.52. The Committee drew attention of the Ministry to the above report and asked what steps Government are taking to ensure that the weaker section gets its due share of loans under the various Government lending schemes, the Ministry of Finance, Department of Economic Affairs (Banking Division) in a note furnished to the Committee has stated:

"The earlier data reporting system did not provide for collection of separate data in respect of advances to tiny sector. It is only recently that the banks have been advised to furnish separate data in respect of this category."

4.53. Separate data is being collected for advances to Scheduled Caste/Scheduled Tribe under various sectors, viz., agriculture, SSI (comprising artisans, village and cottage industries, other small scale industrial units in tiny sectors, craftsmen and other qualified entrepreneurs). Further, data relating to DRI advances to Scheduled Caste/Scheduled Tribe is also being collected. The data collection system is being revised by R. B. I.

4.54. The Committee are distressed to note that there is a considerable time-lag in the submission and consolidation of data in regard to the various lending schemes implemented by the banks and the periodicity of review is also not uniform and timely. The Committee desire that timely submission of progress reports by the banks should be insisted as delay in the supply of returns will defeat the purpose for which they are called for.

4.55. The Committee are dismayed to note that the lending schemes are being implemented by the public sector banks and reviewed by the Reserve Bank of India is a grand cfty. As many as 12 nationalised banks have not yet attained the level of priority

sector advances of 33.3 per cent of their aggregate credit till June 1980 and performance of three banks was much below the targeted level. The Committee, would, therefore, like the Reserve Bank of India to have a special review of the various lending schemes launched by the 12 nationalised banks under the priority sector lending with a view to ascertaining the problems encountered by these banks in the implementation of those schemes and suggest remedial measures where necessary.

4.56. The Committee are of the opinion that monitoring and evaluation of the schemes for Scheduled Castes and Scheduled Tribes being financed by the Public Sector Banks should be undertaken on a continuous and regular basis so that inadequacy in the implementation of these schemes are identified and rectified in time, and the impact of the schemes on the well-being of the beneficiaries could be assessed.

4.57. The Committee also recommend that the result of the review should be published in the Annual Reports of the Banks/Reserve Bank of India /Ministry together with the amount of assistance that has gone to Scheduled Castes and Scheduled Tribes in each trade/activity so that the information may disseminate to all branches of the banks and Government and Parliament are informed about the flow of credit to various sections of the society, particularly to the Scheduled Castes and Scheduled Tribes.

NEW DELHI;
April 23, 1981
Vaisakha 3, 1903 (Saka)

R. R. BHOLE,
Chairman,
Committee on the Welfare of Scheduled
Castes and Scheduled Tribes.

APPENDIX I

(Vide para 1.17 of Chapter I)

Statement showing the State-wise information of R.R.BS (as on 30-9-1980)

Sl. No.	Name of State and PRB	Districts covered
1	2	3
1.	<i>Andhra Pradesh</i> (4)	(B)
	(i) Nagarjuna Gramscna Bank, Khammam	Khammam & Nalgonda
	(ii) Rayalaseema Gramscna Bank, Cuddapah	Cuddapah, Kurnool
	(iii) Sri Visakha Gramscna Bank, Srikakulam	Visakhapatnam Srikakulam and Vizianagram
	(iv) Sree Anantha Gramscna Bank, Anantapur	Anantapur
2.	<i>Assam</i> (2)	(5)
	(i) Pragjyotish Gaonlia Bank, Nalbari	Goulpara, Kamrup and
	(ii) Lakhimi Gaonlia Bank, Golanghat	Darrung Sibsagar and Nowgong
3.	<i>Bihar</i> (14)	(22)
	(i) Bhojpur Rohtas Gramin Bank, Arrah	Bhojpur & Rohtas East & West
	(ii) Champuran Kshetriya Gr. Bank, Motihari	Champuran.
	(iii) Mogadh Gramin Bank, Gaya	Gaya, Nawda and Aurungabad
	(iv) Kosi Kshetriya Gr. Bank, Purnea	Purnea, Saharsa & Katihar
	(v) Vaishali Kshetriya Gr. Bank, Muzuffarpur	Muzuffarpur Vaishali, Sitamarh
	(vi) Monghyr Kshetriya Gr. Bank, Monghyr	Monghyr
	(vii) Santhal Parganas Gr. Bank, Dumka	Santhal Paraganas
	(viii) Modhubani Kshetriya Gr. Bank, Madhubani	Madhubani
	(ix) Nalanda Gr. Bank, Biharshtriff	Nalanda
	(x) Singhbhum Kshetriya Gramin Bank, Chibasa	Singhbhum
	(xi) Mithila Kshetriya Gr. Bank, Durbhanga	Durbhanga
	(xii) Samastipur Kshetriya Gr. Bank, Samastipur	Samastipur
	(xiii) Palamau Kshetriya Gr. Bank, Diltonganj	Palamau
	(xiv) Ranchi Kshetriya Gr. Bank, Ranchi	Ranchi
4.	<i>Gujarat</i> (2)	(2)
	(i) Jamnagar Gr. Bank, Jamanagar	Jamnagar
	(ii) Kutch Gr. Bank, Bhuj	Kutch

1	2	3
5. <i>Haryana</i> (2)		(4)
(i) Haryana Kshetriya Gr. Bank, Bank, Bhiwani	Bhiwani	
(ii) Gurgaon Gr. Bank, Gurgaon	Gurgaon, Faridbad and Mahendergarh	
6. <i>Himachal Pradesh</i> (1)		(3)
(i) Himachal Gr. Bank, Mandi	Mandi, Kangra and Kulu	
7. <i>Jammu and Kashmir</i> (2)		(8)
(i) Jammu Rural Bank, Jammu	Jammu Kathuwa Rajouri & Poonch	
(ii) Ellaquai Dehati Bank, Srinagar	Srinagar, Anantnag, Badgam and Pulwama	
8. <i>Karnataka</i> (4)		(7)
(i) Tungbhadra Gr. Bank, Bellary	Ballary and Raichur	
(ii) Malaprabha Gr. Bank, Dharwar	Dharwar and Belgaum	
(iii) Cauvery Gramcen Bank, Mysore	Mysore and Hassan	
(iv) Kriuhna Gramcen Bank, Gulbarga	Gulbarga	
9. <i>Kerala</i> (2)		(3)
(i) South Malabar Gr. Bank, Malappuram	Malappuram, Kozhikode (except the Taluka of North Wynad)	
(ii) North Malabar Gr. Bank, Gunnanore	Cannanore and Taluk of North Wynad in the dist. of Kozhikode	
10. <i>Madhya Pradesh</i> (9)		(15)
(i) Kshetriya Gramcen Bank, Hoshangabad	Hoshangabad and Raisen	
(ii) Bilaspur Raipur Kshetriya Gr. Bank Bilaspur	Bilaspur and Raipur	
(iii) Rewa Sidhi Gr. Bank, Rewa	Rewa and Sidhi	
(iv) Bundelkhand Kshetriya Gr. Bank, Tikamgarh	Chhatarpur and Tikamgarh	
(v) Sharda Gr. Bank, Satna	Satna	
(vi) Surguja Kshetriya Gr. Bank, Ambikapur	Surguja	
(vii) Bastar Kshetriya Gr. Bank, Jagdalpur	Bastar	
(viii) Durg-Rajnandgaon Gr. Bank, Rajnandgaon	Durg and Rajnandgaon	
(ix) Jhabua-Dhar Kshetriya Gr. Bank, Jhabua	Jhabua and Dhar	
11. <i>Maharashtra</i> (1)		(4)
(i) Marathwada Gr. Bank, Nanded	Nanded, Parbhani and Osmanabad.	Bhir

1	2	3
12. <i>Orissa</i> (7)		(9)
(i) Puri Gramya Bank, Pipli	Puri	
(ii) Bolangir Anchalik Gramya Bank, Bolangir	Bolangir and Sambalpur	
(iii) Cuttack Gramya Bank, Cuttack	Cuttack	
(iv) Koraput Panchabati Gramya Bank, Jeypore	Koraput	
(v) Kalahandi Ancha-lika Gramya Bank, Golaghat	Kalahandi	
(vi) Baitarani Gramya Bank, Baripada;	Mayurbhang and Keonjhar	
(vii) Balasore Gramya Bank, Balasore	Balasore	
13. <i>Rajasthan</i> (4)		(8)
(i) Jaipur Nagaur Aanchalik Gr. Bank, Jaipur	Jaipur and Nagaur	
(ii) Marwar Gramin Bank, Pali	Pali, Sirohi and Jalore	
(iii) Shekhawati Gr. Bank, Sikar	Sikar and Jhunjhunu	
(iv) Marudhar Kshetriya Gr. Bank, Churu	Churu	
14. <i>Tamil Nadu</i> (1)		(2)
(i) Pandyan Grama Bank, Sattur	Ramanathapuram & Tirunelveli.	
15. <i>Tripura</i> (1)		(3)
(i) Tripura Gr. Bank, Agartala	Tripura North Tripura South and Tripura West	
16. <i>Uttar Pradesh</i> (22)		(25)
(i) Prathama Bank, Moradabad	Moradabad	
(ii) Gorakhpur Kshetriya Gr. Bank, Gorakhpur	Gorakhpur & Deoria	
(iii) Samyut Kshetriya Gr. Bank, Azamgarh	Azamgarh & Ghazipur	
(iv) Barabanki Gr. Bank, Barabanki	Barabanki	
(v) Rae Bareilly Kshetriya Gr. Bank, Rae Bareilly	Rae Bareilly	
(vi) Farrukhabad Gr. Bank, Farrukhabad	Farrukhabad	
(vii) Bhagirath Gr. Bank, Sitapur	Sitapur	
(viii) Ballia Kshetriya Gr. Bank, Ballia	Ballia	
(ix) Sultanpur Kshetriya Gr. Bank, Sultanpur	Sultanpur	
(x) Hardoi—Unnao Gr. Bank, Hardoi	Hardoi & Unnao	
(xi) Kanpur Kshetriya Gr. Bank, Kanpur	Kanpur	
(xii) Sravasthi Gr. Bank, Bahraich	Bahraich	

1	2	3
(xiii) Etawah Kshetriya Gr. Bank, Etawah		Etawah
(xiv) Kisan Gr. Bank, Budaun		Budaun
(xv) Basti Gr. Bank, Basti		Basti
(xvi) Kshetriya Kisan Gr. Bank, Mainpuri		Mainpuri
(xvii) Kashi Gr. Bank, Varanasi		Varanasi
(xviii) Allahabad Kshetriya Gr. Bank, Allahabad		Allahabad
(xix) Pratapgarh Kshetriya Gr. Bank, Pratapgarh		Pratapgarh
(xx) Faizabad Kshetriya Gr. Bank, Faizabad		Faizabad
(xxi) Fatehpur Kshetriya Gr. Bank, Fatehpur		Fatehpur
(xxii) Bareilly Kshetriya Gramin Bank, Bareilly		Bareilly
17. West Bengal (6)		(19)
(i) Gaur Gr. Bank, Malda		Malda, West Dinajpur & Murshidabad
(ii) Mallabhum Gr. Bank, Bankura		Bankura, Purulia & Midnapore
(iii) Mayurakshi Gr. Bank, Suri		Birbhum and Hooghly
(iv) Uttar Banga Kshetriya Gr. Bank, Cooch Behar		Cooch Behar, Jalpaiguri and Darjeeling
(v) Nadia Gr. Bank, Krishnagar		Nadia
(vi) Sagar Gr. Bank, Amtala		24 Parganas
84	RRBs established so far in 17 States covered 141 districts.	

N. B.—Figures in brackets under columns No. 2 and 3 indicates the number of RRBs and number of districts covered respectively.

APPENDIX II

(Vide para 3.6 of the Report)

REVISED GUIDELINES ON DIFFERENTIAL RATE OF INTEREST SCHEME AS AMENDED UPTO 19-2-1960

1. *Scope and Coverage*

1.1. The Scheme will be operative in the entire country.

1.2. *Target*: Banks should lend under the scheme minimum of 15% of their aggregate advances as at the end of previous year.

1.3. In order to ensure that the weaker sections in the rural areas derive maximum benefit under the scheme and bulk of the advances are not pre-empted by urban/metropolitan areas, the banks operating the scheme will ensure that *not less than 2/3rd* of their advances under this scheme are routed through their rural and semi-urban branches. Correspondingly *not more than 1/3rd* of their credit under the scheme may go from their urban and metropolitan branches.

1.4. To ensure that person belonging to Scheduled Castes and Scheduled Tribes get their due share of benefits under the scheme, *not less than 2/5th (40 per cent)* of the bank credit under the scheme should flow to the eligible borrowers belonging to Scheduled Castes and Scheduled Tribes.

2. *Operational Agencies*

2.1. *Public Sector Banks*: The scheme of Differential Rate of Interest will be operated by all the public sector banks.

2.2. *Non-nationalised Banks*: Non-nationalised banks having lend responsibilities will operate the scheme at least in their lend districts. Other non-nationalised banks may also implement the scheme on a voluntary basis.

2.3. *Regional Rural Banks*: Under the Scheme of Regional Rural Banks, credit is to be made available to the borrowers at the same rates as the cooperatives. These banks are, therefore, not permitted

to advance credit at concessional rates of interest. To ensure that the persons served by those banks can also avail themselves of the benefits of the Scheme, the sponsoring banks may lend through Regional Rural Banks on an agency or refinance basis. Thus, eligible borrowers will be able to obtain loans at the rate of 4 per cent per annum in the areas served by the Regional Rural Banks. *Modalities for the agency/refinance basin of lending will be worked out by the R.B.I.*

3. Eligibility Criteria: The categories of persons enumerated in para 4 will be eligible to the benefits of the scheme even if they have no tangible security of any worth to offer or cannot produce security/guarantee of a well to do party, provided they satisfy the criteria laid down below:—

3.1. Family income of the borrower from all sources does not exceed Rs. 3,000/- per annum in urban and semi-urban areas or Rs. 2,000/- per annum in rural areas.

3.2. He does not own any land or the size of his holding does not exceed one acre in the case of irrigated land and 2.5 acres in the case of un-irrigated land.

3.3. Members of Scheduled Castes and Scheduled Tribes are eligible for the loan irrespective of their land holdings, provided they satisfy the other criteria.

3.4. He can be helped to rise above his present economic level through a productive endeavour with assistance from banks, the productive endeavour being such as would become economically viable within a period of, say, 3 years.

3.5. He does not incur liability to two sources of finance at the same time.

3.6. He works largely on his own and with such help as other members of his family or some joint partners may give to him and does not employ paid employees on a regular basis.

Explanatory Note:

It is not intended that a borrower should be required to produce documentary evidence to establish his eligibility under the scheme. It is expected that the officials of the bank at the branch level would be conversant with the economic and other circumstances of the

borrower. They may make such local enquiries as may be required in each case before sanctioning the loan, bearing in mind the conditions mentioned in this paragraph.

4. Categories of Eligible Persons: Persons who satisfy the income and land holding criteria and broadly fall in the categories indicated below will be eligible to the benefits of the scheme. (The list is only illustrated and not exhaustive).

4.1. Scheduled Tribes, Scheduled Castes and others engaged on a very modest scale, in agriculture and/or allied agricultural activities.

4.2. People who themselves collect, or do elementary processing of forest products and people who themselves collect fodder in difficult areas and sell them to farmers and traders.

4.3. People physically engaged on a modest scale in the fields of cottage and rural industries and vocations. Illustrative examples are, cutting cloth and sewing garments, making reasonably cheap eatables, home delivery service of articles and commodities of daily use, running way-side tea stalls, playing of self-owned manual rickshaws and cycle-rickshaws, repairing of shoes/sandles mainly by weaker sections/Scheduled Castes/Scheduled Tribes are charged in hand, basket-making by hand, etc.

4.4. Indigent students of merit going in for higher education who do not get scholarships/maintenance grants from governmental or educational authorities.

4.5. Physically handicapped persons pursuing a gainful occupation.

Terms and Conditions of Loan: The terms and conditions of loan under the scheme will be as follows:—

5.1. Amount of loan will depend on the particular scheme proposed to be financed and should be adequate to enable the borrower to finance his requirements without having to borrow funds from another source. It is expected that normally, the maximum amount under the scheme may not exceed Rs. 1,500 for a working capital loan and Rs. 5,000 for a term loan. In exceptional cases particularly for institutions and in the case of indigent students of merit, higher amounts may be considered. Where a composite loan is

sanctioned by commercial banks to a small scale industrialist, village artisan, etc. in the decentralised sector, if the borrower satisfies the eligibility criteria under this Scheme, he may be granted loans totalling Rs. 6,500 without making any distinction between working capital and term loans.

5.2. Both working capital and term loan will be admissible in accordance with the specific requirement of the borrower.

5.3. Requirements of margin money may not be insisted upon as the category of borrowers belong to the weakest strata of society and may not always be in a position to furnish margin money.

5.4. Rate of Interest will be uniformly fixed at 4 per cent per annum.

5.5. *Term loan:* For the acquisition of fixed assets shall not exceed 5 years, including a grace period not exceeding two years on the repayment of principal. The repayment schedule will be worked out in each case having regard to the nature of the activity of the borrower and the economics of the scheme. In assessing the surplus for the payment of interest and principal, due allowance should be made for the sustenance requirements of the borrower himself.

5.6. The assets purchased with the loan may be hypothecated to the bank. In addition, in appropriate cases of loans to a homogeneous group of borrowers, group guarantee may be accepted.

5.7. Each loan is to be covered under the Credit Guarantee Scheme. The guarantee fee should be met by the banks, and not charged to the borrowers.

5.8. The cost of insurance of the assets charged to the banks, if considered necessary, should be borne by the bank.

5.9. The banks may consider some suitable initial moratorium in repayment, if so warranted.

6. *Institutions:* Following institutions will be eligible for credit under the scheme.

6.1. *Orphanages and Women's Homes:* Where saleable goods are made and for which no adequate and dependable source of finance, e.g., endowments or regular charities, exist.

6.2. Institutions for physically handicapped persons pursuing a gainful occupation where some durable equipment and/or continuous supply of raw material is useful.

Note 1. Institutions, for physically handicapped persons orphanages and women's Homes will be exempted from income criteria. However, it should be ensured that these institutions utilise the funds for productive purposes only and not for meeting their normal administrative and establishment expenses. It is also necessary to verify from independent sources about the genuineness of these institutions.

Note 2. The term 'physically handicapped persons' includes 'mentally retarded persons' also.

7. State Corporations for Scheduled Castes and Scheduled Tribes: Banks may route credit under the Scheme through State Corporations for the welfare of scheduled castes and Scheduled tribes subject to the beneficiaries of the corporations meeting the eligibility criteria indicated in para 3 and other terms and conditions indicated in the scheme.

7.1. The Corporations themselves will be exempted from the income criteria.

7.2. Finance will be made available to the corporations only against specific and commercially viable schemes formulated by them. Further, the corporations will not add any service charges and the loans will flow to the beneficiaries at 4 per cent per annum rate of interest.

7.3. The corporations will be responsible for repayment of the loan on the due dates, irrespective of the state of recovery from the beneficiaries.

7.4. It will be the responsibility of the Corporations to ensure that funds are utilised for the productive purposes only for which they have been sanctioned and not for meeting their normal running expenses. The cost of establishment and other expenditure incurred for the implementation of the scheme shall be borne by the Corporations/State Governments.

7.5. Since the advances to State Corporations will not be eligible for guarantee cover from the Credit Guarantee Corporation of India Ltd., State Governments may have to provide guarantee to the lending banks.

7.6. If a Corporation fails to pay the instalments of loans, or violates any terms and conditions stipulated in the scheme, it may be liable to forfeit its right for further finance.

8. *Cooperative Societies and Large Sized Multi-Purpose Societies (LAMPS) for Tribals.*

Banks may route credit under the Scheme through Cooperative Societies/Large Sized Multi-Purpose Societies (LAMPS) organised specifically for the benefit of the tribal population, in areas identified by the Government of India on the same terms and conditions as are applicable to State owned Corporations for the welfare of Scheduled Castes and Scheduled Tribes as indicated in para 7 above.

APPENDIX III

(Vide para 3·8 of the Report)

PUBLIC SECTOR BANKS' OUTSTANDING ADVANCES UNDER DIFFERENTIAL RATES OF INTEREST SCHEME

As at the end of December

(AMT. in Rs. crores)

	1976			1977		
	*Total advances	DRI advances	% of DRI advances to total advances	*Total advances	DRI advances	% of DRI advances to total advances
1. S.B.I. (Group)	2895	22·94	0·79	3812	33·12	0·87
2. Central Bank of India	807	2·37	0·29	10·51	3·17	0·33
3. Bank of India	689	1·45	0·21	890	2·06	0·23
4. Punjab National Bank	587	3·02	0·51	816	3·18	0·48
5. Bank of Baroda	559	1·47	0·26	178	3·90	0·50
6. United Commercial Bank	368	1·55	0·42	454	2·14	0·47
7. Canara Bank	447	3·49	0·78	636	3·84	0·60
8. United Bank of India	367	0·66	0·18	474	1·28	0·27
9. Dena Bank	236	0·57	0·24	313	0·95	0·30
10. Syndicate Bank	363	2·44	0·67	507	3·35	0·68
11. Allahabad Bank	177	0·23	0·13	240	0·38	0·16
12. Union Bank of India	356	41·8	1·18	511	5·20	1·02
13. Indian Bank	219	0·97	0·44	326	1·61	0·50
14. Bank of Maharashtra	181	0·53	0·29	253	0·67	0·26
15. Indian Overseas Banks	183	1·38	0·75	285	2·17	0·76
TOTAL	8434	47·25	0·56	11339	67·82	0·60

* Total advances relate to preceeding year.

APPENDIX III—*contd.*

	1978			1979		
	Total advances	DRI advances	% of DRI advances to Total advances	*Total advances	DRI advances	% of DRI advances to total advances
1. S.B.I. (Group)	4345	39.49	0.91	5475	60.63	1.11
2. Central Bank of India	1070	5.11	0.48	1182	13.14	1.11
3. Bank of India	923	3.77	0.41	1042	7.8	0.76
4. Punjab National Bank	883	6.09	0.69	1037	12.31	1.1
5. Bank of Baroda	880	8.72	0.99	1025	12.19	1.19
6. United Commercial Bank	883	2.77	0.47	686	4.57	0.6
7. Canara Bank	683	3.94	0.58	840	4.27	0.51
8. United Bank of India	519	1.70	0.33	576	2.06	0.26
9. Dena Bank	335	1.79	0.53	372	27.9	0.75
10. Syndicate Bank	562	3.65	0.65	674	4.13	0.61
11. Allahabad Bank	283	0.77	0.27	348	1.61	0.46
12. Union Bank of India	528	6.26	1.19	616	6.84	1.11
13. Indian Bank	381	1.91	0.50	427	2.38	0.56
14. Bank of Maharashtra	310	1.18	0.38	332	1.98	0.60
15. Indian Overseas Bank	346	2.84	0.82	443	4.17	0.94
TOTAL	12631	89.99	0.71	15075	140.95	0.94

*Total advance: date to preceeding year.

APPENDIX IV

(Vide para 3.8 of the Report)

Public sector Banks outstanding Advances Under DRI Scheme to SC/ST.

(Amt. Rs. in lakhs)

					As at the end of December 1977			
					No. of A/cs. (SC/ST be- neficiaries)	Amount outstand- ing (SC/ST)	% to total DRI advances	% to total advances
1.	S.B.I. (Group)	.	.	.	264054	1156	35.1	0.30
2.	Central Bank of India	.	.	.	19957	105	33.10	0.10
3.	Bank of India	.	.	.	25356	103	50.1	0.12
4.	Punjab National Bank	.	.	.	20312	141	36.4	0.17
5.	Bank of Baroda	.	.	.	23548	118	30.4	0.15
6.	United Commercial Bank	.	.	.	12335	74	34.5	0.16
7.	Canara Bank	.	.	.	38573	125	32.5	0.20
8.	United Bank of India	.	.	.	9131	44	34.3	0.09
9.	Dena Bank.	.	.	.	6741	33	34.8	0.11
10.	Syndicate Bank	.	.	.	22662	98	29.1	0.19
11.	Union Bank of India	.	.	.	28522	188	36.3	0.37
12.	Allahabad Bank	.	.	.	3247	12	32.0	0.05
13.	Indian Bank	.	.	.	5831	32	20.0	0.10
14.	Bank of Maharashtra	.	.	.	4347	21	31.6	0.08
15.	Indian Overseas Bank	.	.	.	15867	79	36.3	0.28
TOTAL					503453	2301	33.9	0.20

The target of lending to SC/ST was 33½% upto November, 1978 and 40% since then.

APPENDIX IV—Contd.

		1978			
		No. of A/cs. (SC/ST beneficiaries)	Amount outstand- ing (SC/ST)	% to to- tal DRI advances	% to to- tal ad- vances
1.	S.B.I. (Group)	312666	1543	39.1	0.36
2.	Central Bank of India	33163	220	43.1	0.21
3.	Bank of India	43319	210	33.8	0.23
4.	Punjab National Bank	29754	289	47.4	0.33
5.	Bank of Baroda	49087	432	49.6	0.40
6.	United Commercial Bank	15974	100	36.1	0.17
7.	Canara Bank	37176	137	34.8	0.20
8.	United Bank of India	12957	69	40.3	0.13
9.	Dena Bank]	12484	95	52.7	0.38
10.	Syndicate Bank	23735	126	34.4	0.22
11.	Union Bank of India	31504	242	38.6	0.46
12.	Allahabad Bank	4845	29	37.7	0.10
13.	Indian Bank	8943	51	26.6	0.13
14.	Bank of Maharashtra	8712	46	38.6	0.13
15.	Indian Overseas Bank	18018	88	31.0	0.23
TOTAL		644337	3679	40.9	0.29

The target of lending to SC/ST was 33½% upto November, 1978 and 40% since then.

APPENDIX IV—Contd.

	1979			
	No. of A/cs. (SC/ST beneficiaries)	Amount outstand- ing (SC/ST)	% to- total DRI advances	% to to- tal advances
1. S.B.I. (Group) .	404818	2380	39.3	0.43
2. Central Bank of India	66285	646	49.1	0.55
3. Bank of India	78269	388	49.2	0.37
4. Punjab National Bank	41383	634	51.5	0.61
5. Bank of Baroda	72486	616	50.6	0.60
6. United Commercial Bank	23460	201	43.9	0.29
7. Canara Bank	37959	156	36.5	0.19
8. United Bank of India	16756	81	39.5	0.14
9. Dena Bank	18074	1762	63.0	0.47
10. Syndicate Bank	27853	151	36.7	0.22
11. Union Bank of India	35915	284	41.4	0.46
12. Allahabad Bank	7947	74	45.9	0.21
13. Indian Bank	103263	69	29.1	0.16
14. Bank of Maharashtra	12570	104	52.5	0.31
15. Indian Overseas Bank	24228	153	36.7	0.35
TOTAL	878466	6113	43.4	0.41

The target of lending to SC/ST was 33½% upto November, 1978 and 40% since then.]

APPENDIX V

(Vide Para 4-5 of Report)

SCHEDULED CASTES/SCHEDULED TRIBES SHARE IN PRIORITY SECTOR ADVANCES AS ON THE LAST FRIDAY OF JUNE, 1980

Name of the Bank	No. of borrowal Accounts			Amount outstanding.			
	Total		% age share of SC/ST	Total	Share of SC/ST	% age share of SC/ST	
	2	3		5	6	7	7
A. 1. State Bank of India	3679833*	580756	14.45	19500721*	1154818*	4.92	4.92
2. State Bank of Hyderabad	906009	51782	16.92	1008788	107988	10.70	10.70
3 State Bank of Indore	68043	9421	13.73	984986	13656	3.55	3.55
4 State Bank of Bikaner and Jaipur	137480	33176	24.13	759392	70715	9.31	9.31
5 State Bank of Mysore	169895	17747	10.48	627990	15808	2.44	2.44
6 State Bank of Patiala	117647	25974	22.05	94822	58233	5.88	5.88
7. State Bank of Saurashtra	43767	8182	17.88	474642	7087	1.91	1.91
8. State Bank of Travancore	314698	36680	8.48	890547	17345	2.09	2.09
SUB-TOTAL (A)	4939362	705011	14.57	24534688	1441850	5.88	5.88

APPENDIX V. (Contd.)

1	2	3	4	5	6	7
B. 1. Central Bank of India	.	.	.	.	.	.
2. Bank of India	795240	144424	18.16	4508786	807522	4.60
3. Punjab National Bank	478377	108809	22.33	4122846	111549	2.75
4. Bank of Baroda	429121	79434	18.51	5179075	150407	3.8
5. United Commercial Bank	61853*	124620	30.37	4197100*	173151	4.13
6. Canara Bank	391996	43919*	11.20	2661807	64549	2.43
7. United Bank of India	885445	62134	7.02	3377766	48514	1.44
8. Dena Bank	509451£	158886	31.19	1953469*	143922	7.37
9. Syndicate Bank	175159	37470	21.39	1550188	61650	3.98
10. Union Bank of India	529311	54847	10.36	3121589	65379	2.09
11. Allahabad Bank	360542	57697	15.61	2465894	75076	3.05
12. Indian Bank	153126	15234	9.95	1179411	33415	2.89
13. Bank of Maharashtra	350410	35448	10.12	1830749	37358	2.04
14. Indian Overseas Bank	133798	23110	17.27	1648814	53200	3.25
	478540	47151	9.85	1913498	45419	2.37
<hr/>						
Sub-Total (B)	6291369	991183	15.75	39712669	1280194	3.22

C. 1. Andhra Bank . . . . .	.	.	.	.	.	.	.	.	.	27758	11.03	1045912	37742	3.61
2. Punjab & Sind Bank . . . . .	.	.	.	.	.	.	.	.	.	2265	5.78	1077643	5246	0.49
3. New Bank of India . . . . .	.	.	.	.	.	.	.	.	.	1285	5.32	693738*	5490	0.79
4. Vijaya Bank . . . . .	.	.	.	.	.	.	.	.	.	2751	1.94	661704	6167	0.93
5. Corporation Bank . . . . .	.	.	.	.	.	.	.	.	.	2858	6.81	389618	4335	1.11
6. Oriental Bank of Commerce . . . . .	.	.	.	.	.	.	.	.	.	422	2.71	403758	919	0.23
Sub-Total (C)	.	.	.	.	.	.	.	.	.	514014	7.26	4272370	59899	1.40
Grand Total (A+B+C)	.	.	.	.	.	.	.	.	.	11644745	14.89	68519727	2781883	4.06

Data Provisional.

*Relates to December, 1979.

†Relates to March, 1980.

APPENDIX VI

(Vide Para 4 of Introduction)

Summary of conclusions|Recommendations contained in the Report

S. Reference No. to para No. in the Report	Summary of Conclusions/Recommendations	
1	2	3
1	1.21	The Committee note that according to an estimate of the year 1977-78, of the 290 million people living below poverty line, 160 million were below 75 per cent of the poverty line and the bulk of them constitute the Scheduled Castes and Scheduled Tribes.
2	1.22	The Committee also note from the report of the Working Group on Scheduled Castes and other backward classes during medium plan (1978—83) published in August, 1978, that during the successive Five Year Plans Rs. 322.25 crores were spent for promoting social and economic well being of these people. Of these only 10 per cent were spent on economic development.
3	1.23	The Committee fully agree with the views expressed by the Commissioner for Scheduled Castes and Scheduled Tribes that "thirty-two years are no small period to stabilise transformation in a society and yet may not be long enough to fully atone the sins of the centuries. Efforts have been made, perhaps not commensurate with the magnitude of the problems—faced by the

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weaker sections, more particularly by the Scheduled Castes and Scheduled Tribes. The nation can claim an all-round growth. But the same cannot be said of the weaker sections like Scheduled Castes and Scheduled Tribes."

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1.24

The Committee are strongly of the opinion that only through economic development of Scheduled Castes and Scheduled Tribes we can succeed in getting for them freedom from poverty, inequalities and injustices. For which, vigorous and combined efforts will have to be made both by Government and private agencies engaged in the upliftment of these communities and more financial resources will have to be provided during the next Five Year Plans.

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2.6

The Committee regret to note that there is no separate set up or Cell in the Ministry of Finance, Department of Economic Affairs (Banking Division) and the Reserve Bank of India to look after the credit requirements of the Scheduled Castes and Scheduled Tribes exclusively. The Committee are of the view that to understand the varied and complex economic problems of the people belonging to these communities, there should be separate organisations both in the Ministry of Finance, Department of Economic Affairs (Banking Division) and the Reserve Bank of India. The Committee recommended that special cells should be constituted to deal with all matters relating to the credit requirements of Scheduled Castes and Scheduled Tribes.

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2.7

The Committee take note of the statement made by the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) during the course of his evidence

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before them that 'It is common that this scheme really benefited the people concerned only where coordination was there between the different agencies. Where the intrinsic facilities were available it worked very well, but where there were no intrinsic facilities, and there was no coordination between the State agency and the Banking officials, there this scheme may not have worked well.' The Committee would, therefore, urge the Government to set up a body consisting of representatives of the Ministry of Finance, Ministry of Home Affairs, Reserve Bank of India and Planning Commission, State Government concerned to identify the schemes which could be taken up in a particular area depending upon the resources and skills of the people inhabiting that area; to lay down the financial targets for providing credit facilities and for proper coordination among the Centre, State, Banking and other financial institutions operating or helping in the operation of lending schemes for the Scheduled Castes and Scheduled Tribes.

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3.27

The Committee note that the purpose of starting DRI Scheme is to enable persons who are poorest among the poor to engage themselves in productive endeavours with the help of their own labour and the labour of their family members and to improve their economic condition. The Committee appreciate purpose of the scheme. They are, however, apprehensive whether this gigantic task can be achieved with the present resources earmarked under the DRI scheme for the Scheduled Castes and Scheduled Tribes, majority of whom fall below the poverty line. The Committee agree with the assessment of the Commissioner for Scheduled Castes and Scheduled Tribes in his 26th Report that the pre-

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sent limit of minimum of 1 per cent of aggregate advances (as at the end of the previous year) and at least 40 per cent of the total advances under the DRI Scheme fixed for the Banks will not serve the needs of the Scheduled Castes and Scheduled Tribes. The Committee, therefore, recommend that at least 2 per cent of the aggregate advances of banks, as at the end of the previous year, should be fixed for lending under the DRI Scheme and a minimum of 75 per cent of the total advances under the DRI should go to the Scheduled Castes and Scheduled Tribes.

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3.22

The Committee, also, endorse suggestion of the Commissioner for Scheduled Castes and Scheduled Tribes that at least 10 per cent of the total loans advanced by banks should be given to the persons belonging to Scheduled Castes and Scheduled Tribes to meet their medium and long-term credit requirement.

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3.23

The Committee are surprised to know that no review of the DRI Scheme has so far been made, though it was introduced in 1972. Every scheme which involves commitment of huge funds should as a rule be reviewed periodically to ensure that it has achieved the purpose for which it was meant and also to know deficiencies in its operation so that timely action could be taken to rectify the same. The Committee hope that the survey now being carried out by the Institute of Bank Management would be completed soon and the suggestions which emerge out of this survey will be examined expeditiously for implementation.

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3.24

The Committee take note of the statement made by the representative of the Ministry of Finance, Department of Economic Affairs (Banking Division) before the Committee that dis-

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bursement of loan under the DRI Scheme is not even throughout the country. To remove this imbalance the Committee suggest:

- (i) Performance of banks in such areas where the loan position is poor should be reviewed at regular intervals with a view to find the causes of imbalance and to take corrective measures;
- (ii) In such areas Banks should make special efforts to evolve suitable bankable schemes in conjunction with the district development authorities.
- (iii) State Government Agencies should be encouraged to come forward in a big way to extend cooperation to the banks in matters of providing infrastructural, technical and marketing facilities and identification of borrowers.
- (iv) State Government Field Agencies should be asked to make arrangements for imparting training to the beneficiaries for the development of skills in various activities in which they are engaged and for which bank finance is required.

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3.41

The Committee feel that the present condition for a person to become eligible for credit under the DRI Scheme i.e. his family income from all sources should not exceed Rs. 3000 per annum in Urban and semi-urban areas and Rs. 2000 per annum in rural areas, needs to be reviewed. They recommend that the limit of family income should be raised to Rs. 6000 and

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		Rs. 4000 per annum for urban/semi-urban and rural areas respectively.
12	3.42	The Committee also desire that the present amount of credit admissible under the Scheme i.e. Rs. 1500 for working capital loan and Rs. 5000 for term loan, should be suitably enhanced so that a borrower finds it, sufficient to meet his needs and he has not to raise a part loan from other sources.
13	3.43	Similarly, the Committee recommend that the period of 5 years fixed for repayment should be increased so as to help the borrowers to pay back the amount in easy instalments.
14	3.50	The Committee note that the lending procedure in the banks in regard to loans for agriculture and allied activities has been simplified and application forms in regional languages have also been introduced. The Committee recommend that similar action should be taken in the case of DRI Scheme.
15	3.51	The Committee regret to note that Government have not considered it necessary to study the grounds for rejection of loan applications from Scheduled Castes and Scheduled Tribes. In order that the applications from Scheduled Castes and Scheduled Tribes are not rejected on flimsy grounds and there is no undue delay for finalising an application, it is imperative that Government should carry out periodical review and study the grounds for rejection of loan applications from Scheduled Castes and Scheduled Tribes and the time taken for their disposal, and take remedial measures to streamline the procedure.

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16	3.52	The Committee recommend that Banks should appoint Credit Liaison officers in each branch of the bank operating DRI Scheme who may help the poor borrowers in filling up the forms and complete other formalities so that they are able to get a loan within three weeks, if not earlier.
17	3.57	The Committee feel that a Bank Manager in rural areas has a very vital role to play. He can act as a friend and guide of the weaker sections among whom he is posted to work. The Committee desire that a Manager should have a complete rural orientation before he is posted to any rural branch of a Bank. He should be imparted adequate training and knowledge about the socio-economic concept underlying the various lending schemes introduced to uplift the weaker sections of the society, particularly the Scheduled Castes & Scheduled Tribes.
18	3.74	The Committee appreciate the steps being taken by Government for spreading its banking services network by opening more branches in rural areas with a view to cover all the villages. The Committee are also happy to note that Banks have arranged credit camps for on-the-spot disbursement of loans to the potential borrowers and have adopted 89242 villages for development. The Committee have no doubt that group lending, such as credit camps and adoption of village, helps the bank to a great extent to exercise supervision for presanction and post disbursement operations effectively and promptly with the nucleus staff available in the rural branches. The Committee would, however, like the banks to lay more emphasis and give priority in selection of Scheduled Caste and Scheduled Tribe villages or cluster of Harijanwadass in the villages for integrated development approach. Before

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		<p>selecting a village or cluster of Harijanwadas the Banks, the Committee hope, will have a realistic estimate of the credit needs of the people of the area and will prepare an integrated plan of action for each village and Harijanwada so as to achieve the objective of integrated development of village economy. To make the approach more meaningful, the Committee suggest that participation of other financial institutions and co-operation of State Development Agencies in the area should be ensured.</p>
19	3.91	<p>The Committee are surprised to note that no recovery reporting system under DRI Scheme had been introduced till March, 1980, though the DRI Scheme was initiated in 1972.</p>
20	3.92	<p>The Committee are further surprised to note that the Ministry of Finance, Department of Economic Affairs (Banking Division) has listed certain imaginary reasons for slow rate of recovery of the advances under the Differential Rate of Interest Scheme without conducting any study about it. The Study Groups of the Committee which had visited Head Offices of certain Banks in the public sector were informed that the recovery position under DRI was fairly satisfactory and recovery from the Scheduled Caste and Scheduled Tribe borrowers was as good as from others. The Committee, therefore, suggest that the Banks should have no hesitation in advancing loans to Scheduled Caste and Scheduled Tribe borrowers when the recovery of dues from them is fairly satisfactory.</p>
21	3.93	<p>The Committee feel that no financial institution can function efficiently unless its recovery of loans and advances is prompt and in time. Moreover, if the recovery is good; the recovered dues can be ploughed back to provide assistance</p>

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		to greater number of people. The Committee would, therefore, like the Government to evolve a suitable machinery in consultation with the State Governments, which should help the banks to recover the dues in time.
22	3.109	The Committee are happy to note that, as recommended by the Commissioner for Scheduled Castes and Scheduled Tribes, the Government have extended the DRI Scheme for operation by the Cooperative Sector. The Committee, however, regret to note that no information could be made available by Government regarding the extent of advances made to Scheduled Castes and Scheduled Tribes by the Cooperatives under the DRI Scheme.
23	3.110	The Committee are of the view that if any dent has to be made in the economic conditions of Scheduled Castes and Scheduled Tribes, all the financial institutions i.e. Banks, Cooperatives, etc., will have to be directed and geared to identify the potential beneficiaries among the Scheduled Castes and Scheduled Tribes, giving them viable schemes, helping them to secure loans under the DRI Scheme and finally advising and guiding them for the successful implementation of those schemes.
24	3.111	The Committee would like the Government to make adequate central funds available to the Cooperatives so that they could be organised better for providing assistance to the Scheduled Castes/Scheduled Tribes for their rapid economic development.
25	3.112	The Committee would also like the State Governments concerned to exercise effective executive and financial control over the Cooperatives so that they are cleansed of alleged malpractices.

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26	3.116	The Committee are firmly of the view that if the Scheduled Caste and Scheduled Trihe communities are to be encouraged to take advantage of credit facilities greater awareness, among the potential beneficiaries of these schemes will have to be created. They therefore, recommend that Government and the Banks should jointly evolve a publicity scheme including audio-visual aids for publicising these schemes among the Scheduled Castes and Scheduled Tribes.
27	3.117	The Committee recommend that for this purpose the Government should also bring out a brochure in English/Hindi and other regional languages giving particulars of various schemes for which loans on soft terms are available with the financial institutions/banks/cooperatives. Copies of this brochure should be freely and widely distributed to the extension agencies and the organisations working for the upliftment of the Scheduled Castes and Scheduled Tribes in the country.
28	4.18	The Committee note that upto June 1980, total priority sector advances of the public sector banks (SBI Group and 20 nationalised banks) amounted to Rs. 6,852 crores. Out of this, the money advanced to Scheduled Castes and Scheduled Tribes amounted to Rs. 278 crores only i.e. 4.1 per cent of the total amount advanced under this sector. The Committee feel that this is the most disappointing position. As pointed out earlier, according to an estimate of the year 1977-78, of the 290 million people living below poverty line, 160 million were below 75 per cent of the poverty line and the bulk of them constituted the Scheduled Castes and Scheduled Tribes. The Committee would, therefore, like that an immediate review of the results of the present policies should be made, so that deficiencies in

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them would be identified and a wholesome strategy is evolved with a view to allocate/ make available a sizeable portion of notional wealth for the weakest of the weaker sections of the society to bring them at par with the cost of the people, in a targeted period.

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4.19

Till the overall review as suggested above by the Committee is made, the Committee recommended that the Government should reserve 10 per cent of the total credit available under the priority sector for lending to Scheduled Castes and Scheduled Tribes so that more persons belonging to these communities could take advantage of the priority sector lending scheme.

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4.20

The Committee would also like the Government to do away with the margin money in the case of Scheduled Caste and Scheduled Tribe borrowers particularly where assets created out of the procured loan are hypothicated to the banks.

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4.21

The Committee endorse the recommendation made by the Commissioner for Scheduled Castes and Scheduled Tribes in his 26th Report that all State Governments/Union Territory Administrations should consider the desirability of constituting special cells in the respective Directorate of Social/Harijan Welfare for giving guidance to Scheduled Caste and Scheduled Tribe entrepreneurs for setting up small scale industrial units.

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4.22

The Committee are happy to note that Banking Division is presently considering the proposal for setting up Grievances Cells at District levels which will look into all difficulties in smooth flow of institutional credit and make suitable recommendations to concerned financial institu-

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tions. The Committee would like the Government to give shape to this proposal and would also suggest that Director of Social/Harijan Welfare at State level and District Welfare Officer at District level should be associated with such Grievances Cells.

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4.23

The Committee are unable to agree with the view point of the Ministry of Finance's representative that if the suggestion that interest at 4 per cent may be charged on the amount permissible under DRI scheme and at higher rate of interest on amount in excess thereof would work to the detriment of poorer sections and therefore would not be in accordance with the spirit of the scheme. They feel that this suggestion should be gone into deeply with a view to make more funds available to Scheduled Caste and Scheduled Tribe borrowers for taking up productive and economically viable ventures.

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The Committee are surprised to know that the recommendation of the Working Group on Tribal Development made in its Report of July 1978 that the Reserve Bank of India may refinance consumption credit advance to the Tribals by the Central Financing Agencies was still under the consideration of Government. The Committee expect that schemes relating to the upliftment of economically weaker sections of society are given priority and decisions on them are not delayed so long. They hope that early decision will be taken in the matter.

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The Committee note that the consumption loan has now been given a place under the priority sector lending. The Committee desire that Government should immediately issue necessary instructions that the 'consumption loan' should be considered as an essential component of the credit so that there is no reluctance on the part

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		of public sector banks and other financial institutions for financing consumption credit given to the Scheduled Caste and Scheduled Tribe borrowers.
36	4.40	The Committee note that at the end of December 1979, the amount outstanding in respect of Direct Housing loans advances by banks (public and private sectors) to individual/groups of borrowers belonging to economically weaker sections/Scheduled Castes/Scheduled Tribes was Rs. 19.07 crores. The Committee regret that separate figures of the loans advanced to Scheduled Castes and Scheduled Tribes are not available. They recommend that separate figures of loans advanced to Scheduled Castes and Scheduled Tribes should be maintained.
37	4.41	The Committee also note that in the light of the recommendations of Dr. Krishnaswamy working Group it has been decided (i) to raise the maximum limit of Rs. 2500/- for an advance for housing to Scheduled Castes/Scheduled Tribes and other weaker sections of the society to Rs. 5000/- and (ii) to treat indirect finance given to any governmental agency for the purpose of constructing houses exclusively for the benefit of Scheduled Castes/Scheduled Tribes and low income groups and where loan component does not exceed Rs. 5000/- per unit, as priority sector advances.
38	4.42	The Committee need hardly point out that bulk of the Scheduled Caste and Scheduled Tribe communities live in rural areas, which are without adequate civic amenities, and living condition of a large part of the people is appalling. The Committee feel if the objective of improving the quality of life of these communities is to be achieved a substantial amount will have to

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be earmarked every year for advancing housing loans to the Scheduled Castes and Scheduled Tribes. These loans should be made available to these communities through various financial institutions at a nominal rate of interest. The Committee desire that the maximum limit of a housing loan for Scheduled Castes/Scheduled Tribes should also be raised to Rs. 7,500/- with a provision of 25 per cent subsidy. The Committee would also like that a systematic evaluation of the housing needs of the Scheduled Castes and Scheduled Tribes should be undertaken immediately and schemes in the light of that evaluation should be evolved for financing from all sources so that a maximum number of Scheduled Castes and Scheduled Tribes could have a neat and clean dwelling place of their own in the minimum possible period.

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4.54

The Committee are distressed to note that there is a considerable time-lag in the submission and consolidation of data in regard to the various lending schemes implemented by the banks and the periodicity of review is also not uniform and timely. The Committee desire that timely submission of progress reports by the banks should be insisted as delay in the supply of returns will defeat the purpose for which they are called for.

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4.55

The Committee are dismayed to note that the lending schemes are being implemented by the public sector banks and reviewed by the Reserve Bank of India in casual way. As many as 12 nationalised banks have not yet attained the level of priority sector advances of 33.3 per cent of their aggregate credit till June 1980 and performance of three banks as much below the targeted level. The Committee would, therefore, like the Reserve Bank of India to have a

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		special review of the various lending schemes launched by the 12 nationalised banks under the priority sector lending with a view to ascertaining the problems encountered by these banks in the implementation of those schemes and suggest remedial measures where necessary.
41	4.56	The Committee are of the opinion that monitoring and valuation of the schemes for Scheduled Castes and Scheduled Tribes being financed by the Public Sector Banks should be undertaken on a continuous and regular basis so that inadequacy in the implementation of these schemes are identified and rectified in time, and the impact of the schemes on the well-being of the beneficiaries could be assessed.
42	4.57	The Committee also recommend that the result of the review should be published in the Annual Reports of the Banks/Reserve Bank of India/Ministry together with the amount of assistance that has gone to Scheduled Castes and Scheduled Tribes in each trade/activity so that the information may disseminate to all branches of the banks and Government and Parliament are informed about the flow of credit to various sections of the society, particularly to the Scheduled Castes and Scheduled Tribes.