

MINISTRY OF FINANCE  
(DEPARTMENT OF ECONOMIC  
AFFAIRS—BANKING DIVISION)  
CREDIT FACILITIES TO THE  
WEAKER SECTIONS OF THE  
SOCIETY

ESTIMATES COMMITTEE  
1994-95  
FIFTY SECOND REPORT

TENTH LOK SABHA



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सत्यमेव जयते

LOK SABHA SECRETARIAT  
NEW DELHI

**FIFTY-SECOND REPORT**  
**ESTIMATES COMMITTEE**  
**(1994-95)**

**MINISTRY OF FINANCE (DEPARTMENT OF  
ECONOMIC AFFAIRS—BANKING DIVISION)—  
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SECTIONS OF THE SOCIETY**

*(Presented to Lok Sabha on 28th April, 1995)*



**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1995/Vaisakha, 1917 (Saka)*

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COMPOSITION OF THE ESTIMATES COMMITTEE  
(1994-95)

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5. Shri R.C. Kakkar — *Committee Officer*

## INTRODUCTION

I, the Chairman of Estimates Committee having been authorised to submit the Report on their behalf present this 52nd Report on the Ministry of Finance (Department of Economic Affairs—Banking Division)—Credit Facilities to Weaker Sections of the Society.

2. The Committee considered the replies given by the Ministry of Finance (Department of Economic Affairs—Banking Division) to a detailed questionnaire issued on the subject whereafter the Committee took evidence of the representatives of the Ministries of (i) Finance (Deptt. of Economic Affairs), (ii) Urban Development, and (iii) Rural Development on 16th February, 1995. The Committee wish to express their thanks to the officers of the Ministry of Finance (Department of Economic Affairs—Banking Division) for placing before them the detailed written notes on the subject and for furnishing information desired in connection with the examination of the subject. The Committee also appreciate the frankness with which the officials/representatives shared their views/perceptions and constraints with the Committee.

3. The Report was considered and adopted by the Committee at their sitting held on 18th April, 1995.

4. The Report is divided into 3 Chapters and each is devoted to specific aspects. The Committee have *inter alia* made the following important recommendations:

(i) the existing cell in the RBI to periodically review the progress of implementation of the guidelines issued by the RBI relating to advances to weaker sections on the aspects of standardised application forms, loan procedures, liberalised margin, security norms, disbursement of loan, repayment schedule, disposal of loan application, rate of interest, and other charges to be levied etc.;

(ii) The Government to expedite the final Report of the Expert Committee on Integrated Rural Development Programme as also the consideration of study report on Differential Rate of Interest so that identification of factors responsible for poor performance of these schemes/programmes could be made without any further delay.

(iii) The Government should issue necessary directions to the Banks to make concerted efforts in extending credit facilities to the weaker sections of the society according to the targets stipulated under each scheme and their sub-sectors.

The Government/Banks to make efforts to educate the eligible beneficiaries specially DRI and women beneficiaries, with a view to bestowing full advantages of these schemes, which are in their interest.

(iv) There is an urgent need to streamline the procedure for sponsoring and disposal of applications and disbursement of loan amount to the identified beneficiaries under the various poverty alleviation schemes of the Government with a view to ensuring that delays in sponsoring and disposal of applications and disbursement of loan amounts to the beneficiaries is completely eliminated.

(v) The Committee have found that only 16 States have so far enacted the legislation empowering officials with the authority to issue an order having the force of a decree of Civil Courts for payment of any sum due to a bank by sale of property charged/mortgaged in favour of the bank to facilitate prompt recovery of dues for commercial banks without having to resort to protracted and time consuming litigation in Civil Courts as recommended by the expert group (Talwar Committee) in September, 1969. The Committee have, therefore, desired the Government to take up the matter with the remaining State Governments on priority basis to persuade them to enact the above legislation with necessary changes/modifications required in view of the shortcomings/problems identified in the actual enactment of the legislation.

The Committee have also desired the Ministry to take concrete measures to improve the recovery position of all the schemes.

(vi) The Ministry should take expeditious steps for creating recovery cells in the banks where these have not been created, and also to devise some ways and means for strengthening the existing recovery cells to improve the recovery position in various banks.

(vii) There is a need for some nodal agency under the lead bank for survey/identification of beneficiaries in urban areas and for sponsoring applications to banks.

(viii) The present target of 1% of aggregate advances under Differential Rate of Interest scheme was fixed in 1978. Considering the large number of households still below poverty line in the country, especially the need for infrastructure supporting Banks' credit deployment in rural areas, there is a need for enhancement of DRI target from 1% to 2%.

(ix) Recovery in many cases become very difficult as the persons concerned has no capacity to pay. In order to remove hardship in such genuine cases the Government should consider taking over loanee's obligations under IRDP and DRI schemes for repayment to Bank so that Banks are able to recycle the credit in rural areas.

(x) Taking into consideration the need for strengthening the existing mechanism for coordination among the Ministry/Banks and the concerned State Governments for effective monitoring on cases of default and

(vii)

subsequent recoveries and dues from the beneficiaries, the Committee have desired the Ministry to take suitable measures to strengthen the existing mechanism for coordination and monitoring and for making the provision of the relevant acts more comprehensive to deal with such situations.

(xi) The Ministry should take concrete measures for bringing improvement in CD ratio in the States where it has shown a declining trend.

5. For facility of reference the recommendations/conclusions of the Committee have been printed in bold type in the body of the Report and have also been reproduced in consolidated form in Appendix of the Report.

NEW DELHI;

April 25, 1995

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5 Vaisakha, 1917(S)

DR. KRUPASINDHU BHOI,

*Chairman,  
Estimates Committee.*

## CHAPTER I

### SCHEMES/PROGRAMMES

#### A. Lending under Priority Sector

1.1 The Government have been giving much importance to priority Sector lending particularly in view of the need for quicker upliftment of the Weaker and down-trodden sections of the society.

Advances under priority sector has been classified under the following categories:

- (1) Agriculture
- (2) Small Scale Industries
- (3) Other borrowers—the other borrower in the priority sector are:
  - (a) Small Road & Water Transport Operators
  - (b) Retail Traders
  - (c) Small Business Operators
  - (d) Professional and Self Employed Persons
  - (e) Students for education purposes
  - (f) SC/ST and Weaker Sections borrowing loans for housing purposes upto Rs. 5000/-
  - (g) Borrowers belonging to weaker sections taking pure consumption loans
  - (h) Housing Finance

#### *Sub-Sector under Priority Sector—Weaker Sections*

1.2 A working group on the modalities of the implementation of the Priority Sector lending and 20- Point economic programme by banks was constituted by the Reserve Bank of India in March 1980. The Group in its recommendations had stressed a need to ensure that bank advances within priority sector were given increasingly to the comparatively weaker and more under privileged sections. With a view to ensure that the under privileged sections are given proper attention by banks in the matter of advances, the Group considered it necessary to introduce a sub-sector within the priority sector. The sub-sectors comprising the more under privileged in the main group of priority sectors were to be known as 'Weaker Sections'. The recommendations were accepted and initially the concept of 'Weaker Sections' was introduced within the 2 main priority sectors viz. agriculture and small scale industries and suitable sub-targets

were fixed for them. At the time of implementation of New 20-Point programme, the concept of weaker sections was further widened on the basis of the recommendations of the working Group which was set up by Reserve Bank of India in March, 1982.

1.3 The RBI group which suggested introduction of the concept of 'Weaker Sections' had stated that the weaker sections in the priority sector would mean the under-privileged sections of the society. Their weakness may be either financial or social e.g. SC/ST. These socially weaker sections of society are also as a class, financially weak and besides, suffer from a lack of bargaining power and articulation in getting their grievances met. The concept of "Weaker Sections" was introduced so that the concessions that were being offered to the priority sector as a class could be oriented to meet the needs of the weaker sections.

1.4 'Weaker Section' forms a part of 'Priority Sector' within the priority sector. The definition of weaker sections, as operative at present, comprises of:

- (1) Small and marginal farmers, tenant farmers, share croppers, landless labourers;
- (2) Artisans and village and cottage industries;
- (3) Beneficiaries of Integrated Rural Development Programme (IRDP);
- (4) Persons belonging to SC/ST communities;
- (5) Beneficiaries under Differential Rate of Interest (DRI) scheme; and
- (6) Beneficiaries under the Scheme of Urban Micro Enterprises (SUME).

### **B. Schemes—Salient Features and Performance**

1.5 The Government of India have formulated schemes/programmes to alleviate poverty of the people who are very poor and who generally belong to weaker sections of the society. These schemes provide for special provisions for the benefit of SCs/STs, who form a major segment of the weaker sections of the society. The salient features of each scheme and the amount sanctioned/disbursed (outstanding) during the last three years under each are indicated below:

#### *(i) Self-employment Scheme for Educated Unemployed Youth (SEEUY)*

The Self-employment Scheme for Educated Unemployed Youth (SEEUY) was introduced by Government of India in 1983-84 and is being continued on yearly basis. The scheme extends to the whole of India excluding cities having population of more than 1 million as per

1981 census. Educated Unemployed Youth (Matriculate and above) within the age group of 18—35 years and whose family income does not exceed Rs. 10,000/- per annum are eligible for assistance under the scheme. Composite loan not exceeding Rs. 35,000/- for industrial ventures, Rs. 25,000/- for service units and Rs. 15,000/- for business enterprises are given. Capital subsidy @ 25% of the project cost is provided by the Government of India. 30% of the number of loans sanctioned are reserved for SC/ST beneficiaries. The performance of the banks during the last 3 years under the schemes is as under:

(Rs. in Lakhs)

Year	Loans sanctioned	
	No.	Amount
1990-91	100100	22097.07
1991-92*	77698	17730.26
1992-93*	59165	13328.00

\*Provisional

(ii) *Scheme of Urban Micro Enterprises (SUME)*

Scheme of Urban Micro Enterprises (SUME) has been finalised by the Government of India in consultation with Reserve Bank of India. The scheme covers unemployed urban poor living below the poverty line in metropolitan areas, cities and towns not covered by IRDP. The scheme is implemented by selected branches of public sector banks. SCs/STs are to be given weightage in proportion to their population share in the total urban poor of the Urban Local Body concerned. Further they are also entitled to subsidy to the extent of 25% of the project cost subject to a ceiling of Rs. 5000/- as against Rs. 4000/- for others. They are also eligible for loan not exceeding Rs. 15,000/- as against Rs. 12,000/- to others. The amount sanctioned and the amount disbursed during last three years under the scheme are given below:

(Rs. in lakhs)

Year	Loans sanctioned	Amount disbursed
1990-91	3996.22	2369.21
1991-92	8043.26	5841.9
1992-93*	7519.53	5884.77

\*Data Provisional.

(iii) *Integrated Rural Development Programme (IRDP)*

IRDP is the major poverty alleviation programme which is being implemented throughout the country since October 1980 and is funded by the Centre and States on 50:50 basis with the objective to assist selected families of the target group in rural areas to cross the poverty line by taking up self-employment ventures by providing them income generating assets including working capital through a package of assistance of institutional credit and subsidy component. At least 50% of the assisted families should be drawn from SCs/STs and flow of financial investment (subsidy and credit) to the SCs/STs should be commensurate with the percentage of their physical coverage. The subsidy at the rate of 50% of the project cost is available for SC/ST beneficiaries under the programme with the monetary ceiling of Rs. 5000/- as against 25% and 33-1/3% admissible in respect of small and Marginal Farmers, agricultural labourers, etc. monetary ceiling being Rs. 3000/- (Rs. 4000/- in DPAP areas). With effect from 30 April 1993, Government of India have enhanced the monetary ceiling of subsidy by Rs. 1000/- for all categories of beneficiaries under the programme.

The details of performance of banks under IRDP from the years 1990-91 to 1992-93 are shown in the following statement.

(Rs. in cr.)

Year	Target No. of families to be assisted	Achievement No. of families assisted	Subsidy utilised	Term Credit Disbursed
1990-91	2370575	2897775	808.87	1190.03
1991-92	2251519	2536566	773.09	1147.34
1992-93	1875135	2061973	694.16	1021.12

(iv) *Differential Rate of Interest Scheme (DRI)*

The DRI Scheme introduced in June 1972 is meant to cater to the credit requirements of the weakest among the weak by assisting them in their efforts to improve their economic conditions through small productive endeavours. Banks have to lend 1% of their aggregate advances as at the end of the previous year under the scheme and 40% of which should go to SC/ST. Under the scheme, credit upto Rs. 6500/- is to be made available to eligible borrowers at an interest rate of 4%. In addition, eligible borrowers belonging to SC/ST can get housing loan to the extent of Rs. 5000/- in each individual case under the schemes.

Data on implementation of DRI scheme by public sectors banks for the last 3 years, is as under:

(Accounts in lakhs) (Rs. crores)

Year ended	Total DRI advances	
	No. of A/Cs.	Amount O/s
March 1991	35.11	620.84
March 1992	32.02	727.24
March 1993	29.58	704.60

**(v) Scheme of Liberation and Rehabilitation of Scavengers (SLRS)**

Government of India have launched a National Scheme for Liberation of Scavengers and their dependents from the existing hereditary and obnoxious occupation of manually removing night soil and filth and to rehabilitate them by providing alternative and dignified occupation.

The main features of the scheme are as under:

- (i) Funding of projects costing upto Rs. 50,000/- per beneficiary
- (ii) Margin money to the extent of 15% of the project cost at 4% interest, to be provided by SC/ST Corporations
- (iii) Subsidy to the extent of 50% of the project cost with a maximum subsidy ceiling of Rs. 10,000/-
- (iv) All loans upto Rs. 6,500/- would be treated as loans under DRI Scheme and concessional rate of interest of 4% would be extended. The interest rate for loans in excess of Rs. 6,500/- would be the same as applicable according to RBI directive on interest rates.

The scheme has been introduced only recently *i.e.* in March 1993 and information regarding its implementation so far, is yet to be received.

1.6 While IRDP extends specifically to rural areas, the DRI scheme provides that 2/3rd of the banks lendings under the scheme should be routed through their rural and semi urban branches. The criteria adopted for sanction of the loan is the same as provided in each scheme and does not differ from region to region.

**Target for Priority Sector Advances to Weaker Sections**

1.7 The guidelines in regard to targetted level of priority sector advances to weaker sections were issued on February 7, 1993 on the basis of

recommendations of the Working Group constituted by the RBI. These guidelines stipulate that the Banks' advances to weaker sections should reach a level of 25% of priority sector advances or 10% of total bank credit.

### C. Guidelines

1.8 In March 1984, RBI issued a comprehensive set of guidelines to be followed by the Banks for advances to all categories of borrowers in the priority sector. These guidelines relate to application forms, loan procedures margin money, security norms, rate of interest and other charges to be levied etc. and cover all categories of priority sector lending. The guidelines referred to above are summarised in the following paragraphs:

- (i) Application forms for advances to priority sector should be in the prescribed format and such forms should be made available in regional languages.
- (ii) All loan applications upto a credit limit of Rs. 25000 are to be disposed off within a fortnight and those for over Rs. 25000 within 8 to 9 weeks.
- (iii) Bank staff should help the borrowers in filling up the application forms.
- (iv) In the case of proposal for SC/ST, rejection should be at level of higher than that of Branch Manager. In other cases Branch Manager, may reject applications provided the case of rejection are verified subsequently by the divisional/regional managers.
- (v) A register should be maintained at Branch wherein the date of receipt, sanction/rejection with reasons therefor etc. should be recorded. The register should be made available to all inspecting agencies.

1.9 With a view to providing loans liberally by banks to small borrowers, it has been provided that:

- (a) no margin money may be asked on agricultural loans upto Rs. 10000 and loans to small scale industries upto Rs. 25000; and
- (b) no security or guarantee is to be insisted upon in respect of agriculture loans upto Rs. 10000 and in case of loans to small scale industries upto Rs. 25000.

1.10 The guidelines regarding charging of interest are as follows:

- (i) In the case of crop loans availed of by small and marginal farmers the interest debited will not be exceeding the principal amount.
- (ii) There would not be compounding of interest on current dues.
- (iii) On loans below Rs. 25,000, no penal interest should be charged.

1.11 asked whether the existing guidelines were adequate, the Ministry have stated that the existing guidelines are quite comprehensive and adequate.

1.12 With regard to specific instances that came to notice where banks had shown non-adherence to the guidelines issued by the RBI, the Ministry have furnished the following scheme-wise information:

(1) IRDP:-The main findings of the concurrent evaluation of IRDP conducted for the period from January 1989 to December 1989 brought out certain instances of non-adherence to RBI guidelines which were as under:

- (1) Ineligible families were assisted.
- (2) It was observed that banks had kept repayment period of less than 3 years in some cases.
- (3) The assets of the beneficiaries were not insured in some cases.
- (4) After care and Government support was not made available to the beneficiaries in 53% cases out of 71% cases requiring such support.

The summary of 'positive points' and 'Areas of concern' as brought out in the findings of the 3rd concurrent evaluation of IRDP—January to December 1989—was advised to all scheduled commercial banks (excluding RRBs) by RBI vide their circular dated 7 February, 1992 for information and necessary remedial action.

(2) SEEUY:-By and large, banks adhere to the guidelines issued by RBI. Wherever instances of non-adherence are noticed in studies, banks are advised to conform to guidelines. Details of specific cases are not available.

(3) SUME:-As the scheme had been introduced only recently, no study as such has so far been done. There were no specific complaints of non-adherence to guidelines by banks.

In regard to evaluation study on flow of credit to SC/ST beneficiaries under Government Sponsored Programmes like IRDP, SEEUY, SEPUP and DRI, the Ministry in a note informed the Committee that a study to evaluate public sector banks' performance in lending to SC/ST beneficiaries with special reference to the implementation of different Government sponsored programmes and its impact on income and employment generation among SC/ST beneficiaries was conducted by the Reserve Bank of India in the year 1990. The study was made on All India basis covering 285 bank branches in 57 districts in 19 States of the country.

The study revealed following cases of non-adherence to the RBI's guidelines:

(i) In the case of proposals for loan from SC/ST applicants, rejection of proposals if any, is required to be decided at a level higher than that of Branch Manager. It was, however, observed that out of 285 bank branches, visited 35 branches of various banks had rejected loan applications at branch level itself.

(ii) As per RBI guidelines banks are required to make special efforts to evolve suitable bankable schemes for SCs & STs. However, it was observed during the study that no special efforts were made by the bank branches or their controlling offices to evolve such schemes.

(iii) As per RBI guidelines, banks' staff are expected to contact illiterate borrowers and explain to them the salient features of the schemes as also the advantages that will accrue. It was observed that no special or conscious efforts were made by the staff in this regard.

(iv) It was observed during the study that average time taken by the bank branches for:

- (a) Sanction of loan applications : 7 days to 3 months.
- (b) Disbursing the loans : 15 days to 6 months.

The reasons for delay were attributed to:

- (i) Late release of subsidy by Government agencies.
- (ii) Delay in completion of documentation/formalities.
- (iii) The borrowers did not visit the bank for completing the formalities.
- (iv) Lack of synchronisation of seasonal activities with sanctions.
- (v) Delay in fixation of dates for purchase of assets.
- (vi) Borrowers wanted a change of activity.
- (vii) A low cash limit (*e.g.* Rs. 10,000/-) has been fixed for many branches.
- (viii) Bunching of applications.
- (ix) Borrowers not available due to change in address.
- (x) Staff shortage at branches.

The gist of the findings/conclusions of the study was communicated to the Chairman/Managing Directors of all public sector banks. They were advised to pay special attention to those features which needed remedial measures on the part of banks.

When enquired about the existing mechanism to ensure that the guidelines were being followed by the banks the Ministry have stated in a note that the credit facilities to the weaker sections are monitored by the Reserve Bank's Rural Planning & Credit Department. The monitoring is done through periodical returns prescribed for the banks. Further, the progress made by the banks in providing credit to weaker sections is also scrutinised by the RBI officials at the time of inspection of banks. The progress is also reviewed on a periodical basis by the Board of Directors of the Public Sector Banks.

Besides this, Ministry (Banking Division) also review periodically by holding meetings with the senior executives of public sector banks the performance of banks in the matter of extending credit assistance to priority sector, weaker sections and other Government sponsored programmes. Flow of Credit to priority sector, weaker sections and also under various Government sponsored programmes is also discussed at the State level Bankers' Committee in their periodical meetings. RBI officials also attend such State Level Meetings.

**1.13 The banking system in our country remains an important instrument of economic development and achievement of socio-economic goals. In this connection, the Committee note that the Government have been giving much importance to priority sector lendings particularly in view of the need for quicker upliftment of the weaker and down trodden sections of the society. With a view to achieving this objective the Government's present credit policy aims at channelising, increasing flow of credit to the priority sector and in particular to the weaker sections of the society. This is evident from the fact that the present targets for advances to weaker sections are required to reach a level of 25% of the priority sector advances or 10% of the net bank credit at the end of previous year. This Report of the Committee specifically examines the credit facilities made available to the weaker sections of the society. The examination of this subject by the Committee had revealed that there exists a lot of scope for efficacious and purposeful implementation of the various schemes drawn up by the Government for providing credit facilities to the weaker sections of the society which are primarily income and employment generation meant for betterment of their economic conditions. The specific recommendations of the Committee have been brought out in the subsequent paragraphs of this Report.**

**1.14 The Committee note that in March 1984, RBI issued a comprehensive set of guidelines to be followed for advances to all categories of borrowers in the priority sector. These guidelines which also apply to advances to weaker sections who are an important component of priority sector, relate to standardised application forms, loan procedures, liberalised margin, security norms, disbursement of loan repayment schedule, disposal of loan application, rate of interest, and other charges to be levied etc. and cover all categories of priority sector lendings. According to the Ministry during surveys, evaluation studies of the Government's poverty alleviation programmes conducted by RBI in 1989 there has been revelation of some instances of non-adherence of these guidelines by the banks. This strengthens the Committee's belief that there is no systematic and effective mechanism for monitoring the implementation of these RBI guidelines by various banks. The gist of findings/conclusions of the evaluation study on the flow of credit to SC/ST beneficiaries under Government sponsored programmes under IRDP, SEEU, DRI etc. in 1989 has been communicated to the Chairman/Managing Directors of all public sector banks with**

the advice to pay special attention to these features which need remedial measures on the part of the banks. The Committee feel that the Government/RBI should not remain content with issue of instructions only. There should be an effective monitoring of the remedial measures required to be taken by the Banks and to obviate their recurrence in future.

1.15 The Committee, therefore, desire that close monitoring may be done by the existing cell in RBI to periodically review the progress of implementation of these guidelines with a view to ensuring their effective implementation. They would also like this monitoring cell to suggest measures for removal of any shortcomings or inadequacies in them, which may crop up during the actual implementation of these guidelines.

## CHAPTER II

### POVERTY ALLEVIATION SCHEMES

#### A. Objectives

2.1 As regards objectives of poverty alleviation schemes for weaker sections of the society, the Special Secretary (Banking) of the Ministry of Finance stated as follows:

“We have for many years now in the banking system, tried to allocate credit to what we consider are the priority areas. The priority areas include agriculture, small industries as well as the weaker sections. The weaker section programmes are the Integrated Rural Development Programme, Employment Programmes in the urban areas and DRI Interest Schemes which are the three major programmes. The idea of these programmes is to provide to the beneficiary a source of income which remains a continuing source of income. To that extent such an activity is differentiated from wage-related employment. If we are able to convert a person into an entrepreneur, then he has an asset, which is available to him for life. Therefore, basically, it is the creation of assets which is going to be productive in the hands of people who are disadvantaged. That is the basic objective of these programmes.”

#### *Evaluation Study*

2.2 The Reserve Bank of India has recently undertaken study of DRI Schemes as also cash disbursement system under IRDP which are nearing completion. The conclusion of study will be examined by the Reserve Bank of India.

2.3 Ministry of Rural Development has so far undertaken three rounds of concurrent evaluation of IRDP through reputed research institutions. Fourth round is in progress.

#### *Improvement*

#### *Integrated Rural Development Programme*

2.4 To bring about the qualitative improvement in the IRD programme, Ministry of Rural Development has taken the following action:

- (i) The subsidy limit of IRDP has been enhanced by Rs. 1000 which is expected to result in higher family investment.

- (ii) State Governments/U.T. Administrations have been requested to pay adequate attention to the qualitative aspect of the employment programme. In particular they have been advised to take the following action:
- (a) To prepare a good portfolio of projects and schemes under IRDP taking into consideration the potential and opportunities for productive self-employment.
  - (b) Selection of activity through detailed inter-action with beneficiaries through credit camps etc.
  - (c) Sincere efforts should be made to promote group projects under IRDP covering agriculture, irrigation, tiny enterprises, village industry etc.
  - (d) Acquisition of assets should be undertaken in consultation with the beneficiary with due care and search. Chairman DRDA should call regular meetings of district credit committee, block level committee etc.
- (iii) It has been observed that recovery of IRDP loans is not satisfactory. The States/UTs and DRDAs have been asked to render all possible assistance to banks in recovering dues from IRDP beneficiaries. Credit-cum-recovery camps are to be organised periodically. The recovery is also to be reviewed in Block Level and District Level Coordination Committees meetings.
- (iv) NABARD and RBI have been requested to ensure that the banks improve the quality of lending under IRDP.

2.5 As regards the performance, the Special Secretary of the Ministry of Finance submitted during evidence as under:

“These programmes are tailored to the requirement of the area, identification of beneficiaries, projects, linking up beneficiaries with the projects, subsidy and a certain back up by the loan. While in quantitative terms the figures have been increasing over the years, there is a great deal of disquiet within Government and within other circles as to the efficacy of the programmes. If we had come to the conclusion that we had created a large number of people who had become much better off, we could have said we have achieved a great deal. The performance in this sector has been somewhat mixed. There are areas where the programme is doing well; there are certain other areas where there is a great deal of concern about the programme not doing well.

The creation of asset acts as a positive factor in case assets are created and the income is generated, where there is no bad intention.

Where there are other elements like misutilization of subsidy, misappropriation or collusion between bank officials and the Government, there the situation becomes worse. There was no programme of this kind 15 years ago. We have taken positive steps in this regard. We are still far away from our goals. We are trying to improve our system. We have a Committee which has been appointed by the RBI to go into the functioning of these programmes and to see how we can improve them in the next few years."

### **B. Eligibility Criteria and Identification Procedure**

2.6 The eligibility criteria under each scheme and the procedure for identification is indicated below:—

#### *(i) IRDP*

##### *Eligibility criteria*

Small and marginal farmers, agricultural labourers, rural artisans and others whose annual family income is below the cut off line of Rs. 8500/- (income limit of a family has been prescribed at Rs. 11000/- p.a.).

##### *Identification Procedure*

A list of families below the poverty level is prepared by the officials deputed by DRDAs. The list so prepared is then placed for approval in the meeting of the Village Assembly. The list of beneficiaries selected in the Village Assembly is displayed on the notice board of the village panchayat. After the disputes/objections regarding the list are dealt with by the project officer, DRDA in consultation with the BDO, the list of beneficiary families selected is printed block-wise by the DRDA and copies made available to the bankers among others.

#### *(ii) DRI*

##### *Eligibility Criteria*

Family income of the borrower not to exceed Rs. 7200/- p.a. in urban/semi-urban areas and Rs. 6400/- p.a. in rural areas. Size of land holding not to exceed one acre of irrigated land and 2.5 acres of unirrigated land. The land holding criteria is not applicable to SC/ST.

##### *Identification Procedure*

The eligibility criteria has been laid down by the GOI on the basis of family income, land holdings etc. The banks with their wide net-work of branches in the rural areas are in a position to identify the beneficiaries who fulfill the eligibility criteria stipulated under DRI Scheme.

#### *(iii) SEEUY*

##### *Eligibility Criteria*

All educated unemployed youths in the age group of 18-35 years who are matriculate (Class X passed) and above are eligible. ITI passed youths in the prescribed age group are also eligible for undertaking industrial and

service ventures. Family income from all sources should not exceed Rs. 10,000/- p.a. Women and technically trained persons will be given due consideration/weightage.

*Identification Procedure*

The beneficiaries are identified by a Task Force headed by the General Manager of the District Industries Centre, Representatives of Lead Banks, Small Scale Service Institutes and District Employment Officers are also associated with the Task Force.

(iv) *SUME*

*Eligibility Criteria*

Total family income should not exceed Rs. 11,850/- p.a. Applicant should be a permanent resident of the area or should have lived for atleast 3 years in the area and his/her name should appear on the ration card. In case the applicant or the family of which he/she is a member has not been issued a ration card, Residency certificate issued by the Deputy Commissioner/District Magistrate or any other appropriate authority designated by the State Government may be accepted. He/she should possess requisite skill (wherever skill is required) and aptitude for undertaking the activity. The applicant should not be borrower from any bank/credit institution under similar schemes of the Government of India, State Government or State owned Corporation for assistance to the poorer sections of the society. In respect of a loan for any other purpose from any bank or credit institution, the applicant should not be a defaulter.

*Identification Procedure*

The beneficiaries are identified by the Urban local bodies.

(v) *SLRS*

*Eligibility Criteria*

Persons engaged in occupation of manually removing night soil and filth (scavengers) are eligible for assistance under the scheme.

*Identification Procedure*

The State Scheduled Caste Development Corporations (State SCDC) have been given the responsibility of identification of the beneficiaries.

(vi) *PMRY*

Government in consultation with Reserve Bank of India have formulated a new scheme called Prime Minister's Rozgar Yojana (PMRY) where projects upto Rs. 1 lakh are financed. SEEUY has been subsummed with PMRY from 1.4.1994.

*Eligibility Criteria*

Unemployed educated persons between 18 and 35 years, who are matric passed or failed or ITI passed or have undergone Government sponsored

technical courses for minimum 6 months and are permanent residents of the area for atleast three years are eligible under the scheme. The family income of the beneficiary should be upto Rs. 24,000/- per annum. The beneficiary or a member of his family should not be defaulter to a nationalised bank/financial institution/Co-op. Bank.

### *Identification Procedure*

Identification of beneficiaries is done by a Task Force. Task Force comprises a Chairman who will be a senior officer of the implementing agency preferably head of the agency e.g. General Manager of District Industries Centre, Director in case of SISI, Additional Director of Industries in case of Directorate of Industries, Vice-Chairman in case of DUDA. Other members of the Task Force include representatives of (i) Lead Bank (ii) Two leading banks (iii) District Employment Officer (iv) One member each from DIC/SISI/DUDA (other than the implementing agency) (v) One officer as Member-Secretary to be nominated by the Chairman of the Task Force (vi) Chairman may co-opt. one or more members from reputed Non-governmental organisations.

The Task Force is to invite applications from eligible persons through advertisement in local news papers.

2.7 Enquired about the modifications the Government would suggest to make them more beneficial both to the beneficiaries and to the Bank, the Ministry have stated:—

“With a view to assess the measures required for making the schemes more effective in achieving their objectives, action has already been initiated in regard to DRI Scheme and IRDP. In the case of DRI Scheme a survey has been undertaken by RBI. A High Level Expert Committee had been constituted by RBI to review IRD Programme. SEEUY Scheme is to be subsumed with PMRY Scheme where an higher amount of loan (Rs. 95,000/- maximum) would be available for the beneficiaries who were finding it difficult to undertake self-employment ventures because of inadequate loan assistance under SEEUY Scheme.

2.8 As regards terms of reference of the High Powered Expert Committee consituted by RBI to examine modifications/amendments to improve the implementation of IRD Programme, and the target date for submission of their report, the Special Secretary (Banking), Ministry of Finance (Department of Economic Affairs) during evidence stated:

“The terms of references of the Committee are: to review the present procedure in IRDP and suggest changes; to review existing system of

sponsoring of loan applications; to examine the role of Governmental agencies in sharing the linkages; to examine procedure in sanctioning of loans by banks and suggest improvements in timely and adequate credit being made available to examine the causes of poor recovery; to examine the procedure for disbursement of subsidy under IRDP, etc.

The time-limit was set by the Committee itself as February, 1994. A questionnaire was sent out in the month of November, 1993 to a large number of organisations. Replies have been received from about 100 organisations including some individuals and these were Chief Secretaries of the State Governments, Officers selected from NGOs, banks, academicians, etc. They were given 45 days time to submit their replies.

The Committee has also drawn up a schedule after we received replies to these questionnaires to visit certain field areas. I do not know the revised schedule of the Committee but we hope that they would be able to complete the report very soon."

2.9 Subsequently, an interim report of the Expert Committee on IRDP was furnished to the Committee by the Ministry. It has been *inter-alia* stated in the Report that following the consultation between Ministry of Rural Development, Government of India and the Reserve Bank of India (RBI), an expert Committee under the Chairmanship of Shri D.R. Mehta, Deputy Governor, was constituted by RBI on 29th September, 1993 to review the Integrated Rural Development Programme (IRDP) and to recommend suitable measures for strengthening it with a view to making it more effective for alleviation of poverty. Since the Committee could not complete the task assigned to it, owing to the complexity and vastness of the subject to be addressed, it was decided to make interim recommendations on some of the urgent issues on which the Committee could complete its deliberations and formulate its views. Accordingly they have presented this interim report. The Committee expects to come out with their final report shortly.

2.10 In regard to the survey undertaken by the Reserve Bank of India in case of DRI Scheme, the Ministry of Finance (Department of Economic Affairs—Banking Division) has informed that RBI had reported that the study report was under their consideration and would be communicated to the Estimates Committee together with their recommendations in due course.

2.11 In regard to selection of beneficiaries under various schemes, the Committee desired to know as to whether the bank officials were also involved in the selection of beneficiaries. In reply, the Ministry furnished the following position scheme-wise:—

Name of the Scheme	Whether the bank officials are also involved in the selection of beneficiaries.
(i) DRI	Yes
(ii) IRDP	No
(iii) SEEUY	Yes
(iv) SUME	Instructions are being issued to associate the bank officials in this regard
(v) SLRS	No
(vi) PMRY	Yes

2.12 When asked whether the bank officials take the help of local MPs/ MLAs in the identification of beneficiaries, the Ministry stated that the guidelines of RBI did not stipulate such arrangements from bank officials in the discharge of their duties.

2.13 Explaining the major drawbacks in selection of beneficiaries the Special Secretary (Banking) of the Ministry of Finance during evidence stated as under:—

“These Committees meet to see that a large number of cases in a very short time are cleared without a proper scrutiny and various options are available to the Bank Manager to try and make some scrutiny. That is not happening. I say that there must be a constant flow and applications throughout the year and the Bank Manager should be associated in identifying the beneficiaries; they should be creditworthy. The role of the agency is to give a certificate to the person that he is liable to get the loan. Then the banks will give the loan.”

2.14 Enquired about the desirability of involving public bodies in the proper selection of beneficiaries under SEEUY scheme, the Special Secretary (Banking) reacted as follows:—

“There is no question of public bodies. They are equally vulnerable. There is an attraction for the subsidy. People are made to make applications. Applications are appended together and targets are fulfilled. I can only say that there is need for improvement. Had the system been allright, there would have been no need for a change. It would be worked out. You rightly say that the concerned persons are there. They have to find out the correct answers. Unfortunately, at the moment, it is not so.”

2.15 Asked to articulate the views of the Ministry on the issue of selections of beneficiaries or various schemes, the Special Secretary (Banking) during evidence states:—

“As far as our view is concerned, there should be no Committee at the district level. The bank should identify the beneficiary and they should be held responsible for reaching the targets. If they identify the beneficiary they would be liable to recover the money.”

2.16 In this connection, the Committee also wanted to know the views of the Ministry of Urban Development in this regard, the representative of the Ministry of Urban Development during evidence expressed his views as follows:—

“I am speaking with reference to the experience that we have had over the last three years in the implementation of the programme. We have had discussions at various levels and we found that there are a number of factors which we need to take into account. The hon. Member had earlier raised the issue relating to identification of beneficiaries as to who should be involved etc. No doubt, while the banks may be involved in the initial identification be beneficiaries, but so far as the urban bodies are concerned we are leaving this specific task to the local people to identify the local beneficiaries. But ultimately the sanction of a project has to be based on the economic viability of that project and that responsibility should necessarily be of the bank. So, we have left the responsibility to the bank so that the economic viability is there and the person is able to repay the loan. Now, our discussions are at the field level. Most of the people are not either interested in subsidy or even at a lower rate of interest. What they are interested in is a procedure by which they will get the money quickly. If today I want to set up a project, if I have to fill up 15 forms and go to 10 agencies and to spend six months, I am not in a position to do. Poor person is not in a position to do these things. The system should be reaching him at the grassroot level, responds to him immediately and is able to give him money and to have flexible system in terms of repayment. In many segments there have been various experiments which have been going on which are being promoted by NGOs and community organisations where we find saving groups, saving organisations which are formed at various projects, are able to work better. They go into a simpler loan process and operate at the community level. The application is seen by the community group and the money is given instantaneously, within a week. There is flexibility in terms of how the money comes back. In the community group, local community people have to be very much involved in the whole process of identification and giving money. It cannot to the bank going to the individual and giving money”.

2.17 When enquired as to what improvements can be brought about in the methodology for identification of beneficiaries under various schemes, the Special Secretary (Banking) during evidence stated:

“We are trying to select the right kind of projects. I am not quite sure whether the system to various Government departments identifying the schemes and identifying the persons is the right way. I think we need to learn lessons from the experiment of our neighbour, Bangladesh. In Karnataka also, it is working well. The identification is done by group leaders of voluntary organisations who have nothing to do with the Government end who are really dedicated. We have got to look for an alternative situation and a solution.

2.18 Subsequently, in a note furnished after evidence the Ministry stated that involvement of Non-governmental agencies/voluntary agencies identification of eligible beneficiaries might prove beneficial in this regard. Under the Scheme—Prime Minister’s Rozgar Yojana (PMRY) recently formulated by Government of India, provision has been made to include reputable Non-government Organisations in implementing the Scheme.

### C. Monitoring and Evaluation Mechanism

2.19 As part of post lending follow-up the banks are expected to make field visits to the Units of the beneficiaries assisted to ensure that the credit made available to the beneficiaries is properly utilised. Evaluation studies, sample surveys etc. are also undertaken to assess whether the benefits of the scheme have really reached the people for whom the schemes are made. Also senior level officers of the banks are expected to pay periodical branch visits to ensure the proper implementation of the various schemes. The branch level staff also visits the beneficiaries periodically and in particular on Non Public business working day. Further, the implementation of various Government sponsored poverty alleviation schemes is reviewed at various for a such as District Level Consultative Committee State Level Bankers’ Committee and RCC.

2.20 According to the Ministry adequate mechanism to monitor and evaluate the performance of the various Government programmes including credit facilities to weaker sections of the society exists as follows:—

“RBI is maintaining a separate Department namely Rural Planning and Credit Department which monitored the implementation of various poverty alleviation programmes of the Government. It is also maintaining a separate cell within that Department for monitoring exclusively the credit flow to SCsSTs which form an important segment of weaker sections. The proper monitoring of various Government programmes for poverty alleviation is also ensured by the respective Board of Directors of the public sector banks where representations from RBI and Government of India is also made.

Besides this, Ministry of Finance (Banking Division) also review periodically by holding meetings with the senior executives of public sector banks the performance of banks in the matter of extending credit assistance to priority sector, weaker sections and other Government sponsored programmes. Flow of Credit under various Government sponsored programmes as well as under priority sector and to weaker sections is also monitored and discussed by the State Level Bankers' Committee in their periodical meetings.

2.21 The Committee desired to know the periodicity of visits of senior level officers of the Banks and follow-up action after such visits. The Ministry in their reply have stated as follows:—

“There is system in the banks for officials from the controlling offices to visit branches under their control for on the spot monitoring of their operations. The periodicity of such intervals differ from bank to bank. The visiting officials are expected to record their observations in visit notes to be followed-up by the branches concerned. RBI Inspectors comment on the quality of such visits during their inspection of the banks concerned. Such visits are intended to supervise the overall operations of the bank and not for any particular schemes.”

2.22 Asked about the findings of the visiting officials/RBI inspectors during the last three years and the follow-up action taken thereon by concerned banks, the Ministry in a note furnished after evidence have stated that:—

“General observations of the Inspecting Officers during the last three years on visiting the branches by functionaries of the controlling office as under:—

- (i) Periodical visits by the controlling office functionaries are not carried out/not carried out regularly.
- (ii) Visits notes not recorded/not sent to branches.
- (iii) Compliance of the visit notes recorded is not followed-up.

These observations pointed out by RBI to the banks concerned in the Inspection Report for compliance.”

2.23 The main objective of the poverty alleviation schemes is to provide credit facilities to weaker sections of the society in the form of subsidy and bank loans for small productive and self-employment ventures etc. to improve their economic conditions. The success of the venture/project depends upon the proper selection of the beneficiaries, economic viability of the projects, adequate loan amount, timely disbursal, requirement of additional funds, repayment schedule etc. and for that responsibility should necessarily be of the bank extending credit assistance. The Committee desire that Government should take into consideration positive aspects of association of Non-governmental agencies/voluntary organisations in

identification of eligible beneficiaries in the light of the experience on the successful functioning of poverty alleviation schemes in the State of Karnataka. The Committee also desire that workers rendered jobless as a result of closure/sickness of mills falling within the prescribed income limit, may also be considered for benefit under the poverty alleviation programmes of the Government.

2.24 The Committee note that under each scheme of Poverty Alleviation Programme eligibility criteria and procedure for identification of beneficiaries have been laid down. The identification of eligible borrowers under DRI Scheme is done by the banks with their wide net-work of branches in the rural areas. The beneficiaries under IRD Programme are identified by officers deputed by DRDAs and finalised with the help of village Assembly and BDO. In regard to schemes like SEEUY and PMRY, the list of eligible borrowers is finalised by a task force consisting of officials from lead banks, Government and reputed Non-governmental organisations. However, the beneficiaries under SUME are identified by Urban Local Bodies consisting of Nagar Panchayats, Nagar Palikas and Municipal bodies. While expressing some reservations about the identification procedure, the Special Secretary (Banking) during evidence admitted that 'I am not quite sure whether the system of various Government departments identifying the schemes and identifying the persons is the right way'. In order to improve the existing system in identification of beneficiaries the Ministry based on experience of functioning of such schemes in the State of Karnataka have suggested that association of Non-governmental agencies/voluntary agencies might prove beneficial in this regard.

2.25 The Committee note that the Government of India have formulated various schemes/programmes viz., IRDP, SUME, SEEUY, and DRI etc. to alleviate poverty of those people who are very poor and generally belong to the weaker sections of society. These schemes provide for special provisions for the benefit of SCs/STs who form a major segment of the weaker sections of the society. The main objectives of the various schemes aimed at providing credit facilities to weaker sections of the society have been to provide them opportunities through a package of assistance in the form of subsidy and bank loan for small productive and self-employment ventures etc. to improve their economic conditions by enabling them to have a continuing source of income. During the examination of extending credit facilities to weaker sections of the society under the poverty alleviation schemes of the Government, the Committee have gathered an impression that these schemes have not been able to achieve their stated objectives. In this connection, the Special Secretary (Banking), Ministry of Finance (Department of Economic Affairs) during the evidence before the Committee admitted that 'there is a great deal of disquiet within Government and within other circles as to the efficacy of these programmes. The performance in this sector has been somewhat mixed. There are certain other areas where there is a great deal of concern about the programme not doing well. The Special Secretary (Banking), during

evidence also enumerated some of the factors *viz.*, misutilisation of subsidy, misappropriation or collusion between bank officials and the Government etc., which may be responsible for unsatisfactory performance of these schemes. He further informed the Committee that some steps have been taken by the Ministry in this regard and added that 'we are still far away from our goals. We are trying to improve our system'.

2.26 The Committee are informed that a survey was undertaken by RBI in regard to DRI Scheme and its study report was under the consideration of Government. In regard to IRDP, an Expert Committee was constituted to review the programme. The Committee are concerned to note that this Expert Committee was expected to submit its report by February 1994 but they have only submitted an interim report so far. The Committee, therefore, urge the Government to expedite the final Report of the Expert Committee on IRDP as also the consideration of study report on DRI so that identifications of factors responsible for poor performance of these schemes/programmes could be made without any further delay. The Committee also desire the Government to examine whether there is a need for similar Expert Committee to review other poverty alleviation schemes of the Government to identify the factors responsible for their unsatisfactory performance and to suggest suitable measures for making them more effective for alleviation of poverty. The Committee would like to be informed of the steps taken in this regard within six months of the presentation of this Report.

2.27 The Committee note that the RBI is maintaining a separate Department namely Rural Planning and Credit Department (RPCD) which *inter-alia* monitors performance of the public sector banks in the matter of extending credit assistance to SCs/STs/Weaker sections under the various poverty alleviation programmes of the Government. In addition to the monitoring by RPCD of RBI, senior level officers of various banks from their controlling offices visit branches under their control for on-the-spot monitoring of the operations of the branches. The visiting officers are expected to record their observations in visit notes to be followed-up by the branches concerned. RBI Inspectors comment on the quality of such visits during their inspections of the banks concerned. The Committee express their unhappiness over the findings of the RBI, which have revealed that periodical visits were either not carried out or not carried out regularly. In some cases the visit notes were not recorded and in other cases notes were not sent to the branches for compliance. Even in some cases compliance of visit notes were not followed-up. The Committee feel that these visits could prove very useful in identifying the problems faced at the ground level in extending credit assistance to weaker sections of the society and suggesting remedial measures. The Committee, therefore, recommend that Ministry/RBI should take expeditious steps for streamlining the existing spot monitoring and inspection systems in the controlling offices by the visiting Senior Officers in the light of RBI observations to make them objective and purposeful.

## CHAPTER III

### DISBURSEMENT AND RECOVERY

#### A. Targets

3.1 The targets for priority sector advances/weaker sections were fixed by RBI based on recommendations of various working groups/Reserve Bank of India, appointed in consultation with Government of India.

3.2 In regard to targets fixed for disbursal of loans to weaker sections and their achievement at all India level *vis-a-vis* at different regional level, the Ministry in a note have stated that:

“Banks have to lend 40% of the net bank credit to the priority sector and the advances to weaker sections are required to reach a level of 10% of the net bank credit. The targets are in terms of outstanding credit and not disbursement. As against this target, as at the end of March 1993 the public sector banks advances to priority sector had reached a level of 36.04% of their net bank credit. The percentage of their advances to weaker sections as at the end of March, 1993 was 894 of the total net bank credit. It has also been stipulated that 1% of the total credit of the banks will be provided at differential rate of interest (DRI) of 4% loans upto Rs. 6500/-. A bank has to achieve the above targets on all India basis and not State/Regional basis. No State-wise/Regional-wise targets have been fixed in this regard.”

3.3 Asked to explain the reasons as to why State-wise/Regional wise targets could not be fixed, the Ministry have stated that the priority sector lendings targets and sub-targets are to be complied with by banks for the country as a whole and not Region-wise or State-wise. However, banks have been advised to avoid Region-wise disparities. Further, performances of banks in lending to borrowers in the priority sectors is reviewed in meetings of the State Level Bankers Committees (SLBCs) with a view to monitoring State-wise/Region-wise performance by banks in this regard. Further with a view to reducing the regional disparities in the deployment of bank credit the concept of Credit Deposit Ratio has been evolved and the Credit Deposits Ratios of banks' in respect of their rural and semi-urban branches are monitored at the State level. As the geographical spread of branch network is not uniform for all banks, it would not be practicable to stipulate and monitor State-wise/Region-wise targets and sub-targets for banks in respect of priority/sector lendings.

**3.4 With regard to the achievement of targets by various Public Sector Banks, the Ministry have stated that achievement of Public Sector banks in relation to target fixed for priority sector advances to weaker sections for the last three years are indicated in the *Annexure (A B)*.**

## ANNEXURE A

*Bank-wise Performance of Public Sector Banks with Regard to Priority Sector Lending as at the end of March 1991, March 1992, and March, 1993*

Name of the Bank	Priority Sector Advances (%)		
	March 1991	March 1992	March 1993
State Bank of India	38.72	39.0	32.6
State Bank of Bikaner & Jaipur	36.44	37.6	34.1
State Bank of Hyderabad	37.41	36.2	37.4
State Bank of Indore	41.03	39.6	37.9
State Bank of Mysore	40.09	38.6	37.3
State Bank of Patiala	41.27	42.2	37.2
State Bank of Saurashtra	41.51	42.2	40.4
State Bank of Travancore	45.14	40.5	40.9
Allahabad Bank	42.12	43.2	41.0
Andhra Bank	39.31	37.7	38.4
Bank of Baroda	41.62	41.4	39.2
Bank of India	40.44	39.9	34.4
Bank of Maharashtra	43.17	42.0	40.0
Canara Bank	39.69	38.4	38.2
Central Bank of India	40.46	40.7	38.2
Corporation Bank	40.12	40.9	38.3
Dena Bank	43.10	42.1	37.1
Indian Bank	40.05	40.5	43.8
Indian Overseas Bank	40.34	42.4	40.1
New Bank of India	42.43	42.7	40.0
Oriental Bank of Commerce	43.90	41.3	40.4
Punjab National Bank	42.07	43.4	40.1
Punjab & Sind Bank	37.88	38.1	37.0
Syndicate Bank	39.55	37.4	32.8
Union Bank of India	40.02	38.8	35.5
United Bank of India	36.96	35.4	36.8
UCO Bank	38.66	38.8	37.3
Vijaya Bank	39.85	43.7	40.8
All Public Sector Banks	40.02	39.8	36.6

**ANNEXURE B**

**Bank-wise Performance of Public Sector Banks with Regard to Advances to Weaker Sections Lending at the end of March 1991, March 1992 and March, 1993**

Name of the Bank	Advances to Weaker Sections (%) (Target 10% to NBC)		
	March 1991	March 1992	March 1993
State Bank of India	8.5	7.9	6.9
State Bank of Bikaner & Jaipur	7.9	9.4	8.8
State Bank of Hyderabad	10.7	9.9	10.6
State Bank of Indore	8.5	9.4	9.2
State Bank of Mysore	7.7	7.7	7.1
State Bank of Patiala	9.7	10.5	9.0
State Bank of Saurashtra	7.0	8.2	7.0
State Bank of Travancore	14.1	12.5	13.8
Allahabad Bank	12.0	12.4	11.5
Andhra Bank	10.4	20.2	11.0
Bank of Baroda	10.9	10.4	9.7
Bank of India	10.0	9.5	8.1
Bank of Maharashtra	9.6	9.7	9.4
Canara Bank	10.0	10.2	10.4
Central Bank of India	9.0	9.2	8.5
Corporation Bank	8.2	10.3	8.2
Dena Bank	8.9	8.8	7.5
Indian Bank	10.0	10.0	10.3
Indian Overseas Bank	10.0	10.6	10.0
New Bank of India	10.9	11.4	10.4
Oriental Bank of Commerce	9.6	10.0	9.0
Punjab National Bank	12.1	12.6	11.9
Punjab & Sind Bank	9.5	9.1	9.2
Syndicate Bank	10.0	9.8	8.5
Union Bank of India	10.5	11.0	9.2
United Bank of India	9.3	9.8	9.8
UCO Bank	11.0	10.5	10.3
Vijaya Bank	10.6	12.0	11.1
All Public Sector Banks	9.7	9.7	8.9

3.5 Asked whether the Government was satisfied with the response from the weaker sections under various schemes and the performance of banks in each of the regions in relation to targets fixed for the purpose, the Ministry have stated in their reply that under IRDP which is a major poverty alleviation programme designed for the weaker section, the implementing agencies viz. State Governments/Banks have achieved the yearly target fixed thereunder since the inception of the Programme. The achievement of the targetted level of assistance under DRI, SEEUY, SUME etc. has not been satisfactory. In the case of DRI it is observed that the target group tends to prefer schemes involving capital/subsidy rather than DRI Scheme where only concessional rate of interest is offered to the beneficiaries, under SEEUY, it is observed that the majority of SC/ST candidates having requisite qualifications opt for salaried jobs.

3.6 The targets fixed and the achievements made under DRI, SEEUY, SUME during last three years are as under:

(a) DRI

Year ended	Target	Achievements
March 1991	1% of the banks' total advances outstanding at the end of the previous year	0.7%
March 1992	—do—	0.7%
March 1993	—do—	0.7%

(Group—Public Sector Banks)

(b) SEEUY

Year	Target No. of beneficiaries	Loan sanctioned to number of beneficiaries	% of (3) to (2)
1990-91	125000	100100	80.08
1991-92	125000	77698	62.16
1992-93*	125000	10867	69

\*Data Provisional

## (c) SUME

Programme Year	Target No. of beneficiaries to be assisted	No. of beneficiaries assisted	% of (3) to (2)
1990-91	—	83004	—
1991-92*	—	138574	—
1992-93*	100760	34096	33.8

## \*Data Provisional

No target was fixed during 1990-91 and 1991-92.

3.7 In this connection, the Committee wanted to know as to why no targets were fixed under SUME during the years 1990-91 to 1991-92. The Ministry in a note stated that the scheme of Urban Micro Enterprises (SUME) was formulated by the Ministry of Urban Development and the same is administratively controlled by that Ministry. In the initial stage of the scheme no physical targets were fixed under the Scheme. The subsidy amount under the scheme is to be shared between the Government of India and the State Government/Urban Local Bodies (ULB) on a 50 : 50 basis. It was stipulated in the scheme that allocation of the central subsidy will be made among the States by the Ministry of Urban Development, Government of India on the basis of norms linked to proportion of urban population and the incidence of urban poverty; in respect of Bombay, Calcutta, Madras and Delhi Municipal (including NDMC) corporation allocation of subsidy will be based on separate norms. Urban Local Bodies were required to ensure that applications were sponsored to bank branches commensurate with the amount of subsidy available under the scheme. Subsequently, with effect from the year 1992-93, a target of minimum number of beneficiaries to be covered under the scheme was stipulated and the same was 1,00,760 for the year 1992-93.

3.8 In regard to DRI scheme, the Committee desired to know as to how far this scheme had fulfilled the targets for which it was started. In reply, the Ministry have stated that the DRI scheme was introduced in June 1972 by the Government of India. The scheme is primarily meant to cater to the credit requirements of the weakest among the weak by assisting them in their efforts to improve their economic conditions through small productive endeavours. Under the scheme credit upto Rs. 6500/- is to be made available to borrowers at an interest rate of 4% per annum. The scheme also provides that 40% of the total DRI advances by the banks should go to SCs/STs. It will be seen from the following statistical data that although

the banks have not been able to achieve the targets under the scheme, a large number of persons have availed of the benefit under the scheme. In the case of SCST their share in benefits is more than the stipulated target.

(Accounts in lakhs)  
(Rs. in crores)

Year ended	Total DRI advances		of which to SC/ST		% of advances to SC/ST to total DRI advances
	No. of A/cs.	Amount O/s	No. of A/cs.	Amount O/s	
March 1991	35.11	620.84	16.07	273.66	44.08
March 1992	32.02	727.24	14.67	373.03	51.29
March 1993	29.58	704.60	13.82	359.23	50.98

3.9 During the study tour to various places in the country the Committee found that banks have not been able to achieve their targets fixed to advance loans under DRI scheme. The Committee desired to know the reasons for it and enquired whether the Government had analysed reasons for weaker sections of the society not coming forward for loans under this scheme. The Ministry have stated in their reply that under the DRI scheme, banks are required to ensure that they lend at least 1% of their aggregate advances as at the end of the previous year. However, banks' lending under the scheme has fallen below the target level in recent years (Annexure). As at the end of the years 31 March, 1991, 31 March 1992 and 31 March, 1993 the public sector banks' advances under the scheme had reached a level of 0.7%, 0.78% and 0.75% respectively of their aggregate advances as at the end of the relative previous years. Some of the reasons responsible for the banks' failure to achieve the target have been as under:

- (i) Borrowers find other Government sponsored subsidy linked schemes more attractive than DRI Scheme.
- (ii) Difficulty in identifying the eligible borrowers.
- (iii) Write offs and reliefs given to eligible beneficiaries under RDR Scheme (1990) brought down the number of accounts and amount outstanding under the scheme.

3.10 As regard non-achievement of targets under various schemes, the Committee desired to know the reasons for it. In reply, the Special Secretary (Banking) during evidence stated:

“The targets are indicative and efforts are made to achieve them. I do not have sufficient reasons to say why they did not reach the level. One of the reasons may be the lower recovery.”

3.11 Subsequently, elaborating about the reasons for non-achievement of targets under various schemes like IRDP, SEEUY, SUME, etc. the Ministry after evidence furnished the following note scheme-wise:

(i) *IRDP* : As far as IRDP Programme is concerned the prescribed target in respect of SC/ST has been achieved during the last three years. In respect of women beneficiaries the percentage was 30.09%, 33.16%, 33.39% during the last three years as against the target of 40% prescribed. The major reasons for non-achievement of the target can be attributed to various factors such as low literacy, restrictive social practice, predominance of patriarchial society and lack of exposure to changes etc., Participation by major commercial banks in extending credit to women was negligible. Under IRDP family is the unit and woman of the defaulter family was being denied loan facilities. However, recently Reserve bank of India has issued instructions to all Indian Scheduled Commercial Banks (excluding RRBs) that assistance under DW CRA may be extended to groups of women, although members of their family may be defaulters to banks under IRDP, crop loan or any other borrowing. This will help the banks to improve their performance in achieving the prescribed target.

(ii) *SEEUY* : The main reasons for non-achievement of targets under the scheme are as under:

(a) As the maximum amount of loan under the scheme is only Rs. 35,000/-, many educated unemployed youth (who are the targetted beneficiaries under the scheme) were not turning up for accepting the loan.

(b) Regarding non-achievement of SC/ST targets, in some States their percentage of presence was very less and in most cases, with reservation available for regular employment where greater and assured income is available, they preferred to go for employment than taking to SEEUY Loans.

(iii) *SUME*: No targets are advised under SUME and receipt, sanction and disposal under the scheme is a continuous process.

3.12 The Narasimham Committee on Financial System had recommended that the directed credit programme should be phased out, priority sector should be redefined to include only the smaller borrowers and the target for the redefined priority sector should be lowered to 10% from the existing target of 40%. The banks perhaps, took a wrong signal from the recommendation and adopted a cautious approach in the area of priority sector lendings. It may, however, be mentioned that the Government and RBI have made it categorically clear that the priority sector lendings obligation for banks would not be reduced.

3.13 When asked to furnish the action/steps taken by the Government to ensure the achievement of targets under various schemes, the Ministry in a written note stated that as regards DRI Scheme, the RBI had

undertaken a survey through its Regional Offices. The study report was stated to be under consideration of the Government. Depending on the findings of the survey remedial steps which might be necessary would be initiated in consultation with the Government. As for IRDP, a High Level Expert Committee under the Chairmanship of Shri D.R. Mehta, then Dy. Governor, RBI was constituted to go into the various aspects of the programme. An interim report was submitted by the Committee recently. As regards other schemes, it might be mentioned that SEEUY schemes, was to be subsummed with PMRY scheme from 1994-95. Under PMRY scheme maximum loan amount had been fixed at Rs. 95,000/-. In the year 1993-94, the reservation for SC/ST under SEEUY was 30% of sanction, and under PMRY the reservation was 22.5%.

3.14 Elaborating on the measure taken by the Government for achievement of targets laid down under each of these schemes, the Ministry have furnished the following scheme-wise measures taken by them:

(i) *DRI*: Although the target group is not very enthusiastic about the DRI Scheme in view of the availability of the other schemes which provide capital subsidy, banks are being constantly advised through various fora to improve their performance under DRI Scheme. The Ministry of Finance, Government of India also reviews DRI Scheme alongwith other poverty alleviation programmes. Banks have also been advised that housing loan to the extent of Rs. 5000/- granted to SC/ST beneficiaries who fulfil the income criteria of DRI Scheme can be reckoned as advances granted under DRI Scheme *vide* RBI circular dated 14.5.91. This assistance is in addition to the productive loan of Rs. 6500/- available under the scheme.

(ii) *IRDP*:

(i) Reserve Bank of India has issued instructions to banks to render all possible assistance to women beneficiaries. In this connection the consensus arrived at after discussions in various fora and workshops has been to encourage organisation of groups of eligible women beneficiaries by voluntary agencies as envisaged under Development of Women and Children in Rural Areas (DWCRA) a sub-scheme under IRDP, as voluntary agencies have the requisite expertise to play a crucial role in formation of such groups and generate rapport between women and banks, which has been lacking hitherto on account of existing socio-economic set-up.

(ii) In order to inculcate attitudinal changes towards women on the part of bank officials and also with a view to keeping them posted with the latest policy guidelines on credit flow to women beneficiaries, the banks are advised to include suitable lecture sessions as a part of their relevant training programme for officers. The banks are also advised that the matter may be

periodically reviewed in fora like BLBC/BLCC/DCC, SLBC etc., to ensure that the targets fixed for providing assistance to women are achieved.

- (iii) The Government of India, Department of Women and Child Development and National Institute of Bank Management have launched a pilot Project "Intensive Thrust and Close Monitoring in selected Areas for Sensitising Credit and Support Services on Gender Issues" in 6 Districts of different Regions of the country. In each selected districts 2 blocks are selected for implementation of the pilot project. The main objective of exercise is to build in Gender perspective into micro-level planning through the instrumentality of the Service Area Plan and ensure effective implementation of beneficiary oriented schemes especially for women below the poverty line by proper formulation of the projects, tying up of backward and forward linkages and other support services. The Pilot Project envisages that of the New Loan Accounts of the Branch during 1993-94, 1994-95 and 1995-96, 40% will be for women. Likewise, of the new accounts belonging to Below Poverty Line family 40% will be women's accounts.

(iii) *SEEUY*: As the amount of loan under the scheme was felt to be insufficient for undertaking viable activities, it was decided to increase the maximum amount of loan. Hence, Government in consultation with Reserve Bank of India have formulated a new scheme called Prime Minister's Rozgar Yojana (PMRY) where projects upto Rs. 1 lakh are financed. *SEEUY* was stated to be subsummed with PMRY from 1.4.94.

(iv) *SUME*: As stated earlier, there are no targets as such. However, a suggestion to constitute a High Powered Committee to go into the entire gamut of the scheme and make recommendations for effective and successful implementation is under consideration of Government of India.

3.15 In regard to the targets fixed and advances granted by Public Sector Banks to SC/ST beneficiaries under each scheme during the last three

years, the Ministry furnished the following details both in the terms of numbers as well as accounts:

DRI (All Banks)

(A/c. in lakhs)  
(Amount in crores)

Target for SC/ST: 40% of total DRI advances

Year ended	Total DRI Advances		Of which to SC/ST		% of advances to SC/ST to
	No. of A/cs.	Amount O/s.	No. of A/cs.	Amount O/s.	
March 1991	35.11	620.84	16.07	273.66	44.08
March 1992	32.02	727.24	14.67	373.03	51.29
March 1993	29.58	704.60	13.82	359.23	50.98

IRDP (All Banks)

Year	% of SC/ST families to total families assisted	
	Target	Performance
1990-91	50%	49.90%
1991-92	50%	51.09%
1992-93	50%	49.12%

### SEEUY

The percentage of advances to SC/ST to the total loans sanctioned during last three years is given below:

(Rs. in Lakhs)

Programme Year	Total loan sanctioned		Of which to SC/ST		% of advances to SC/ST	
	No. 2	Amount 3	No. 4	Amount 5	No. 6	Amount 7
1					(4 to 2)	(5 to 3)
1990-91	1,00,100	22,097.07	11,778	2761.73	11.77	12.50
*1991-92	77,698	17,730.26	12,456	2658.85	16.03	15.00
*1992-93	10,867	2,300.61	2,253	229.85	20.73	10.00

\* (Data Provisional)

**SUME**

Data regarding advances to SC/ST is not available.

3.16 In this connection, the Committee enquired as to whether the Government was satisfied with the performance of banks in this regard. In reply, the Ministry, in a note have *inter alia* stated as follows:

“A review meeting was held by the Banking Division with the representatives of Reserve Bank of India and all Public Sector Banks on 28th October, 1993, wherein the performance of various Government sponsored schemes such as SEEUY, SUME, DRI, etc. was reviewed. In the review meeting, it was noted that the performance of public sector banks under SEEUY is steadily increasing, though the stipulated targets of 30% under the scheme was not achieved. It was felt that more concerted efforts are required on the part of the banks to improve their performance so as to ensure to achieve the stipulated target fixed under the scheme. Accordingly, the banks were impressed upon to take appropriate steps to attain the prescribed target of 30% for SCs/STs under the scheme. It may also be added that time and again the Development Commissioner, Small Scale Industries (Ministry of Industry) has been impressed upon by the Banking Division that the performance of public sector banks under SEEUY Scheme has been poor and the main reasons brought into the notice of the Government by the banks is that they do not get sufficient number of applications for loan from District Industries Centre (DICs). The Development Commissioner, Small Scale Industries, was, therefore, requested to ensure that adequate number of applications of SC/ST are sponsored to the banks so as to enable them to achieve the stipulated target. The Development Commissioner was also advised to take up the matter suitably with the Industries Deptts. of the State Government so as to ensure the greater flow of loan applications of SCs/STs under SEEUY, scheme to banks through DICs.”

3.17 The Committee have been informed that the credit facilities to the weaker sections are monitored by the Reserve Bank's Rural Planning of Credit Department (RPCD). The monitoring is done through periodical returns prescribed for the banks. The progress made by the banks in providing credit to weaker sections is also scrutinised by the RBI officials at the time of inspection of Banks.

3.18 Asked about the observations made by RBI officials in their inspection Reports of the Banks in regard to non-fulfilment of targets laid down in RBI guidelines regarding advances to weaker sections of the society and the action taken by Government/Bank thereon Bank-wise during the last three years, the Ministry have stated that RBI has reported that the inspection reports on commercial banks by the RBI only furnish

the achievements of the bank concerned with regard to the priority sector targets as a whole. The shortfalls in the achievement of the targets are pointed out to the bank for taking necessary steps for achieving the same. Significant shortfalls in the achievement of priority sector targets are also pointed out to the Chief Executives of the banks by the Top Management of RBI during discussions with them on inspection findings. As the focus of the RBI inspection is on the aspects relating to financial viability of the bank, in future the inspection reports will not be dealing at any length with these aspects. It may be stated in this connection that Rural Planning and Credit Department (RPCD) of RBI receives the information in connection with achievements of the priority sectors targets as a whole as also the targets fixed for the respective sub-sectors and takes up the matters with the banks concerned at the time of finalisation of their Annual Action Plan / Credit budget discussions. If necessary, letters are also written to the individual banks. Further, the banks' performances are also reviewed at various fora like DCC, SLBC, RLCC etc. and also at the meetings convened by Government of India (Ministry of Finance) which also takes stock of the progress made under the Government's poverty alleviation programmes periodically.

#### **B. Sanction and Disbursement of Loan**

3.19 The maximum amount of loan to be granted under various schemes is as under:

- |       |       |   |   |
|-------|-------|---|---|
| (i)   | IRDP  | — | Loan amount not fixed (Depends on Project cost)     |
| (ii)  | DRI   | — | Rs. 6,500/- per beneficiary                         |
| (iii) | SEEUY | — | (a) Rs. 35,000/-Industries Sector                   |
|       |       |   | (b) Rs. 25,000/-In Service Sector                   |
|       |       |   | (c) Rs. 15,000/-In Business Sector                  |
| (iv)  | SUME  | — | (a) Rs. 15,000/- for SC/ST and Women beneficiaries. |
|       |       |   | (b) Rs. 12,000/- To others.                         |
| (v)   | PMRY  | — | Rs. 95,000/-  |
| (vi)  | SLRS  | — | Rs. 50,000/-  |

3.20 Minimum amount of loan under the above schemes has not been fixed. The information regarding the average quantum of money given by the banks to each beneficiary is not available except under IRDP where the per capita term credit during 1992-93 was Rs. 5012.00.

3.21 Under IRDP, SEEUY, SUME and SLRS applications of the eligible beneficiaries are sponsored to the banks by the designated

authorities. As regards DRI banks themselves identify the beneficiaries for financing/assistance.

3.22 In accordance with RBI's guidelines on priority sector lending, banks are required to print terms and conditions regarding margin and security on the reverse of the application form itself.

3.23 Asked in what manner the application sponsored under IRDP or other schemes were assessed, if the number of such applications were more than the bank's targets/capacity and also enquired about the total number of the rejected applications during the last three years, the Ministry have stated in their reply that normally applications in excess of the targets fixed for a bank are sponsored to a bank. This is to take care of rejections at the branch level on account of beneficiaries being found ineligible, activity/project being found non-viable, etc. Banks are not expected to reject applications on account of target being exceeded on the ground of resource constraints.

#### *Review of Family Income Limits/Loan amount/subsidy*

##### *DRI Scheme*

3.24 DRI Scheme the present annual family income limit of Rs. 6500/- in rural areas and Rs. 7200/- in urban & Semi-urban areas were fixed in September 1986. The Government of Gujarat as also Canara Bank had suggested revision of these limits keeping in view the increases made under IRDP & SUME Schemes. The matter was considered by the Government of India in consultation with Reserve Bank of India. However, it was not considered necessary for making any change in the income limits under the DRI scheme. Similarly, there was a request from Uttar Pradesh Government for enhancement of DRI target from 1% to 2%. The suggestion was however, not accepted by Reserve Bank of India as that would have affected banks' profitability position in view of the low rate of interest and poor recovery position of the DRI advances. The present target of 1% of aggregate advances was fixed in 1978.

##### *IRDP*

3.25 Reserve Bank of India have reported that they have not received any representation from beneficiaries, voluntary organisations, etc. for raising the monetary ceilings of family income. However, Government of India, Ministry of Rural Development, vide its circular dated 30.4.1993 raised the per family subsidy limit under IRDP from Rs. 3000/- to Rs. 4000/- in normal areas, from Rs. 4000/- to Rs. 5000/- in Drought Prone Areas and Desert Development Programme Areas and from Rs. 5000/- to Rs. 6000/- for the Scheduled Castes/Scheduled Tribes as well as Physically Handicapped beneficiaries.

##### *SEEUY Schemes*

3.26 Under SEEUY Schemes there were many representations at various meetings that the annual family income limit of Rs. 10,000/- fixed

in 1986 should be increased. The scheme itself was proposed to be subsumed with PMRY from 1.4.1994 wherein the annual family income limit has been fixed at Rs. 24000/-. Similarly, there were demands to increase the present maximum amount of loan of Rs. 35000/-. Originally, the maximum amount of loan was fixed at Rs. 25,000/- in 1983. During 1986, The maximum amount of loan was increased to Rs. 35000/-. In the PMRY, into which SEEUY was proposed to be subsumed from 1.4.1994, the maximum loan eligibility has been fixed at Rs. 95000/-. Apart from this there is also provisions for 2 or more persons to join together to form partnerships and in such case, each partner will be eligible for the maximum amount of loan.

### **SUME**

3.27 Originally the annual family income limit was fixed at Rs. 7200/- in 1990. Subsequently, due to inflation the annual family income limit was revised to Rs.11850/- (at 1991-92 prices) for the VIII Five year Plan period.

3.28 Asked whether the family income should be the same in rural and urban areas, the Special Secretary during evidence stated:

“We have not got any representation about the income in rural and urban areas. But certainly we will examine this suggestion.”

3.29 Period prescribed for sanctioning of loans as per the guidelines on priority sector lendings issued by RBI to all banks, all loan applications upto a credit limit of Rs. 25000/- are to be disposed of within a fortnight and those for over Rs. 25000/- within 8 to 9 weeks.

3.30 When enquired about the average time taken in various banks in disbursing loans after their sanction and how did it compare with the guidelines issued by RBI, the Ministry stated that normally the banks are expected to disburse the loan sanctioned immediately after the post sanction requirements are fulfilled by the beneficiary. However, information regarding average time taken for disbursement of loans by various banks is not available.

3.31 Asked as to whether the existing procedure for sanctioning of loans under various schemes was working satisfactorily, the Ministry stated as follows:

“The guidelines issued in this regard were adequate. However, the implementation of these guidelines particularly in the matter of time taken for sponsoring applications to banks, scrutiny and sanction of the application and disbursement etc. needs improvement. Schemes such as DRI, IRDP are presently under review. Remedial steps if required for streamlining the procedure for sanction of loan under these schemes will be taken in the light of the outcome of these reviews. PMRY and SLRS have been recently introduced and SEEUY will be subsumed with PMRY with effect from 1.4.1994.”

### *Complaints*

3.32 The Government and Reserve Bank of India have been receiving complaints which contain various allegations against banks viz. non-sanctioning of loans, delay in sanctioning of loans, inadequate credit facilities sanctioned, non-adherence to the guidelines on priority sector advances issued by RBI, charging of interest rates which are not in accordance with RBI directives, various irregularities in dispensation of credit under Government sponsored scheme, mis-utilisation of discretionary powers by Branch Managers etc. Statistical data regarding complaints received in banks is not generated by the data reporting system. However, the total number of complaints on lending under priority sector received in Central Office of RPCD (RBI) during the years 1990, 1991 and 1992 were 2036, 1009 and 1254 respectively. Apart from these, complaints are also received by RBI's Regional Offices directly. Complaints received in the RBI are investigated by taking the matter with the bank concerned or deputing an officer, if necessary. Where warranted, matters are taken up with the authorities of the banks concerned sufficiently at higher level including the Chairman of the bank. The banks are advised to take corrective steps to avoid recurrence of irregularities in future. The management of the banks depending upon the seriousness of the lapse on the part of their staff, take disciplinary action against the erring staff in accordance with their service Regulations.

3.33 The list of beneficiary families selected under IRDP Scheme is printed block-wise by DRDA and copies made available to the Bankers among others. It was brought to the notice of the Study Group of Estimates Committee during their visits by beneficiaries that for getting loans, they have to make applications to the DRDA for sponsoring the respective Bank. In the process DRDA takes a number of months in approving and sponsoring the applications to the Banks. The Committee wanted to know measures proposed to be taken to improve the system for expeditious disposal of applications for disbursement of loans to identified beneficiaries. The Ministry of Finance in their written reply have stated as follows:

“The list prepared is only to serve the purpose of eligible families who are to be assisted under IRDP. However, the actual request for loan should be made by way of a formal application giving all relevant and necessary particulars. In order to improve the system for expeditious disposal of applications for disbursement of loan amount to identified beneficiaries a system has been suggested in the Manual for IRDP and Allied Programmes of TRYCEM & DWCRA—April, 1991 Edition, that the application forms of the beneficiaries for loans should be prepared in a camp attended by the beneficiaries, the Block functionaries, the other concerned Department including the Revenue Department and the Bankers. This system is devised to

save time and energy of the beneficiaries in running from office to office to get no dues certificate and other requisite documents. The DRDAs have been advised to avoid bunching of applications in the last quarter as well as spreading of the sponsoring of applications throughout the year. Quarterly targets have been fixed for sponsoring applications (1st Quarter—15%, 2nd Quarter—25%, 3rd Quarter 35% and 4th Quarter 25%). For further improving the system the matter has also been referred to High Power Expert Committee (HPEC) on IRDP constituted by RBI for recommendations.”

3.34 When the Committee pointed out that there was lot of scope for corruption in the procedure for disbursement of loans under various schemes, the Special Secretary (Banking), Ministry of Finance (Deptt. of Economic Affairs) admitted during evidence as follows:

“I accept your criticism. There are so many schemes sponsored by the Government and by the time the person gets the money, it becomes only a small fraction of what the original amount was. What you are saving is right.”

3.35 Asked to indicate specific action taken against officials found guilty of malpractices, the Ministry have stated that the data reporting system of RBI does not generate the information regarding lapses on the part of bank staff and disciplinary action taken against them in disbursals or otherwise of the credit facilities to the weaker sections of the Society.

3.36. Feeling dissatisfied with the performance of the banks specially with respect to extension of credit facilities to the weaker sections of the society, the Members of parliament have been urging the Government on the Floor of the House to take corrective measures in the matter. It would be appropriate to mention below some of the observations made by the Hon. Members recently, during discussion at Banking Companies (Acquisition and Transfer of Undertakings) Bill, 1995:

- (i) “Poverty alleviation programmes or socio-economic programme such Rozgar Yojana are also being taken up by this banking sector. Those schemes are not being monitored. There is no budgetary support for this kind of activity that has been started by the Government.”
- (ii) “The people do not get loans from the banks easily. The common man has to go through many complex procedures. They have to run from pillar to post to get their loans sanctioned. Most of the banks in the country are afflicted with mismanagement and incompetency which results in hardship to people.”
- (iii) “The banks always like to advance loans to the people with assets. Even in respect of poverty alleviation programmes, loans are not given. Therefore, the Minister should ensure that the

banks do advance loans to the poor people for the purpose of poverty alleviation. Bank employees and the bank officers pocket a major portion of the funds earmarked for this purpose. The Minister must create a monitoring cell at some level, so that the money really reaches the people for whom it is meant."

3.37 On the question of continuance subsidy, the Committee desired to know the opinion of the Ministry. The Special Secretary (Banking) during evidence stated:

"There is a debate whether the subsidy should be given at the beginning or at the end".

3.38 Regarding the subsidy scheme the representative of Ministry of Urban Development during evidence also stated:

"The question is, whether subsidy scheme is necessary at all. Having instituted a subsidy scheme, it is very difficult to withdraw it. We could then ask whether subsidy could be given by at front end or to be adjusted later. The subsidy could be used at system of guarantee against the loans of banks. In the event of loss, or loan not being repaid, there is something to fall back upon by the bank. If the subsidy can be taken as the last part of the loan, and interest could be earned on it, the overall interest may be less. This is one alternative."

3.39 Capital subsidy could be thought of in terms of reducing interest burden for the loans that are being taken. We will have to insist that there is no margin money for the person taking it. These are alternative mechanisms including the question of having community groups. There is loaning group, savings group at the community groups. There is loaning group, savings group at the community level and then it is linked up with the formal banking system. In this process, there is a certain amount of guarantee because the members of savings group then put pressure on each other in terms of loan recovery and we are able to get better recovery."

### C. Recoveries

3.40 Banks generally recover their advances which have become sticky/bad and doubtful in one of the following ways:—

- (i) rescheduling the repayment terms.
- (ii) issuing recall notices.
- (iii) filing suits in Courts of Law.
- (iv) after obtaining decree from courts, getting those executed; and
- (v) compromise proposals.

3.41 With regard to procedure adopted for recovery of loans where recoveries from beneficiaries become irregular due to natural calamity, the

Ministry have stated that to meet the contingencies of agricultural production being affected by natural calamities, standing guidelines for relief measures by commercial banks in areas affected by natural calamities, have been issued by RBI on 2nd August, 1984. Where recoveries from beneficiaries become irregular the guidelines envisage—

- (a) Conversions of short term production loans into medium term loans.
- (b) Rescheduling/postponement of existing term loan instalments.
- (c) provision of additional need based crop loans/working capital.

3.42 In case of loans other than for agricultural production also, if the recoveries are affected by natural calamities, the borrowers are allowed rescheduling of the loans and depending on the circumstances of each case, additional need based loans are sanctioned to borrowers to ensure full repayment of the entire to the banks.

*Outstanding and overdues scheme-wise*

(i) *Differential rate of interest (DRI) scheme*

3.43 The amount of outstanding advances during the year 1991 to 1993 of public sector banks and the amount of overdues for the years ended December 1988, March 1990 and March 1991 are given below:

A. Statement showing outstanding advances under DRI Scheme by public sector banks for the years ended March 1991, March 1992 and March 1993

Year ended	No. of A/cs. (in lakhs)	Amount Outstanding (Rs. in crores)
March 1991	35.11	620.84
March 1992	32.02	727.24
March 1993	29.50	704.60

*DRI- Amount of overdues*

	No. of A/cs. (in Lakhs)	Amount overdue (Rs. in crores)
December 1988	36.79	330.72
March 1990	23.33	254.90
March 1991	20.00	235.22

(Figures for the years 1992 and 1993 are not available)

**(ii) Integrated Rural Development Programme (IRDP)**

Year ended	Demand Rs.	Recovery Rs.	Overdues Rs.	% of Recovery to Demand
June 1993	99,483	31,522	67,961	31.69

3.44 As regards amount outstanding for the years 1991 and 1992 in respect of all scheduled commercial banks, the same is as under:

Year	No. of A/cs	Balance Outstanding (Rs. in crores)
March 1991	1,04,84,267	2,977.90
March 1992	1,08,25,604	3,244.05

(Figures for the year ended March 1993 are not available).

**Recovery Position**

3.45 In so far as recovery position under the Government sponsored programmes is concerned the same is also unsatisfactory; as shown under:

**(i) Integrated Rural Development Programme (IRDP)**

Year	% of Recovery to demand (in lakhs Rs.)
June 1990	30.8
June 1991	41.4
June 1992*	31.8

\*(Data Provisional)

**Self-Employment Scheme for Educated Unemployed Youth (SEEUY)**

Year ended	(Rs. in lakhs)		
	Demand Rs.	Recovery Rs.	% of Recovery to Demand
June 1990	77,019.07	16,038.53	20.82
June 1991	89,036.76	19,496.94	21.90
*June 1992	33,326.20	7,972.00	23.92
**June 1993	22,282.62	3,474.83	15.59

\*(Data Provisional)

\*\* (Data received from 12 banks out of 49 banks).

*Scheme for Urban Micro Enterprises (SUME)*

Information not available. However, Reserve Bank have advised the banks vide their circular dated 4th March, 1994 to submit recovery position in respect of SUME every half year. The position will emerge in the near future. Amount outstanding not available in respect of SUME.

*Differential Rate of Interest (DRI)*

Year ended	% of recovery to demand
December 1988	34.1
March 1990*	42.8
March 1991*	47.8
March 1992	Not available
March 1993	-do-

\*The improved percentage of recovery as at the end of March 1990 and March 1991 was largely due to the implementation of the ARDR Scheme 1990.

3.46 When enquired about the overall percentage of recovery in respect of all the programmes/schemes at the end of year 1993-94 the Special Secretary (Banking), during evidence stated:

“In the last three years as of June 1993 the recovery percentage is 23.9. The lowest was 22.8 and the highest was 26”.

3.47 Bank-wise information giving number of defaulters, and the amount recovered and the amount yet to be recovered for the last three years i.e. 1990-91, 1991-92, 1992-1993 which are indicated in the Annexures (A,B,C,)

**ANNEXURE A**

***Bank-wise information pertaining to No. of defaulters and the amount recovered and amount yet to be recovered from defaulters during 1990-91***

Name of the Bank	No. of defaulters	Amount recovered	Amount yet to be recovered (Rs. in lakhs)
1	2	3	4
Dena Bank	181409	4142	8345
Union Bank of India	253814	1985.90	7362.52
State Bank of Indore	268106	119662	547060
State Bank of Mysore	123413	848.19	2296.13
Andhra Bank	431573	2760.50	14442.13
State Bank of India	3936892	22044.00	37753
State Bank of Bikaner & Jaipur	120012	661.64	2088.77
State Bank of Patiala	87154	1575.15	2808.67
State Bank of Saurashtra	377	.74	20.67
Allahabad Bank	377683	4315	10528
Bank of Baroda	541395	5564.0	10096.6
Bank of Maharashtra	269099	3890	5695
Canara Bank	239454	6259.56	9413.22
Central Bank of India	363619	2714.90	9627.72
Indian Bank	261142	161326	328056
Indian Overseas Bank	8120	212	1240
Oriental Bank of Commerce	57084	919	1474
Punjab and Sind Bank	49509	277.51	2230.36
Syndicate Bank	356423	3328	8818
State Bank of Travancore	12187	114	345
Punjab National Bank	183499	8058.96	14143.16
Corporation Bank	75844	1553.16	1784.85
United Bank of India	309468	2331.12	8253.24

**ANNEXURE B**

*Bank-wise information pertaining to No. of defaulters and the amount recovered, and amount yet to be recovered from defaulters during 1991-92*

Name of the Bank	No. of defaulters	Amount recovered	Amount yet to be recovered (Rs. in lakhs)
1	2	3	4
Dena Bank	185016	4571	8512
Union Bank of India	251898	1876.59	7506.19
State Bank of Indore	273904	118509	643599
State Bank of Mysore	130124	790.92	2840.34
Andhra Bank	447280	2815.33	16209.95
State Bank of India	3767885	20963	44815
State Bank of Bikaner & Jaipur	122571	767.96	3134.52
State Bank of Patiala	97704	1553.27	3018.40
State Bank of Saurashtra	23852	286.86	136.19
Allahabad Bank	428970	4012	12501
Bank of Baroda	575663	5167.9	11910.6
Bank of Maharashtra	312208	3214	6019
Canara Bank	199224	18923.02	10312.03
Central Bank of India	402761	2703.56	8526.74
Indian Bank	255182	150176	442398
Indian Overseas Bank	11976	331	1645
Oriental Bank of Commerce	57040	1036	2162
Punjab and Sind Bank	56383	266.36	2711.68
Syndicate Bank	337554	2578	9636
United Bank of India	339661	1533.93	9698.55
State Bank of Travancore	17430	180	438
Punjab National Bank	183537	7982.29	15359.67
Corporation Bank	86855	547.08	2120.92

## ANNEXURE C

*Bank-wise information pertaining to No. of defaulters and the amount recovered and amount yet to be recovered from defaulters during 1992-93*

Name of the Bank	No. of defaulters	Amount recovered	Amount yet to be recovered (Rs. in lakhs)
1	2	3	4
Dena Bank	196277	4783	9072
Union Bank of India	224402	2015.05	7198.49
State Bank of Indore	323248	132990	729616
State Bank of Mysore	110192	745.18	2856.00
Andhra Bank	409090	3258.07	25182.88
State Bank of India	3973373	19820	49929
State Bank of Bikaner & Jaipur	120259	1112.65	3671.29
State Bank of Patiala	105679	2038.53	3354.38
State Bank of Saurashtra	14934	4717	387.49
Allahabad Bank	479963	5193	14575
Bank of Baroda	588211	6353.3	15147
Bank of Maharashtra	267575	2820	7392
Canara Bank	223217	7042.92	10306.49
Central Bank of India	470281	1331.59	9933.3
Indian Bank	242826	143587	537295
Indian Overseas Bank	15696	492	1876
Oriental Bank of Commerce	55823	1137	2330
Punjab and Sind Bank	58067	358.24	2933.66
Syndicate Bank	347895	2638	10117
United Bank of India	319847	1559.19	13256.82
State Bank of Travancore	21269	244	538
Punjab National Bank	193617	9109.77	15536.20
Corporation Bank	64082	451.55	2286.75

3.48 When enquired about the experience of Govt. in effecting recovery of outstanding loans under various schemes, the Ministry have stated that Government sponsored Programmes/Schemes have played a useful role in extending the reach of the Banking System to cover these persons which were hitherto neglected. The banks, by and large, have been able to achieve the target stipulated under various schemes. However, it has been observed that there has been poor recovery of advances provided by banks under such programmes/sector. Recovery of loans is of great importance for recycling of bank funds. However, a feeling has been created among the beneficiaries that the loans given to them are in fact Government grants and therefore, need not be repaid. Banks also have developed a feeling that IRDP etc. are Government Programmes and they are under obligation to fulfil only the physical target otherwise the recovery of loans would not have reached to such a low level. With overdues at the level of 70% to 80% of the demand; it is highly difficult to turn and poverty alleviation programme into a successful one. To overcome the adverse recovery position it is necessary that the banks and the State Government should put in concerned and sincere efforts to educate the recipient of the assistance on the need and importance of timely repayment of their dues to banks and positive impact thereof on the implementation of the programmes.

3.49 In view of the poor recovery position in the various banks, the Committee enquired as to whether the public sector banks would be able to sustain these poverty alleviation schemes. The Special Secretary during evidence stated as follows:

“The responsibility for direct attack on poverty is that of the Government and the Government has to face that. The banking system happens to be partly responsible. Therefore, they have been given instruction and directive to adhere to certain targets. If the levels of recovery are going to be low, then it is very difficult for the banks to adhere to those targets. The levels of recovery are low for a variety of reasons. The quality of the programme has to go up. Otherwise, the banks will find it difficult to lend money in the manner they have been doing in the past. I think we will have to look more as to how we implement the schemes. We have to eradicate the delays and corruption. I do agree that the banks are in an extremely difficult position. Their balance sheets are comparatively transparent. The point is the banks have the depositors' money. They are responsible to the depositors in ensuring that the depositors money is safe. They have to have a reasonable profit, and reserves. Then only the depositors money will be safe. It is very difficult to sustain over a period of time where the money does not come back, where the asset becomes a non-performing asset.”

*Difficulties in recovery of loans*

3.50 The banks face following difficulties in recovery of loans:

- (1) It has been the general experience of the banks that the support of the State Government machinery is not available to them in the

matter of recovery. The Government machinery is generally absent when it comes to recovery.

- (2) Some of the borrowers wilfully default in the repayment of loans in expectation of getting relief in the matter by way of writing off their loans by the banks.
- (3) There is delay in the disposal of recovery cases lodged by the banks. Further even where decrees are obtained by the banks against the borrowers, their execution become difficult because of local influences.

3.51 Non recovery of loans can be attributed to the following factors:

- (i) Misutilisation and diversion of income generated out of investments.
- (ii) Lack of integrated approach to lending, credit should be supported by arrangements for supply of other inputs, technological support and extension services.
- (iii) Unsatisfactory marketing arrangements resulting in borrowers getting lower than the expected prices for their produce.
- (iv) Lack of suitable staff for effective supervision and recovery of agricultural loans at block level.
- (v) A substantial section of borrowers wilfully defaulting.
- (vi) Natural calamities such as drought and floods etc.
- (vii) Waiver of loans thereby adversely affecting the recovery climates. The borrowers in rural areas have become reluctant to pay their dues in the hope of some loan waiver schemes by the Government.

3.52 It was also brought to the notice of the Committee during their visit to various Banks that repayment of loans by the beneficiaries under weaker sections to the Banks was not encouraging. The Committee desired to know as to what measures the Government had taken for prompt repayment of loans to the Banks by the beneficiaries. The Ministry have stated in their reply that Reserve Bank of India has reported that several measures have been initiated by them for streamlining the recovery system by the banks and also for dealing with genuine cases of default arising from natural calamities. Thus, banks have been advised to strengthen and gear up their organisation structure, both at the controlling offices and at the field level, adopt schematic approach to lending for facilitating supervision, tone up pre-lending appraisal system and post lending follow-up; arrange recovery drives to coincide with harvests and organise blockwise recovery campaigns in association with the concerned State Government Officers. Banks were also advised to create a separate recovery cell for a cluster of branches where overdues exceed 50 per cent of demand and agricultural advances are sizeable. State Level Bankers' Committees have also been advised by Reserve Bank of India to discuss the problems of recovery on a regular basis. In a few States, special recovery machinery in certain areas has been set up by the State

Governments exclusively for the recovery of banks dues. However, the problem of prompt recovery of loans from the beneficiaries has become more difficult because of introduction of loan waiver schemes, which vitiate the recovery climate. The question whether prompt repayment by a beneficiary should be suitably rewarded by way of incentives, would need detailed examination. It is expected that the borrower who benefits from relaxations in security margin, etc. norms, should adhere to repayment schedule on his own.

3.53 Asked whether the present laws/Acts were adequate to facilitate recovery of loans under various schemes and if not, what were the suggestions of Government in this regard, the Ministry in reply have stated:

“while it is considered that the present laws/Acts are generally adequate, assistance extended by the State Governments to the banks in recovering their dues as arrears of land revenue needs to be enlarged and disposal of cases filed by the banks for recovery of dues as arrears of land revchues needs to be expedited.

Incidentally an Expert Group on State Enactments having a bearing on commercial banks lending to agriculture (Talwar Committee) was appointed in September 1969 under the Chairmanship of the then Chairman of State Bank of India, Shri R.K. Talwar. As regards recovery of agricultural dues of commercial banks, the Expert Group had recommended that the State Governments should empower officials with authority to issue an order having the force of a decree of Civil Court for payment of any sum due to a bank by sale of property charged/mortgaged in favour of the bank to facilitate prompt recovery of dues of commercial banks without having to resort to protracted and time consuming litigations in Civil Courts. For implementing this recommendation the Expert Group recommended enactment of legislation by various State Governments and union territories on the basis of ‘Model Bill’ evolved by them. So far only 16 States have enacted legislation in this regard.”

3.54 The Ministry have further stated:

“As regards other States where the bill has not been enacted, RBI had advised Indian Banks Association to take up the matter with the concerned State Governments through the SLBC convenor banks. Indian Banks’ Association on receipt of RBI letter, have advised the SLBC convenor banks to take up the matter suitably with the concerned Govt. Department and use their good offices in getting the legislation enacted. The experience gained and the

difficulties faced by the banks in some of the States where legislation has been enacted are as follows:

*I. Legislative shortcomings:*

- (i) Procedure as regards execution of certificates has not been clearly laid down in the Bill.
- (ii) There is no provision for appeal under the Bill. The financing institutions can only move the High Court under the writ jurisdiction.
- (iii) There is no provision for creation of charge on the properties of guarantor.
- (iv) There is ambiguity about affixing of stamps on the declaration at the time of registration under the Stamp Act.
- (v) There is no specimen/specific format in the Act for creation of charge on movable property.

*II. Operational problems:*

- (i) In spite of provisions of creation of 'charge' over the land and other immovable assets, the banks still prefer to go in for the registered mortgage as they consider the machinery to which adjudication and execution under the Acts has been entrusted is not very effective.
- (ii) In case of creation of charge on immovable property by declaration, the sub-registrars do not acknowledge the creation of charge in their books. In view of this, charge becomes incomplete.
- (iii) The process for obtaining non-encumbrance certificate as also record of land rights is still costly and time consuming.

*III. Creation of Machinery and its functioning:*

- (i) Applications filed by banks under the Act mostly remain pending and even where recovery certificates are issued no effective steps are taken by the revenue recovery officers to execute the same.
- (ii) Although provision has been made in the Act to recover the bank dues as arrears of land revenue the bank dues are not recovered on par with land revenue.
- (iii) Banks have complained that sometimes period of limitation expires on account of delay in handling the cases filed under the Act.
- (iv) In some of the States where enactment was made based on 'Model Bill' the requisite machinery has not been created by the State Governments.

3.55 In this connection, the Special Secretary (Banking) during evidence stated:

“If the legislation is passed, this will considerably facilitate the recovery of the loans. We have been taking up the matter with the concerned State Governments. As you have said only 15 States have passed this legislation.”

3.56 Elaborating on the subject the representative of RBI added during evidence:

“We have been taking up the matter with the State Governments for passing the necessary legislation. But the question is, wherever this legislation has been passed the outcome that is coming out is not very encouraging.....”

3.57 The District authorities are not giving that much importance to the recovery of banks loans.....

“On all these programmes of poverty alleviation, the bankers work hand in hand with concerned State Government authorities. So, for recovery of loans also, the banks look to the State Governments.”

3.58 Asked about the suggestions to improve the recovery position under various schemes, the Special Secretary (Banking) during evidence stated:

“There should be better coordination between the banks and the local authorities to ensure that recovery is made from the wilful defaulters. Earlier also, I made a point that recovery is not the answer. The answer is that the project should be such that there should be no default. Recovery, in many of the cases, is very difficult because the person concerned has no capacity to pay, even though we may make efforts to recover the amounts. We have to make sure that in future we identify the right people and give them the money so that they are able to identify the right people and give them the money so that they are able to come above the poverty line. Frankly, Sir, I have got no proper solutions. We are looking at it; we have to recycle that money and there is no other way.”

3.59 The Ministry in their reply have stated that the following steps have been taken by RBI/Government of India for recovery of loans under the various schemes:

- (i) Banks have been advised by RBI to observe one day in a week as non-banking working day for their rural branches and branch managers have to ensure that harvesting seasons are effectively used for visiting the borrowers, inspecting the units and for recovery of dues.

- (ii) Lead Bank Scheme takes care of the integrated approach to lending. However, correct identification of needy borrowers is a major problem. The related issues are discussed in various fora including SLBC, which emphasise upon even distribution of sponsored cases instead of bunching of applications in the last quarter of the year, with a view to achieving the target.
- (iii) (a) Linking of marketing with credit is encouraged.  
(b) Government of India had issued circulars for setting up of a District Supply and Marketing Society (DSMS) to provide integrated service to IRDP beneficiaries in the cottage and rural sector in respect of supply of raw material, marketing of surplus products, information on technological upgradation and extension of credit support.  
(c) Advance upto Rs. 25,000/- instead of Rs. 5,000/- as at present to farmers, for produce marketing loans are reckoned as priority sector advances.
- (iv) Banks have been advised on 9.1.1987 to make a realistic assessment of the number of Agricultural Field Officers required taking into account the various factors.
- (v) Under IRDP, it is necessary that banks make adequate arrangement for proper appraisal, post sanction supervision and follow up of credit for ensuring and use of funds and recovery of the loans granted.
- (vi) Banks do not grant further loans to borrowers who are wilfully defaulting. Further banks also take legal action against the defaulters.
- (vii) Government has indicated that waiver of loan under ARDR Scheme is a one-time measure only and in future, there will be no general waiver of loan.
- (viii) In 16 States, legislation for agriculture loans of Commercial banks on the lines of modal bill suggested by Talwar Committee has been enacted. In the remaining States, Reserve Bank of India has advised the convenor banks of SLBC to follow up the matter with the concerned State Governments for enactment of the legislation.
- (ix) RBI has issued standing guidelines to commercial banks to provide relief to persons affected by natural calamities such as drought, floods, etc. These guidelines envisage conversion of short term loans into term loans, rescheduling of existing term loans and provision of need based fresh loans.
- (x) Some of the State Governments are assisting commercial banks to recover their dues treating them as arrears of land revenue.

- (xi) In the DCC/SLBC the position is reviewed and banks request Government to dispose of promptly recovery cases lodged by the banks.
- (xii) Agricultural and Rural Debt Relief Scheme (ARDRS), 1990 was Central Government Scheme intended to help non-wilful defaulters who could not repay their loans due to circumstances beyond their control. This Scheme was formulated and funded by Government of India. The Scheme was intended as one time measure only. It has been the consistent stand of Reserve Bank and the Government that generalised waivers of write-offs of loan obligations through whatever modality irrespective of merits of each case, harm the rural credit system and are not in the best interest of farmers. There are provisions for providing relief to farmers in case of natural calamities and other adverse exigencies and these could be evoked whenever need arises. Generalised waivers, even where a State Government or Central Government takes over loanecs' obligations to repay have serious demonstration effects. While there may be an apparent benefit to those whose obligations are taken over, the inclination of other borrowers to repay their loans gets weakened. Such measures also build up expectation on the part of borrowers that even future loans could be similarly waived. Thus, the environment for timely repayment and effective recycling of rural credit gets vitiated.
- (xiii) Government had advised banks in February 1992 to put a cross through the media of Doordarshan and All India Radio in their respective State capitals, an effective message that there was no question of any further scheme for write off of loans and call for the participation of the rural borrowers in the evolution of a healthy rural credit system by making prompt repayments of the advances taken by them.

3.60 In this connection, the Committee desired to know as to whether these measures were adequate to streamline the recovery system of the Banks. In reply, the Ministry have stated that the measures are considered adequate for streamlining the recovery system by the banks. However, the implementation by banks of these measures needs to be improved.

3.61 Asked to furnish the details of action proposed to be taken by the banks for implementing these measures so that the recovery percentage could be improved further, the Ministry stated that it was expected with the introduction of capital adequacy, provisioning and income recognition norm, the banks would pay greater attention to the above steps particularly to the appraisal of credit proposal and post sanction supervision of advances and this would result in better recovery.

3.62 In the context of non-recovery of loans, the Committee desired to know as to whether the State Governments/Banks had been approached for making sincere efforts to educate the recipient of assistance on the need and importance of timely payment of their dues to the Banks, if so, at what level and with what results. The Ministry of Finance in their reply furnished after evidence stated that:

“A letter dated 31st March, 1993 was addressed to the Chief Secretaries of all States/Union Territories by the then Joint Secretary, Department of Economic Affairs (Banking Division), New Delhi Stressing the imperative and urgent need to improve the recovery of agricultural loans. The State Governments have been requested to instruct the District Collectors to extend full cooperation to the lead banks of their districts in the launching of a recovery campaign in the harvesting season when the farmers will have sufficient liquidity to repay the loans of banks. The State Governments were requested to advise the Directorate of Information & Publicity of the States to maintain liaison with the convener banks of SLBC so that effective message for payment of dues of banks in time could be conveyed at appropriate interval through the media of Press, Radio and TV. The recovery position was discussed in the State Level Bankers' Committee meetings where the State Government Officials also present. Though it was difficult to quantify the effect of such a drive, it would have definitely helped in the improvement of recovery climate which had been vitiated.”

#### D. Outstanding Advances

3.63 Figures of outstanding advances/amount disbursed to beneficiaries who generally belong to Weaker Sections of the Society under the Government's various poverty alleviation programme during the last 3 years are indicated below:-

(i) DRI	(Accounts in lakhs) (Rupees in crores)	
Year ended	Total DRI advances No. of ACs	Amount O/S
March 1991	35.11	620.94
March 1992	32.02	727.24
March 1993	29.58	704.60

(ii) *IROP* (Rs. in crores)

Year	No. of families assisted	Term credit disbursed (Rs.)
1990-91	2897775	1190.03
1991-92	2536566	1147.34
1992-93	2061973	1021.12

(iii) *SEEUY* (Rs. in lakhs)

Year	Target (No. of beneficiaries)	Loans sanctioned (No. of beneficiaries)	Amount of loan Sanctioned
1990-91	1,25,000	1,00,100	22,097.07
1991-92	1,29,300	77,698	17,730.26
*1992-93	1,00,000	59,165	13,328.21

\*(Data provisional)

(iv) *SUME* (Rs. in lakhs)

Year	No. of A/cs.	Loans sanctioned Amount Rs.	Amount disbursed Rs.
1990-91	83,004	3,996.22	2,369.21
1991-92	1,51,033	8,139.57	5,907.96
*1992-93	1,58,168	10,056.93	7,804.03

\*(Data provisional)

(v) *SLRS and PMRY*

The schemes have been recently introduced and information is yet to become available.

3.64 When enquired about the specific reasons for variation in the amount sanctioned and disbursed under SUME during each of the year, the Ministry stated that although the loans were sanctioned, disbursements took place only when beneficiary fulfilled all the requirements under only when beneficiary fulfilled all the requirements under sanction. In certain cases the loan amount was disbursed in instalments depending on the progress of the project. In view of this, there were variations in the amount sanctioned and disbursed.

3.65 In regard to SCST beneficiaries, the Committee desired to know the percentage of priority sector advance to SCST by public sector banks to the net bank credit for the last three years. The Ministry in reply have furnished the following figures:

Year ended	Net Bank credit (Rs. in crores)	Priority sector advances to SCST (Rs. in crores)	% of priority sector advances to SCST to net bank credit
March 1991	105632	3288	3.11%
March 1992	112160	3629	3.24%
March 1993	132782	4141	3.11%

3.66 Asked whether the Government was satisfied with the performance of the Banks in this regard the Ministry have stated that a number of measures have been initiated for ensuring adequate supply of credit to SCs/STs. It has been observed that priority sector advances to SCST beneficiaries were increased from Rs. 1814.20 crores in December 1987 to Rs. 4141.49 crores in March 1993. The performance of the banks in this regard is considered satisfactory. However, the percentage of loans sanctioned to SCST beneficiaries under SEEUY is far below the prescribed target of 30%.

#### E. Recovery Cell

3.67 In November, 1984 Banks were advised to create separate "Recovery Cell" for a cluster of nearby branches for continuous and effective supervision and recovery where overdues exceeded 50% of demand and agricultural advances are sizeable. The Committee wanted to know as to how many banks had created such cells. In reply, the Ministry of Finance stated:

"Nineteen Public Sector Banks have established separate recovery cells and the other 8 Public Sector Banks have adopted various other means to monitor recovery of overdues.

In general, the banks are facing the following constraints/difficulties in creating such separate recovery cells.

- (1) At times, branches are located in remote corners and it is not possible to provide additional staff in order to set up separate recovery cells.
- (2) Providing man-power for the purpose is extremely difficult.
- (3) Sometimes, instead of setting up separate recovery cells, banks have set up Gramodaya Kendras which assist the branches in pre-sanction scrutiny and post sanction monitoring and recovery.

- (4) Instead of recovery cells, Agricultural Field Officers are specially deployed to monitor recovery.
- (5) Scheme for 'Collection of cash at the door-steps of the borrowers have been introduced instead of separate recovery cells.
- (6) Internal recovery strategies had to be changed from time to time particularly after implementation of ARDR Scheme 1990."

#### **F. Misuse of Funds**

3.68 The Committee enquired as to whether any instances had come to the notice where the funds were utilised for the purpose other than that for which these funds were granted. In reply, the Ministry have stated that various evaluation studies conducted by RBI/Banks/GOI have indicated diversion of funds being one of the major reasons limiting the success of these programmes.

3.69 Asked to state the action taken against such defaulters and amounts involved in such cases, the Ministry have stated that actions are taken to recover the misutilised portion of assistance by invoking Public Demand Recovery Act, Land Revenue Recovery Act or any other such Act existing in the States. Banks are required to follow-up each and every case of defaulter (Misutilisation) and try to recover the loan amount. In case of misutilisation of loan, the subsidy amount is also recovered from the borrower.

3.70 However, the Ministry in their Post Evidence Reply have furnished the figures relating to actual number of cases and the quantum of amount involved which are indicated in the Annexures (A,B,C)

**ANNEXURE A**

*No. of cases where funds were utilised for purposes other than for which they were sanctioned and the quantum of amount involved.*

(1990-91)

(Rs. in Lakhs)

Name of the Bank	Accounts	Amount involved
(1)	(2)	(3)
Dena Bank	105	5.15
Union Bank of India	34483	1631.90
State Bank of Indore	10668	22772
State Bank of Mysore	15394	40055
Andhra Bank	19523	593.21
State Bank of India	—	—
S.B. of Bikaner & Jaipur	—	—
State Bank of Patiala	2080	106.48
S.B. of Saurashtra	—	—
Allahabad Bank	746	32
Bank of Baroda	10195	—
Bank of Maharashtra	—	—
Canara Bank	173	9.87
Central Bank of India	15503	695.76
Indian Bank	—	—
Indian Overseas Bank	—	—
Oriental Bank of Commerce	914	4862
Punjab & Sind Bank	142	15.46
Syndicate Bank	4581	19726
S.B. of Travancore	1241	91
Punjab National Bank	3580	217.62
Corporation Bank	664	35.57
United Bank of India	—	—

**ANNEXURE B**

*No. of cases where funds were utilised for purposes other than for which they were sanctioned and the quantum of amount involved.*

**(1991-92)****(Rs. in Lakhs)**

<b>Name of the Bank</b>	<b>Accounts</b>	<b>Amount involved</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
Dena Bank	145	5.45
Union Bank of India	33235	1676.13
State Bank of Indore	11064	26612
State Bank of Mysore	17865	532.06
Andhra Bank	17898	560.09
State Bank of India	—	—
S.B. of Bikaner & Jaipur	—	—
State Bank of Patiala	2365	120.05
S.B. of Saurashtra	—	—
Allahabad Bank	962	40
Bank of Baroda	12505	—
Bank of Maharashtra	—	—
Canara Bank	17	0.85
Central Bank of India	13598	719.72
Indian Bank	—	—
Indian Overseas Bank	—	—
Oriental Bank of Commerce	1002	49.15
Punjab & Sind Bank	155	10.56
Syndicate Bank	3866	181.42
United Bank of India	—	—
S.B. of Travancore	1520	106
Punjab National Bank	3670	249.04
Corporation Bank	500	30.90

**ANNEXURE C**

*No. of cases where funds were utilised for purposes other than for which they were sanctioned and the quantum of amount involved.*

(1992-93)

(Rs. in Lakhs)

Name of the Bank	Accounts	Amount involved
(1)	(2)	(3)
Dena Bank	190	6.25
Union Bank of India	33352	1438.26
State Bank of Indore	11736	26858
State Bank of Mysore	20636	588.21
Andhra Bank	15886	538.55
State Bank of India	—	—
S.B. of Bikaner & Jaipur	—	—
State Bank of Patiala	2675	118.37
S.B. of Saurashtra	—	—
Allahabad Bank	1741	26
Bank of Baroda	13976	—
Bank of Maharashtra	—	—
Canara Bank	35	2.23
Central Bank of India	14930	792.33
Indian Bank	—	—
Indian Overseas Bank	—	—
Oriental Bank of Commerce	1027	4981
Punjab & Sind Bank	172	10.07
Syndicate Bank	3106	139.56
United Bank of India	—	—
State Bank of Travancore	1377	96
Punjab National Bank	3013	209.58
Corporation Bank	301	21.26

3.71 To another query, about specific action taken against the defaulters and where the amount involved had been recovered from the defaulters in such cases, the Ministry have stated that these cases are treated as overdues and recovery measures are initiated. Under IRDP, a bond/pronote is to be filled up for the subsidy portion exclusively by the beneficiary to guard against misutilisation of subsidy or misappropriation of assets. State Governments are required to make this bond/pronote enforceable under the provisions of the local law to enable recovery

of the misutilised/misappropriated amount from the erring beneficiaries.

3.72 In reply to a question the Ministry had stated that action against officials was taken by the Banks in accordance with the laid down rules and procedures for wilful neglect, non-following of instructions and any reported malpractices etc. The Ministry was asked to furnish the details of action taken by the Bank against these officials, category-wise, year-wise during the last three years. In reply the Ministry have stated that the matter was taken up with the Reserve Bank of India. It has been reported by them that they are not maintaining any record of the lapses on the part of bank staff and disciplinary action taken against them in disbursals or other wise of the credit facilities to the Weaker Sections of the Society. As such the requisite information is not available.

### G. Complaints/Grievances

3.73 As per guidelines on priority sector advances issued by RBI, the banks have been advised to maintain a machinery at their Regional Offices to;

- (a) entertain complaints from the borrowers if the branches do not follow these guidelines; and
- (b) to verify periodically that these guidelines are implemented by the branches in actual practice.

The banks are also required to display the names and address of the officers with whom complaints can be lodged on the notice board of every branch. Complaints received directly by the Central Office of RBI as well as Regional Offices are looked into by the bank.

3.74 The Committee desired to know the nature and number of complaints received by the Government during the last five years and the action taken thereon. The Ministry have stated in their reply that the complaints contain various allegations against banks viz. non-sanctioning of loans, delay in sanctioning of loans, inadequate credit facilities sanctioned, non-adherence to the guidelines on Priority Sector Advances issued by RBI, charging of interest rates which are not in accordance with the RBI directives, various irregularities in dispensation of credit under Government sponsored scheme, mis utilisation of discretionary powers by Branch Managers etc. The total number of complaints received at the Central Office of RPCD of RBI from various quarters for the last 4 years, 1990, 1991, 1992 and 1993 were 2036, 1009, 1254 and 1345 respectively. The break up of complaints on the basis of their nature is not compiled by RBI.

3.75 In this connection, the Committee wanted to know the existing procedure in the Ministry/RBI for the disposal of the complaints of the beneficiaries. In reply, the Ministry have stated that all complaints received by RBI including those forwarded by Government, containing grievances

of procedural nature are forwarded to the Regional Offices of RBI for necessary action by taking up the matter with the controlling offices of banks. Where considered necessary, Regional Offices are directed to call for the comments of the banks or depute an officer for conducting an investigation and report is called for alongwith the observations of the Regional Office. In case of complaints of serious nature directly received by R.Os. of RBI, these are referred by them to banks and comments called for and the same are forwarded to Central Office alongwith their observations for further action/guidance. Where warranted, Central Office takes up the matter with the authorities of the banks at sufficiently higher level, including the Chairman of the bank's concerned. In the case of complaints of serious nature, received at the central Office, the issues are taken up directly with the Head Office of the banks by Central Office. The complaints are regularly followed up with the banks for redressal and the complaints are advised in the matter. Wherever, Government desired to have the comments/observations and the action taken in regard to the complaint forwarded by them, Government are advised suitably by the RBI keeping in view their instructions while forwarding the complaint to RBI. In the meantime the banks are also advised to take corrective steps to avoid recurrence of the irregularities in future.

3.76 Asked to state the authorities responsible for receiving complaints, the Ministry have stated that besides Rural Planning and Credit Department (RPCD) in Central Office of Reserve Bank of India. Complaints are also received by the Regional Offices of RPCD and other banks which are dealt with directly by them unless a specific complaint warrants a reference to RPCD, Central Office. Thus, there is no centralised arrangement for receipt of complaints. RPCD does not maintain nature-wise details of complaints received. All the complaints received in RBI are, however, investigated expeditiously and followed up till redressal of the grievance.

3.77 When enquired about the time taken in disposing of a complaint and the number of complaints pending/disposal the Ministry have stated that all complaints received are followed up vigorously with the concerned banks depending upon the nature and seriousness of the Complaints. Earnest efforts are made to dispose of the complaints as early as possible. The period taken for disposal of the a complaint generally ranges from 6 weeks to 18 weeks. A few complaints numbering 87 are pending. The action on these complaints has been initiated and are at various stages of disposal.

3.78 Asked to furnish the details indicating the nature of 87 pending complaints and by what time these complaints would be disposed of, in reply the Ministry stated that these complaints were in respect of all priority sector advances and not exclusively from weaker sections. RBI had reported that they were not maintaining a separate date for complaints received from weaker sections.

## H. Public Awareness

3.79 According to the Ministry adequate publicity to the Government's various anti-poverty programmes is given through mass/media. Services of the State Publicity Department and other departments are utilised to provide publicity to the programmes meant for the benefit of Weaker Sections of the Society. Special camps are also held to disseminate information to the beneficiaries. Training programmes are also organised by the banks, in co-operation with State Government, Industries Department, District Industries Centre, etc. Assistance of voluntary organisations is also availed of in this regard.

3.80 Asked whether the existing mechanism for arousing public awareness and educating the people in rural area about the various schemes was adequate the Ministry have stated in a note that the subsidy based poverty alleviation programmes/schemes are administered by the relevant Ministries and State Government departments. The banks provide credit support to such programmes. The existing mechanism for arousing public awareness and educating the people in rural areas about the various schemes is considered adequate.

3.81 During the tour of Study Group of the Estimates Committee it was suggested that Government should from time to time through visual means/tv/newspapers etc. drive home message of timely repayment of Bank dues for quick recycling of funds. The Ministry was asked to furnish their comments in this regard, the Ministry has stated that the Government of India, Ministry of Finance (Banking Division) had *vide* its letter dated 31st March, 1993 addressed to the Chief Secretaries of all the States/Union Territories requested the State Government to instruct District Collectors to extend full cooperation to the lead banks of their districts who were to launch a campaign for recovery of loans. As regards publicity it was suggested in the said letter that the Directorates of information and publicity of the States may be requested to maintain liaison with the convener bank of SLBC and to put effective message through the media of press, radio and tv.

## I. Credit Deposit Ratio

3.82 The Committee desired to be furnished with the details of Credit Deposit Ratio at the national level, state level and regional level in respect of each of the Scheduled Bank. The Ministry have stated that Credit Deposit Ratio in respect of all scheduled commercial banks at the national level, state level and regional level as at the end of March 1990 to March 1993 and as at the end of June 1993 is indicated in the Annexure. This information for each bank separately is not available.

**ANNEXURE**

**Region-wise/State-wise Credit Deposit Ratio of All Scheduled Commercial Banks**

(As on the last Friday of March)

State/Union Territory	March 1990	March 1991	March 1992	March 1993	June 1993
1	2	3	4	5	6
<b>I. Northern Region</b>	54.8	63.6	59.3	65.4	66.9
1. Haryana	61.2	60.3	56.3	55.5	51.1
2. Himachal Pradesh	38.6	37.4	33.3	31.8	29.4
3. Jammu & Kashmir	31.8	48.7	43.0	44.5	48.5
4. Punjab	45.5	44.8	42.2	42.5	40.4
5. Rajasthan	62.2	56.5	55.6	55.2	53.2
6. Chandigarh	65.5	82.2	65.1	50.6	137.4
7. Delhi	158.6	78.6	73.1	88.9	87.4
<b>II. North-Eastern Region</b>	51.7	45.6	44.4	43.9	42.6
8. Arunachal Pradesh	20.1	16.4	14.4	13.8	14.3
9. Assam	55.5	51.3	49.1	48.8	47.3
10. Manipur	69.9	65.5	72.6	84.3	77.3
11. Meghalaya	24.6	19.3	20.2	16.9	15.5
12. Mizoram	34.2	22.1	21.7	20.9	21.7
13. Nagaland	42.6	38.5	39.2	40.4	43.3
14. Tripura	72.2	58.4	56.4	58.3	53.5
<b>III. Eastern Region</b>	52.6	51.8	50.5	49.6	48.2
15. Bihar	40.4	39.6	39.5	38.8	38.6
16. Orissa	81.3	76.5	72.2	66.7	65.1
17. Sikkim	28.3	18.4	27.2	24.3	21.8
18. West Bengal	54.9	54.5	52.7	52.2	50.3
19. Andaman & Nicobar Islands	35.1	34.3	32.4	29.1	21.3
<b>IV. Central Region</b>	52.8	51.7	48.8	47.8	47.2
20. Madhya Pradesh	68.6	67.1	63.7	62.3	59.7

1	2	3	4	5	6
21. Uttar Pradesh	47.0	45.8	44.6	42.4	42.6
V. <i>Western Region</i>	74.0	71.4	59.8	58.7	60.7
22. Goa	31.9	33.3	30.9	30.6	28.2
23. Gujarat	61.3	59.7	53.5	52.4	50.4
24. Maharashtra	79.7	76.4	62.4	61.2	64.5
25. Dadra & Nagar Haveli	55.5	51.7	46.1	29.1	27.4
26. Daman & Diu	22.4	23.4	19.6	17.7	15.8
VI. <i>Southern Region</i>	87.4	84.6	80.3	74.6	72.2
27. Andhra Pradesh	87.1	82.6	80.7	80.0	76.3
28. Karnataka	91.0	85.8	78.4	75.1	72.3
29. Kerala	64.0	59.1	51.9	48.7	46.3
30. Tamil Nadu	99.4	100.5	99.8	87.1	86.6
31. Lakshadweep	16.2	17.0	12.8	9.9	8.8
32. Pondicherry	57.4	55.1	47.8	44.8	40.9
All-India	65.8	66.2	61.0	60.5	60.7

(Source: Banking Statistics—Quarterly Handout)

3.83. The Committee have been informed that Banks advised wide region-wise disparities. With a view to reduce the regional disparities in the deployment of bank credit the concept of Credit Deposit Ratio has been evolved and the Credit Deposit Ratio of bank's in respect of their rural and semi-urban branches is monitored at the State Level. In this connection, the Committee desired to know as to whether these measures were adequate enough to remove the disparity in the Credit Deposit Ratio and, if not, what steps were being taken to remove the disparity in Credit Deposit Ratio. The Ministry have stated in their reply that the present arrangement for monitoring credit deposit ratio (CDR) at the State Level under the aegis of State Level Bankers' Committees (SLBCs) is deemed adequate. One of the important objective of nationalisation of banks in 1969 was that the banking system should help in removing the regional imbalances in economic development by so arranging their lending portfolios that larger credit would be deployed in the backward areas. With this object in view, Reserve Bank of India advised public sector banks on 18th June 1980 that they should achieve a credit deposit ratio of 60% in respect of their rural and semi-urban branches separately on an all India basis. It was clarified further that while it was not necessary to achieve this ratio separately branch-wise, district-wise or region-wise, the banks should nevertheless ensure that wide disparity in the ratios between different States/Regions was avoided in order to minimise regional imbalances in credit deployment. The All india and State-wise CDR is

closely monitored by the Reserve Bank. Where warranted, the issue involved are taken up in the various fora such as SLBC and DCC instituted under lead bank scheme.

3.84 As regards, the RBI Circular dated 18th June, 1980 advising the public sector banks to achieve a Credit Deposit Ratio of 60% in respect of their rural and semi-urban branches, the Committee enquired, whether the steps taken by Government/RBI were adequate to improve the CD Ratio of public sector banks, the Ministry in their Post Evidence reply have stated that this step is relevant and feasible in the present circumstances. In certain States/UTs like Bihar, Uttar Pradesh, West Bengal, Rajasthan, Kerala and Pondicherry, Reserve Bank constituted Task Forces identify the causes for low C.D Ratios in those States/UTs and to suggest remedial measures to improve the same. In case of States/UTs other than those for which Task Forces were set up and where C.D. Ratios are low, convenors of SLBCs have been advised to review the position in their respective States/UTs and suggest measures for improving the same in terms of specific actions covering credit and non-credit inputs. In a current initiative, the State Governments were also advised to extend the necessary support in this regard. The Committee pointed out during evidence that to maintain a general CD Ratio, it is necessary that in each bank a data system bank-wise, district-wise should be available.

3.85 The Special Secretary (Banking) stated as follows:

“Certainly, we should have the information in much more detailed way. That would be possible.

I would like to say that the recoveries in large and medium industries and agriculture are much better than the small industries and others where the percentage of recovery is very low. There is some weakness in our programme. We must go to the root of that problem.”

3.86. The Committee are perturbed to note that the achievements of targets fixed in respect of priority sector advances has come down from 40.02% in March 1991 to 36.6% in March 1993 as against the target of 40% of the net bank credit to the priority sector as laid down under RBI guideline on credit policy. The achievement of targets in regard to advances to weaker sections of the society has also declined from 9.7% to 8.9% as against the stipulated target of 10% during the same period. Even the scheme-wise fulfilment of targets was far from satisfactory during these 3 years. In regard to DRI Scheme, the achievement of target has been around 0.7% as against a target of 1% during the same period. As far as IRD Programme is concerned the target achievement in respect of women beneficiaries have ranged between 30.89% to 33.39% as against prescribed target of 40% during the same period. The Ministry have enumerated various reasons/factors responsible for non-achievements of targets. In regard to DRI Scheme preference of the target groups for other Government sponsored subsidy linked schemes rather than DRI Scheme

where only concessional rate of interest is offered, difficulty in identifying the eligible borrowers and a scheme for write off and reliefs given to eligible borrowers are the main factors in the success of this scheme. Under SEEUY Scheme, the majority of SC/ST candidates having requisite qualifications are stated to be opting for salaried jobs. As far as the IRD Programme is concerned, the major reason for non-achievement of target in respect of women beneficiaries was low literacy, restrictive social practice, predominance of patriarchal society and lack of exposure of changes. In this connection the Committee note that Ministry/RBI have taken number of steps to improve the performance of various poverty alleviation schemes of Government. According to the Ministry, RBI has conducted a survey in regard to DRI Scheme and the study report was under consideration of the Government. On the basis of the finding necessary steps will be initiated in consultation with the Government. As regards IRDP, the Expert Committee has submitted only an Interim Report so far. The final Report of the Committee is still awaited. The Committee, therefore, desire that the Ministry/RBI should take expeditious steps so that the outcome of the survey and the final report of the Expert Committee be made available to the Government/RBI to enable them to make necessary improvements/modifications in the various schemes and also take remedial measures for better target achievement of these schemes. The Committee are happy to note that notwithstanding Narasimhan Committee recommendation on target for priority sector lending Government and RBI have made it categorically clear that the priority sector lendings obligation for banks would not be reduced.

3.87 The Committee also desire that the Government should issue necessary directions to the Banks to make concerted efforts in extending credit facilities to the weaker sections of the society according to the targets stipulated under each scheme and their sub-sectors.

3.88 The Committee also expect Government/Banks to make efforts to educate the eligible beneficiaries specially DRI and women beneficiaries, with a view to bestowing full advantage of these schemes which are in their interest.

3.89 The Committee are concerned to note that the Ministry and the RBI have been receiving a number of complaints regarding delay in sanctioning of loans, non-adherence to the guidelines on priority sector advances issued by RBI, various irregularities in dispensation of credit under Government sponsored schemes etc. The Committee have also been informed by the beneficiaries during their study tour to various places in the country that DRDA took a number of months in approving and sponsoring the loan applications to the banks. As per the guidelines on

priority sector lending issued by RBI to all banks, all loan applications upto a credit limit of Rs. 25,000/- are to be disposed of within a fortnight and those for over Rs. 25,000/- within 8 to 9 weeks.

3.90 The Committee find that in order to improve the system for expeditious disposal of applications for disbursement of loan amount to identified beneficiaries a system has been suggested in the Manual for IRDP and Allied Programmes of TRYCEM & DWCRA (April 1991 Edition), which provides that the application forms of the beneficiaries for loans should be prepared in a camp attended by the beneficiaries, the Block functionaries, other concerned Departments including the Revenue Department and the bankers. This system has been devised to save time and energy of the beneficiaries in running from office to office to get 'no dues certificate' and other requisite documents. The DRDA have also been advised to avoid bunching of applications in the last applications throughout the year. Quarterly targets have been fixed for sponsoring applications. In this connection, the Ministry have expressed their views that the guidelines particularly in regard to time taken for sponsoring applications to banks, scrutiny of applications and sanctioning and disbursement of loans etc. needs improvement.

3.91 Hon'ble Members of Parliament have been highlighting on the floor of the House, wherever opportunity comes, the hardships caused to the poor people in getting bank loans even under the poverty alleviation programmes due to complex procedures, delays and corruption prevalent in the Bank Staff.

3.92 The Committee feel there is an urgent need to streamline the procedure for sponsoring and disposal of applications and disbursement of loan amount to the identified beneficiaries under the various poverty alleviation schemes of the Government with a view to ensuring that delays in sponsoring and disposal of applications and disbursement of loan amounts to the beneficiaries is completely eliminated, which in the opinion of the Committee is an essential pre-requisite for the success of any poverty alleviation programme/scheme of the Government.

3.93 The Committee are satisfied to note that the Government is conscious of the need for improvement. In order to bring improvement in the system for disposal of applications for disbursement of loan amount to identified beneficiaries, the matter has also been referred to the High Powered Expert Committee constituted by RBI for recommendations. The Committee desire that Government would take appropriate corrective measures with due promptitude in the light of the recommendations of the Expert Committee.

3.94 The Committee are surprised to note that the information regarding the average quantum of money given by the banks to each beneficiary is not available with the Ministry. Even the Ministry could not furnish the details of cases where loans were not granted in a stipulated time, as the record

was not available with the Ministry. The Committee are unable to understand why these statistics/data have not been compiled by Ministry/RBI/banks and in the absence of such an information as to how the Ministry is able to evaluate the performance of schemes from different aspects. The Committee, therefore, desire that the Ministry should take effective steps for compiling and maintaining statistics of all types of schemes pertaining to weaker sections of the society centrally either in the Ministry of RBI/Bank. In the opinion of the Committee, this will provide the necessary insight into the performance of the various schemes of the Government.

3.95 The Committee view with serious concern the rampant corruption prevalent in the process of sponsoring of loan applications and actual disbursement of loans to the beneficiaries. As admitted by the Special Secretary (Banking) during his evidence before the Committee that, 'There are so many schemes sponsored by the Government and by the time the person gets the money, it becomes only a small fraction of what the original amount was.' The Committee are also not happy with the fact that the data reporting system of RBI does not generate the information regarding lapses on the part of bank staff and disciplinary action taken against them in timely disbursement of otherwise of the credit facilities to the weaker sections of the society. The Committee strongly feel that Ministry/RBI should devise some ways and means for generating such a data in the reporting system of RBI to plug all the loopholes in proper implementation of the poverty alleviation schemes of the Government.

3.96 The Committee are highly concerned to note that the recoveries of loans granted to identified beneficiaries under various poverty alleviation schemes of Government has been very low. From the figures furnished to the Committee, it is seen that recovery position in respect of IRDP ranged between 30.8% to 41.4% during the period from June 1990 to June 1993. In respect of SEEU scheme the recovery percentage was less than 24% from June, 1990 to June, 1992 and the data received from 12 banks showed that recovery under this scheme was only 15.59% as on June, 1993. Under DRI Scheme, as per the data made available by the Ministry indicate that the recovery varied between 34.1% and 47.8% during the period December, 1988 to June 1991 as the subsequent data was stated to be not available with the Ministry. As regards bank-wise, recovery position during the years 1990-91 to 1992-93, it is seen from the data furnished to the Committee that recoveries has been dismal in respect of almost all the banks especially in case of Dena Bank, Allahabad Bank, Central Bank, SBI and PNB etc. In regard to overall recovery position in respect of all the programmes/schemes, the Special Secretary (Banking Division) during the evidence before the Committee informed that 'In the last three years as of June, 1993 the recovery percentage is 23.9%. The lowest was 22.8% and the highest was 26%.

The Committee express their unhappiness over the state of recoveries of loans under various poverty alleviation schemes of the Government for the weaker sections of the society.

3.97 These well-meaning Special Welfare Schemes for vulnerable section of the society have been able to achieve little owing to inefficient implementation. There is a considerable siphoning of funds allocated under these schemes. It is seldom that even a smart IRDP entrepreneur can get the loan sanctioned and disbursed full amount. This had been documentedly observed by the former Prime Minister, late Shri Rajiv Gandhi that beneficiaries under the Welfare Schemes of the Government get only about 30 per cent of the sanctioned financial assistance. The rest is pocketed by the intermediaries.

It is thus not surprising that the fault for repayment of loans in such accounts have been rising steadily over the years because of the marked reluctance on the part of the beneficiaries to refund the full loan for which they have been paid only less than one-third of the amount.

3.98 The Committee find that the main difficulties faced as enumerated by the Government/Banks for effecting recoveries are viz. the feeling among the beneficiaries that the loans are Government grants not meant to be repaid, the feeling among the banks that IRDP etc. are Government Programmes for which only fiscal targets are to be fulfilled. Reckless disbursement of loans during loan melas is another contributing factor. In some cases the difficulties faced in non-recovery of loans are non-availability of suitable staff for effective supervision, waiver of loan by Government, inadequate support from the State Government machinery etc. With a view to improve the recovery position, RBI is stated to have advised the Banks to strengthen and gear up their organisational structure both at the controlling offices and at the field level, adopt schematic approach to lending for facilitating supervision, tune up pre-lending appraisal system and post-lending follow up, arrange recovery drives to coincide with harvests and organise block-wise recovery campaigns in association with the concerned State Government Officers. As regards recovery of agricultural dues of commercial banks, the Expert Group (Talwar Committee) appointed in September, 1969 had recommended that the State Governments should empower officials with the authority to issue an order having the force of a decree of Civil Court for payment of any sum due to a bank by sale of property charged/mortgaged in favour of the bank to facilitate prompt recovery of dues of commercial banks without having to resort to protracted and time consuming litigation in Civil Courts. In this connection, the Committee find that only 16 States have so far enacted the legislation to this effect. The Committee have also been informed that the RBI advised Indian Banks Association to take up the matter with the concerned State Governments through SLBC Convenor Banks and use their good offices in getting the legislation enacted. The Committee also note that those State Governments where this legislation has been enacted are encountering

certain legislative shortcomings and operational problems. They hope that necessary modifications will be made in the legislation to remove the shortcomings and problems faced in its actual implementation by State Governments.

3.99 The Committee appreciate the steps taken by the Government of India/RBI like allotting one day in a week as non-working day for visiting the borrowers in connection with the recovery of dues, not granting loans to wilful defaulters, making waiver of loan under Agricultural and Rural Debt Relief Scheme only one time measure, etc. The Committee feel that the steps taken by the Government/RBI are not providing to be very effective as is evident from the continued poor recovery position in respect of all the schemes during the last three years. The Committee agree with the Ministry that with overdues at the level of 70% to 80% of the demand, it would be highly difficult to turn any poverty alleviation programme into a successful one. Thus, the Committee desire that the Government should again take up the matter with the remaining State Governments on priority basis to persuade them to enact the above legislation with necessary changes/modifications required in view of the shortcomings/problems identified in the actual enactment of the legislation. The Committee hope that with the enactment of this legislation the recovery position will improve in regard to all the schemes of the Government. They would also like the Ministry/RBI to take concrete measures to improve the recovery position of all the schemes. The Committee would like to be informed about the latest position in this regard.

3.100 The Committee are also unhappy to note that data relating to the recovery positions in respect of some schemes are not available with the Government/RBI, with the result the same could not be furnished to the Committee for their perusal. The Committee regrets why this data is not being compiled by the concerned banks or RBI centrally. In some cases the Ministry could furnish the data with respect to few banks only. In the absence of these figures the Government may not be able to take stock of the exact position with regard to recoveries. The Committee have also not been furnished with any reasons for not maintaining such data by RBI. The Committee are of the view that these figures should be compiled scheme-wise by RBI centrally in order to effectively monitor the recovery position and suggest remedial measures in this regard, wherever necessary. They hope that the requisite steps will be taken by the Ministry for collecting and compiling the relevant data relating to recovery position in respect of all the Banks.

3.101 The Committee note that in November, 1984 Banks were advised to create separate recovery cells for cluster of nearby branches for continuous and effective supervision and recovery, where overdues exceeded 50% of demand and agriculture advances were sizeable. The Committee are unhappy to find that only 19 public sector banks have established/separate recovery cells so far. The other 8 public sector Banks have adopted various

other means to monitor recovery of overdues. The Committee have not been informed about the specific reasons for not creating recovery cells by these 8 public sector banks so far, even after lapse of a decade since such advice was given. The Ministry has however informed about the various constraints and difficulties viz. paucity of staff, location of the Branches in remote corners etc. which the banks face for creating separate recovery cells. The Banks are stated to be adopting other means like setting up of Gramodaya Kendras, deployment of agricultural field officers and collection of cash at door steps of the borrowers etc. for monitoring the recoveries of overdues. In spite of these steps taken by various Banks the Committee find that there is an increasing trend in the amount of overdues, which gives an impression to the Committee that the existing recovery cells/other methods adopted by Banks are not adequate to effect the recovery of the overdues. They, therefore, desire that the Ministry/Banks should take expeditious steps for creating recovery cells in the Banks, where these have not been set up so far. They also desire that the Ministry should devise some ways and means for strengthening the existing recovery cells to improve the recovery position of various banks.

3.102 The Committee also make the following recommendations:

- (i) Family income level for eligibility under DRI may be suitably raised considering the inflation.
- (ii) There is a need for some nodal agency under the lead bank for survey/identification of beneficiaries in urban areas and for sponsoring applications to Banks.
- (iii) There is a need for close coordination among Government agencies for implementing and administering different poverty alleviation schemes for weaker sections.

The Government may also examine the feasibility of ending multiplicity of Government agencies and entrusting the implementation of different schemes to one authority.

- (iv) Banks should endeavour to reach a target rate of 10% to the weaker sections and 1% under DRI.
- (v) The present target of 1% of aggregate advances under DRI scheme was fixed in 1978. Considering the large number of households still below poverty line in the country, especially the need for infrastructure supporting Banks' credit deployment in rural areas, there is a need for enhancement of DRI target from 1% to 2%.
- (vi) The Ministry have pointed out that the problem of recovery of loans from the beneficiaries has become very difficult because of introduction of loan waiver schemes, which vitiate the recovery climate. Under IRDP, the underlying urgency is to convert an unviable person to a viable person. In spite of honest intention

and sincere efforts on the part of the beneficiaries, the project may default. Recovery in many of these cases become very difficult as the persons concerned has no capacity to pay. In order to remove hardship in such genuine cases the Government should consider taking over loanee's obligations under IRDP and DRI schemes for repayment to Bank so that Banks are able to recycle the credit in rural area.

- (vii) The Banks should not hesitate in taking strong measures like recourse to legal action for recovery of bank dues against the borrowers who wilfully default in repayment of loans.
- (viii) Beneficiaries who have misutilised loans or diverted the income for consumption or other needs may be made ineligible for any fresh loans.
- (ix) Many instances of 'benami' loans have been reported. It is learnt most of the loans that become non-recoverable are 'benami' loans. In the absence of any effective land reforms, loans meant for weaker sections might be used by other people. It is necessary that officials sanctioning such loans should be taken to task and real culprits should be brought to book so that unwary illiterate poor people, who are used as a tool by unscrupulous elements, do not suffer.

3.103 The Committee have been informed that the diversion of funds is one of the major reasons limiting the success of Poverty Alleviation Programmes and some action have been taken to recover the misutilised portion of assistance by invoking Public Demand Recovery Act, Land Revenue Recovery Act, existing in the States. From the figures furnished to the Committee with regard to number of cases where funds were utilised for purposes other than those for which they were sanctioned and the quantum of amount involved for the last three years, it is seen that during these years the number of such cases have increased in respect of Dena Bank, State Bank of Indore, State Bank of Mysore, Andhra Bank, State Bank of Patiala, Bank of Baroda and Oriental Bank of Commerce. Even the amount involved in such cases have also Shown an increasing trend, which gives an impression to the Committee that aforesaid Acts are not adequate and effective in checking the misuse of assistance. The Committee also take note of the fact that State Governments also play an important role in the realisation of misutilised/misappropriated funds from the erring beneficiaries, as they are required to make bonds/pronote enforceable under the provisions of the local laws. The Committee are of the view that the existing mechanism for coordination among the Ministry/Banks and the concerned State Governments need to be strengthened for effectively monitoring such cases of defaults and subsequent recovery of dues from beneficiaries. The Committee therefore, desire that suitable measures should be initiated to strengthen the existing mechanism for coordination and

monitoring and also for making the provisions of the relevant Acts more comprehensive to deal with such situations. The Committee will also like the Ministry to initiate suitable action against the defaulters so that the amount lying with the defaulters could be recovered and the number of these cases could be brought down to minimum. The Committee would like to be informed of the action initiated in this regard.

3.104 The Committee note that under the guidelines issued by RBI on priority sector lending, the Banks are required to maintain suitable machinery at their regional offices to entertain complaints from the borrowers if the Branches do not follow the laid down guidelines under the poverty alleviation schemes. The Committee during their study visit to Banks were informed that a number of complaints were received every year and the nature of complaints generally received related to delay/non-sanction of loans or disbursement of loan, request for write-off concession in interest rate etc.

3.105 The Committee desire that existing machinery for redressal of grievances be suitably strengthened and separate data may be maintained both at Headquarters and Regional Offices for receipt, consideration and disposal of complaints received from beneficiaries under the various poverty alleviation schemes and that such complaints are disposed off promptly and to the satisfaction of complainants who are not articulate enough to get redress.

3.106 In the opinion of the Committee there is also need for monitoring the disposal of complaints received from weaker sections of the society under the Government's poverty alleviation programmes.

3.107 The Committee have been informed that adequate publicity to the Government's various anti-poverty programmes is given through mass media. Even the services of State Publicity Departments and other departments are utilised to provide publicity to the programmes meant for weaker sections of the society. According to the Ministry the existing mechanism for arousing public awareness and educating the people in rural areas about various schemes is considered adequate. The Committee appreciate and desire the Ministry to the suggestion made during the tour of the Estimates Committee that the Directorate of Information and Publicity of various States may be requested to maintain liaison with the convenor banker of State Level Bankers Committee and to put effective messages through the media of Press, Radio and TV and by display of posters in schools and institutions, public places and Panchayat Ghars in rural areas for disseminating the information about salient features of the various schemes to beneficiaries

3.108 That attitudinal changes may be brought in Bank staffs entrusted with the credit flow to poverty-stricken families for making sustained and conscious efforts to develop awareness among the illiterate borrowers of the salient features of the schemes as also their advantages to achieve desired

objectives of these schemes for providing benefits to the intended beneficiaries.

3.109 The Committee are concerned to note that there have not been much improvement in the credit deposit ratio of scheduled Banks in several States/UTs (like Himachal Pradesh, Jammu & Kashmir, Arunachal Pradesh, Meghalya, Mizoram, Sikkim, Andaman & Nicobar Islands and Goa etc.) and it continued to be less than 40% in all these States. In some of the States like Haryana, Punjab, Rajasthan, Bihar, Madhya Pradesh, Uttar Pradesh and Gujarat etc., CD ratio has shown a declining trend. The Committee have been informed that Reserve Bank of India in June 1980 advised the public sector banks to achieve a credit-deposit ratio of 60% in respect of their rural and semi urban branches separately on all India basis, so that the objective of removing regional balances in economic development could be achieved. The Committee also find that Reserve Bank of India have now constituted task forces to identify the causes for low CD ratio in respect of certain States like Uttar Pradesh, Bihar, West Bengal etc. and in respect of other States, State Level Bankers Committees have been advised to review the position. The Committee regrets why these measures were not initiated much earlier. In the opinion of the Committee the claim of the Ministry that 'present arrangement for monitoring CD ratio at the State level under the aegis of State Level Bankers Committee is deemed adequate' is not justified keeping in view the poor CD ratio in various States. Though, the Committee feel that the CD ratio may not be uniform in all the States, but they see no reason as to why CD ratio is even less than 40% in several States/UTs. The Committee, therefore, desire that the Ministry should take concrete measures for bringing improvement in CD ratio in the States where it is low and as also in those States where it has shown a declining trend. In this connection, the Committee need not over emphasize the fact that the existing monitoring mechanism in the Ministry/Reserve Bank of India for monitoring All India and State-wise CD Ratio needs strengthening.

NEW DELHI;  
*April 25, 1995*  

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*Vaisakha 5, 1917 (S)*

DR. KRUPASINDHU BHOI,  
*Chairman*  
*Estimates Committee.*

## APPENDIX

### *Statement of Recommendations/Observations*

<i>Sl. No.</i>	<i>Para No.</i>	<i>Recommendations/Observations</i>
1	2	3
1.	1.13	<p>The banking system in our country remains an important instrument of economic development and achievement of socio-economic goals. In this connection, the Committee note that the Government have been giving much importance to priority sector lendings particularly in view of the need for quicker upliftment of the weaker and downtrodden sections of the society. With a view to achieving this objective the Government's present credit policy aims at channelising, increasing flow of credit to the priority sector and in particular to the weaker sections of the society. This is evident from the fact that the present targets for advances to weaker sections are required to reach a level of 25% of the priority sector advances or 10% of the net bank credit at the end of previous year. This Report of the Committee specifically examines the credit facilities made available to the weaker sections of the society. The examination of this subject by the Committee had revealed that there exists a lot of scope for efficacious and purposeful implementation of the various schemes drawn up by the Government for providing credit facilities to the weaker sections of the society which are primarily income and employment generation meant for betterment of their economic conditions. The specific recommendations of the Committee have been brought out in the subsequent paragraphs of this Report.</p>
2.	1.14	<p>The Committee note that in March 1984, RBI issued a comprehensive set of guidelines to be followed for advances to all categories of borrowers in the priority sector. These guidelines which also apply to advances to weaker sections who are an important component of</p>

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		<p>priority sector, relate to standardised application forms, loan procedures, liberalised margin, security norms, disbursement of loan, repayment schedule, disposal of loan application, rate of interest, and other charges to be levied etc. and cover all categories of priority sector lendings. According to the Ministry during surveys, evaluation studies of the Government's poverty alleviation programmes conducted by RBI in 1989 there has been revelation of some instances of non-adherence of these guidelines by the banks. This strengthens the Committee's belief that there is no systematic and effective mechanism for monitoring the implementation of these RBI guidelines by various banks. The gist of findings/conclusions of the evaluation study on the flow of credit to SC/ST beneficiaries under Government sponsored programmes under IRDP, SEEUY, DRI, etc. in 1989 has been communicated to the Chairman/Managing Directors of all public sector banks with the advice to pay special attention to these features which need remedial measures on the part of the banks. The Committee feel the Government/RBI should not remain content with issue of instructions only. There should be an effective monitoring of the remedial measures required to be taken by the Banks and to obviate their recurrence in future.</p>
3	1.15	<p>The Committee, therefore, desire that close monitoring may be done by the existing cell in RBI to periodically review the progress of implementation of these guidelines with a view to ensuring their effective implementation. They would also like this monitoring cell to suggest measures for removal of any shortcomings or inadequacies in them, which may crop up during the actual implementation of these guidelines.</p>
4.	2.23	<p>The main objective of the poverty alleviation schemes is to provide credit facilities to weaker sections of the society in the form of subsidy and bank loans for small productive and self-employment ventures etc. to improve their economic conditions. The success of the venture/project depends upon the proper selection of the beneficiaries, economic viability of the projects, adequate loan amount, timely disbursal, requirement of</p>

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additional funds, repayment schedule etc. and for that responsibility should necessarily be of the bank extending credit assistance. The Committee desire that Government should take into consideration positive aspects of association of non-governmental agencies/voluntary organisations in identification of eligible beneficiaries in the light of the experience on the successful functioning of the poverty alleviation schemes in the State of Karnataka. The Committee also desire that workers rendered jobless as a result of closure/sickness of mills falling within the prescribed income limit, may also be considered for benefit under the poverty alleviation programmes of the Government.

5. 2.24

The Committee note that under each scheme of Poverty Alleviation Programme eligibility criteria and procedure for identification of beneficiaries have been laid down. The identification of eligible borrowers under DRI Scheme is done by the banks with their wide net work of branches in the rural areas. The beneficiaries under IRD Programme are identified by officers deputed by DRDAs and finalised with the help of village Assembly and BDO. In regard to schemes like SEEUY and PMRY, the list of eligible borrowers is finalised by a task force consisting of officials from lead banks, Government and reputed non-governmental organisations. However, the beneficiaries under SUME are identified by Urban Local Bodies consisting of Nagar Panchayats, Nagar Palikas and Municipal bodies. While expressing some reservations about the identification procedure, the Special Secretary (Banking) during evidence admitted that 'I am not quite sure whether the system of various Government departments identifying the schemes and identifying the persons is the right way'. In order to improve the existing system in identification of beneficiaries the Ministry based on experience of functioning of such schemes in the State of Karnataka have suggested that association of non-governmental agencies/voluntary agencies might prove beneficial in this regard.

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6. 2.25		<p>The Committee note that the Govt. of India have formulated various schemes/programmes viz., IRDP, SUME, SEEUY and DRI etc. to alleviate poverty of those people who are very poor and generally belong to the weaker sections of society. These schemes provide for special provisions for the benefit of SCs/STs who form a major segment of the weaker sections of the society. The main objectives of the various schemes aimed at providing credit facilities to weaker sections of the society have been to provide them opportunities through a package of assistance in the form of subsidy and bank loan for small productive and self-employment ventures etc. to improve their economic conditions by enabling them to have a continuing source of income. During the examination of extending credit facilities to weaker sections of the society under the poverty alleviation schemes of the Govt. the Committee have gathered an impression that these schemes have not been able to achieve their stated objectives. In this connection, the Special Secretary (Banking), Ministry of Finance (Department of Economic Affairs) during the evidence before the Committee admitted that 'there is a great deal of disquiet within Government and within other circles as to the efficacy of these programmes. The performance in this sector has been somewhat mixed. There are certain other areas where there is a great deal of concern about the programme not doing well. The Special Secretary (Banking), during evidence also enumerated some of the factors viz., misutilisation of subsidy, misappropriation or collusion between bank officials and the Government etc., which may be responsible for unsatisfactory performance of these schemes. He further informed the Committee that some steps have been taken by the Ministry in this regard and added that 'we are still far away from our goals. We are trying to improve our system'.</p>
7. 2.26		<p>The Committee are informed that a survey was undertaken by RBI in regard to DRI Scheme and its study Report was under the consideration of Government. In regard to IRDP, an Expert Committee</p>

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was constituted to review the programme. The Committee are concerned to note that this Expert Committee was expected to submit its report by February 1994 but they have only submitted an interim report so far. The Committee, therefore, urge the Government to expedite the final Report of the Expert Committee on IRDP as also the consideration of study report on DRI so that identification of factors responsible for poor performance of these schemes/programmes could be made without any further delay. The Committee also desire the Government to examine whether there is a need for similar Expert Committee to review other poverty alleviation schemes of the Government to identify the factors responsible for their unsatisfactory performance and to suggest suitable measures for making them more effective for alleviation of poverty. The Committee would like to be informed of the steps taken in this regard within six months of the presentation of this Report.

8. 2.27

The Committee note that RBI is maintaining a separate Department namely Rural Planning and Credit Department (RPCD) which *inter alia* monitors performance of the public sector banks in the matter of extending credit assistance to SCs/STs/Weaker sections under the various poverty alleviation programmes of the Government. In addition to the monitoring by RPCD of RBI senior level officers of various banks from their controlling offices visit branches under their control for on-the-spot monitoring of the operations of the branches. The visiting officers are expected to record their observations in visit notes to be followed up by the branches concerned. RBI Inspectors comment on the quality of such visits during their inspections of the banks concerned. The Committee express their unhappiness over the findings of the RBI, which have revealed that periodical visits were either not carried out or not carried out regularly. In some cases the visit notes were not recorded and in other cases notes were not sent to the branches for compliance. Even in some cases compliance of visit notes were not followed up. The Committee feel that these visits could prove very useful in identifying the problems faced at the ground

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level in extending credit assistance to weaker sections of the society and suggesting remedial measures. The Committee, therefore, recommend that Ministry/RBI should take expeditious steps for streamlining the existing spot monitoring and inspection systems in the controlling offices by the visiting Senior Officers in the light of RBI observations to make them objective and purposeful.

9. 3.86

The Committee are perturbed to note that the achievements of targets fixed in respect of priority sector advances has come down from 40.02% in March 1991 to 36.6% in March 1993 as against the target of 40% of the net bank credit to the priority sector as laid down under RBI guideline on credit policy. The achievement of targets in regard to advances to weaker sections of the society has also declined from 9.7% to 8.9% as against the stipulated target of 10% during the same period. Even the scheme-wise fulfilment of targets was far from satisfactory during these 3 years. In regard to DRI Scheme, the achievement of target has been around 0.7% as against a target of 1% during the same period. As far as IRD Programme is concerned the target achievement in respect of women beneficiaries have ranged between 30.89% to 33.39% as against prescribed target of 40% during the same period. The Ministry have enumerated various reasons/factors responsible for non-achievement of targets. In regard to DRI Scheme preference of the target groups for other Government sponsored subsidy linked schemes rather than DRI Scheme where only concessional rate of interest is offered, difficulty in identifying the eligible borrowers and a scheme for write off and reliefs given to eligible borrowers are the main factors in the success of this scheme. Under SEEUY Scheme, the majority of SCST candidates having requisite qualifications are stated to be opting for salaried jobs. As far as the IRD Programme is concerned, the major reason for non-achievement of target in respect of women beneficiaries was low literacy, restrictive social practice, predominance of patriarchal society and lack of exposure of changes. In this connection of Committee note that Ministry/RBI have taken a number of steps to

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		<p>improve the performance of various poverty alleviation schemes of Government. According to the Ministry, RBI has conducted a survey in regard to DRI Scheme and the study report was under consideration of the Government. On the basis of the findings necessary steps will be initiated in consultation with the Government. As regards IRDP, the Expert Committee has submitted only an Interim Report so far. The final Report of the Committee is still awaited. The Committee, therefore, desire that the Ministry/RBI should take expeditious steps so that the outcome of the survey and the final report of the Expert Committee be made available to the Government/RBI to enable them to make necessary improvements/modifications in the various schemes and also take remedial measures for better target achievement of these schemes. The Committee are happy to note that notwithstanding Narasimhan Committee recommendation on target for priority sector lendings Government and RBI have made it categorically clear that the priority sector lendings obligation for banks would not be reduced.</p>
10. 3.87		<p>The Committee also desire that the Government should issue necessary directions to the Banks to make concerted efforts in extending credit facilities to the weaker sections of the society according to the targets stipulated under each scheme and their sub-sectors.</p> <p>The Committee also expect Government/Banks to make efforts to educate the eligible beneficiaries specially DRI and women beneficiaries, with a view to bestowing full advantages of these schemes which are in their interest.</p>
11. 3.88		<p>The Committee also expect Government/Banks to make efforts to educate the eligible beneficiaries specially DRI and women beneficiaries, with a view to bestowing full advantage of these schemes which are in their interest.</p>
12. 3.89		<p>The Committee are concerned to note that the Ministry and the RBI have been receiving a number of complaints regarding delay in sanctioning of loans, non-adherence to the guidelines on priority sector advances issued by RBI, various irregularities in dispensation of</p>

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		<p>credit under Government sponsored schemes etc. The Committee have also been informed by the beneficiaries during their study tour to various places in the country that DRDA took a number of months in approving and sponsoring the loan applications to the banks. As per the guidelines on priority sector lending issued by RBI to all banks, all loan applications upto a credit limit of Rs. 25,000/- are to be disposed of within a fortnight and those for over Rs. 25,000/- within 8 to 9 weeks.</p>
13.	3.90	<p>The Committee find that in order to improve the system for expeditious disposal of applications for disbursal of loan amount to identified beneficiaries a system has been suggested in the Manual for IRDP and Allied Programmes of TRYCEM &amp; DWCRA (April 1991 Edition), which provides that the application forms of the beneficiaries for loans should be prepared in camp attended by the beneficiaries, the Block functionaries, other concerned Departments including the Revenue Department and the bankers. This system has been devised to save time and energy of the beneficiaries in running from office to office to get 'no dues certificate' and other requisite documents. The DRDA have also been advised to avoid bunching of applications in the last quarter as well as spreading of the sponsoring of applications throughout the year. Quarterly targets have been fixed for sponsoring applications. In this connection, the Ministry have expressed their views that the guidelines particularly in regard to time taken for sponsoring applications to banks, scrutiny of applications and sanctioning and disbursement of loans etc. needs improvement.</p>
14.	3.91	<p>Hon'ble Members of Parliament have been highlighting on the floor of the House, wherever opportunity comes, the hardships caused to the poor people in getting bank loans even under the poverty alleviation programmes due to complex procedures, delays and corruption prevalent in the Bank staff.</p>
15.	3.92	<p>The Committee feel there is an urgent need to streamline the procedure for sponsoring and disposal of applications and disbursal of loan amount to the identified beneficiaries under the various poverty</p>

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		alleviation schemes of the Government with a view to ensuring that delays in sponsoring and disposal of applications and disbursal of loan amounts to the beneficiaries is completely eliminated, which in the opinion of the Committee is an essential pre-requisite for the success of any poverty alleviation programme/scheme of the Government.
16.	3.93	The Committee are satisfied to note that the Government is conscious of the need for improvement. In order to bring improvement in the system for disposal of applications for disbursement of loan amount to identified beneficiaries, the matter has also been referred to the High Powered Expert Committee constituted by RBI for recommendations. The Committee desire that Government would take appropriate corrective measures with due promptitude in the light of the recommendations of the Expert Committee.
17.	3.94	The Committee are surprised to note that the information regarding the average quantum of money given by the banks to each beneficiary is not available with the Ministry. Even the Ministry could not furnish the details of cases where loans were not granted in a stipulated time, as the record was not available with the Ministry. The Committee are unable to understand why these statistics/data have not been compiled by Ministry/RBI/banks and in the absence of such an information as to how the Ministry is able to evaluate the performance of schemes from different aspects. The Committee, therefore, desire that the Ministry should take effective steps for compiling and maintaining statistics of all types of schemes pertaining to weaker sections of the society centrally either in the Ministry or RBI/Bank. In the opinion of the Committee, this will provide the necessary insight into the performance of the various schemes of the Government.
18.	3.95	The Committee view with serious concern the rampant corruption prevalent in the process of sponsoring of loan applications and actual disbursement of loans to the beneficiaries. As admitted by the Special Secretary (Banking) during his evidence before the Committee that, 'There are so many schemes sponsored by the Government and by the time the person gets the

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		<p>money, it becomes only a small fraction of what the original amount was.' The Committee are also not happy with the fact that the data reporting system to RBI does not generate the information regarding lapses on the part of bank staff and disciplinary action taken against them in timely disbursement or otherwise of the credit facilities to the weaker sections of the society. The Committee strongly feel that Ministry/RBI should devise some ways and means for generating such a data in the reporting system of RBI to plug all the loopholes in proper implementation of the poverty alleviation schemes of the Government.</p>
19.	3.96	<p>The Committee are highly concerned to note that the recoveries of loans granted to identified beneficiaries under various poverty alleviation schemes of Government has been very low. From the figures furnished to the Committee, it is seen that recovery position in respect of IRDP ranged between 30.8% to 41.4% during the period from June 1990 to June 1993. In respect of SEEUY scheme the recovery percentage was less than 24% from June, 1990 to June, 1992 and the data received from 12 banks showed that recovery under this scheme was only 15.59% as on June, 1993. Under DRI Scheme, as per the data made available by the Ministry indicate that the recovery varied between 34.1% and 47.8% during the period December, 1988 to June 1991 as the subsequent data was stated to be not available with the Ministry. As regards bank-wise, recovery position during the years 1990-91 to 1992-93, it is seen from the data furnished to the Committee that recoveries has been dismal in respect of almost all the banks especially in case of Dena Bank, Allahabad Bank, Central Bank, SBI and PNB etc. In regard to overall recovery position in respect of all the programmes/schemes, the Special Secretary (Banking Division) during the evidence before the Committee informed that. 'In the last three years as of June, 1993 the recovery percentage is 23.9%. The lowest was 22.8% and the highest was 26%'. The Committee express their unhappiness over the state of recoveries of loans under various poverty alleviation schemes of the Government for the weaker sections of the society.</p>

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20.	3.97	<p>These well-meaning Special Welfare Schemes for vulnerable section of the society have been able to achieve little owing to inefficient implementation. There is a considerable siphoning of funds allocated under these schemes. It is seldom that even a smart IRDP entrepreneur can get the loan sanctioned and disbursed full amount. This had been documentedly observed by the former Prime Minister, late Shri Rajiv Gandhi that beneficiaries under the welfare schemes of the Government get only about 30 per cent of the sanctioned financial assistance. The rest is pocketed by the intermediaries.</p> <p>It is thus not surprising that the fault for repayment of loans in such accounts have been rising steadily over the years because of the marked reluctance on the part of the beneficiaries to refund the full loan for which they have been paid less than one-third of the amount.</p>
21.	3.98	<p>The Committee find that the main difficulties faced as enumerated by the Government/Banks for effecting recoveries are viz. the feeling among the beneficiaries that the loans are Government grants not meant to be repaid, the feeling among the banks that IRDP etc. are Government Programmes for which only fiscal targets are to be fulfilled. Reckless disbursement of loans during loan melas is another contributing factor. In some cases the difficulties faced in non-recovery of loans are non-availability of suitable staff or effective supervision, waiver of loan by Government, inadequate support from the State Government machinery etc. With a view to improve the recovery position, RBI is stated to have advised the Banks to strengthen and gear up their organisational structure both at the controlling offices and at the field level, adopt schematic approach to lending for facilitating supervision, tune up pre-lending appraisal system and post-lending follow up, arrange recovery drives to coincide with harvests and organise block-wise recovery campaigns in association with the concerned State Government Officers. As regards recovery of agricultural dues of commercial banks, the Expert Group (Talwar Committee) appointed in September, 1969 had recommended that the State Governments should empower officials with the authority to issue an order having the force of a</p>

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		<p>decree of Civil Court for payment of any sum due to a bank by sale of property charged/mortgaged in favour of the bank to facilitate prompt recovery of dues of commercial banks without having to resort to protracted and time consuming litigation in Civil Courts. In this connection, the Committee find that only 16 States have so far enacted the legislation to this effect. The Committee have also been informed that the RBI advised Indian Banks Association to take up the matter with the concerned State Governments through SLBC Convenor Banks and use their good offices in getting the legislation enacted. The Committee also note that those State Governments where this legislation has been enacted are encountering certain legislative shortcomings and operational problems. They hope that necessary modifications will be made in the legislation to remove the shortcomings and problems faced in its actual implementation by State Governments.</p>
22.	3.99	<p>The Committee appreciate the steps taken by the Government of India/RBI like allotting one day in a week as non-working day for visiting the borrowers in connection with the recovery of dues, not granting loans to wilful defaulters, making waiver of loan under Agricultural and Rural Debt Relief Scheme only one time measure, etc. The Committee feel that the steps taken by the Government/RBI are not proving to be very effective as is evident from the continued poor recovery position in respect of all the schemes during the last three years. The Committee agree with the Ministry that with overdues at the level of 70% to 80% of the demand, it would be highly difficult to turn any poverty alleviation programme into a successful one. Thus, the Committee desire that the Government should again take up the matter with the remaining State Governments on priority basis to persuade them to enact the above legislation with necessary changes/modifications required in view of the shortcomings/problems identified in the actual enactment of the legislation. The Committee hope that with the enactments of this legislation the recovery position will improve in regard to all the schemes of the Government. They would also like the Ministry/RBI to take concrete measures to improve the recovery position</p>

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23.	3.100	<p>of all the schemes. The Committee would like to be informed about the latest position in this regard.</p> <p>The Committee are also unhappy to note that datas relating to the recovery positions in respect of some schemes are not available with the Government/RBI, with the result the same could not be furnished to the Committee for their perusal. The Committee regrets why this data is not being compiled by the concerned banks or RBI centrally. In some cases the Ministry could furnish the datas with respect to few banks only. In the absence of these figures the Government may not be able to take stock of the exact position with regard to recoveries. The Committee have also not been furnished with any reasons for not maintaining such data by RBI. The Committee are of the view that these figures should be compiled scheme-wise by RBI centrally in order to effectively monitor the recovery position and suggest remedial measures in this regard, wherever necessary. They hope that the requisite steps will be taken by the Ministry for collecting and compiling the relevant data relating to recovery position in respect of all the Banks.</p>
24.	3.101	<p>The Committee note that in November, 1984 Banks were advised to create separate recovery cells for cluster of nearby branches for continuous and effective supervision and recovery, where overdues exceeded 50% of demand and agriculture advances were sizeable. The Committee are unhappy to find that only 19 public sector banks have established/separate recovery cells so far. The other 8 public sector Banks have adopted various other means to monitor recovery of overdues. The Committee have not been informed about the specific reasons for not creating recovery cells by these 8 public sector banks so far, even after lapse of a decade since such advice was given. The Ministry has however informed about the various constraints and difficulties viz paucity of staff, location of the Branches in remote corners etc. which the Banks face for creating separate recovery cells. The Banks are stated to be adopting other means like setting up of Gramodaya Kendras, deployment of agricultural field officers and collection of cash at door steps of the borrowers etc. for monitoring the recoveries of overdues. Inspite of these</p>

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steps taken by various Banks the Committee find that there is an increasing trend in the amount of overdues, which gives an impression to the Committee that the existing recovery cells/other methods adopted by Banks are not adequate to effect the recovery of the overdues. They, therefore, desire that the Ministry/Banks should take expeditious steps for creating recovery cells in the Banks, where these have not been set up so far. They also desire that the Ministry should devise some way and means for strengthening the existing recovery cells to improve the recovery position of various banks.

25 3.102

The Committee also make the following recommendations:

- (i) Family income level for eligibility under DRI may be suitably raised considering the inflation
- (ii) There is a need for some nodal agency under the lead bank for survey/identification of beneficiaries in urban areas and for sponsoring applications to Banks.
- (iii) There is a need for close coordination among Government agencies for implementing and administering different poverty alleviation schemes for weaker sections.

The Government may also examine the feasibility of ending multiplicity of Government agencies and entrusting the implementation of different schemes to one authority.

- (iv) Bank should endeavour to reach a target rate of 10% to the weaker sections and 1% under DRI.
  - (v) The Present target of 1% of aggregate advances under DRI scheme was fixed in 1978. Considering the large number of households still below poverty line in the country, especially the need for infrastructure supporting Banks' credit deployment in rural areas, there is a need for enhancement of DRI target from 1% to 2%.
  - (vi) The Ministry have pointed out that the problem of recovery of loans from the beneficiaries has become very difficult because of introduction of loan waiver
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schemes, which vitiate the recovery climate. Under IRDP, the underlying urgency is to convert an unviable person to a viable person. In spite of honest intention and sincere efforts on the part of the beneficiaries, the project may default. Recovery in many of these cases become very difficult as the persons concerned has no capacity to pay. In order to remove hardship in such genuine cases the Government should consider taking over loanee's obligations under IRDP and DRI schemes for repayment to Bank so that Banks are able to recycle the credit in rural area.

- (vii) The Banks should not hesitate in taking strong measures like recourse to legal action for recovery of bank dues against the borrowers who wilfully default in repayment of loans.
- (viii) Beneficiaries who have misutilised loans or diverted the income for consumption or other needs may be made ineligible for any fresh loans.
- (ix) Many instances of 'benami' loans have been reported. It is learnt most of the loans that become non-recoverable are 'benami' loans. In the absence of any effective land reforms, loans meant for weaker sections might be used by other people. It is necessary that officials sanctioning such loans should be taken to task and real culprits should be brought to so that unwary illiterate poor people, who are used as a tool by unscrupulous elements, do not suffer.

26. 8.103

The Committee have been informed that the diversion of funds is one of the major reasons limiting the success of Poverty Alleviation Programmes and some action have been taken to recover the misutilised portion of assistance by invoking Public Demand Recovery Act, Land Revenue Recovery Act, existing in the States. From the figures furnished to the Committee with regard to number of cases where funds were utilised for purposes other than those for which they were sanctioned and the quantum of amount involved for the last three years it is seen that during these Years the number of such cases have increased in respect of Dena

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		<p>Bank, State Bank of Indore, State Bank of Mysore, Andhra Bank, State Bank of Patiala. Bank of Baroda and Oriental Bank of Commerce. Even the amount involved in such cases have also shown an increasing trend, which gives an impression to the Committee that aforesaid Acts are not adequate and effective in checking the misuse of assistance. The Committee also take note of the fact that State Government also pay an important role in the realisation of misutilised/misappropriated funds from the erring beneficiaries, as they are required to make bonds/pronote enforceable under the provisions of the local laws. The Committee are of the view that the existing mechanism for coordination among the Ministry/Bank and the concerned State Government need to be strengthened for effectively monitoring such cases of defaults and subsequent recovery of dues from beneficiaries. The Committee therefore, desire that suitable measures should be initiated to strengthen the existing mechanism for coordination and monitoring and also for making the provisions of the relevant Acts more comprehensive to deal with such situations. The Committee will also like the Ministry to initiate suitable action against the defaulters so that the amount lying with the defaulters could be recovered and the number of these cases could be brought down to minimum. The Committee would like to be informed of the action initiated in this regard.</p>
27. 3.104		<p>The Committee note that under the guidelines issued by RBI on priority sector lending, the Banks are required to maintain suitable machinery at their regional offices to entertain complaints from the borrowers if the Branches do not follow the laid down guidelines under the poverty alleviation schemes. The Committee during their study visit to Banks were informed that a number of complaints were received every year and the nature of complaints generally received related to delay/non-sanction of loans or disbursement of loan, request for write-off concession in interest rate etc.</p>
28. 3.105		<p>The Committee desire that existing machinery for redressal of grievances be suitably strengthened and</p>

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		separate data may be maintained both at Headquarters and Regional Offices for receipt, consideration and disposal of complaints received from beneficiaries under the various poverty alleviations schemes and that such complaints are disposed off promptly and to the satisfaction of complainants who are not articulate enough to get redress.
29.	3.106	In the opinion of the Committee there is also need for monitoring the disposal of complaints received from weaker section of the society under the Government's poverty alleviation programmes.
30.	3.107	The Committee have been informed that adequate publicity to the Government's various anti-poverty programmes is given through mass media. Even the services of State Publicity Departments and other departments are utilised to provide publicity to the programmes meant for weaker sections of the society. According to the Ministry the existing mechanism for arousing public awareness and educating the people in rural areas about various schemes is considered adequate. The Committee appreciate and desire the Ministry to the suggestion made during the tour of the Estimates Committee that the Directorate of Information and Publicity of various States may be requested to maintain liaison with the convenor banker of State Level Bankers Committee and to put effective message through the media of Press, Radio and TV and by display of posters in schools and institutions, public places and Panchayat Ghars in rural areas for disseminating the information about salient features of the various schemes to beneficiaries.
31	3.108	The attitudinal changes may be brought in Bank staffs entrusted with the credit flow to poverty-stricken families for making sustained and conscious efforts to develop awareness among the illiterate borrowers of the salient features of the schemes as also their advantages to achieve desired objectives of these schemes for providing benefits to the intended beneficiaries.
32.	3.109	The Committee are concerned to note that there have not been much improvement in the credit deposit ratio

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of scheduled Banks in several States/UTs (like Himachal Pradesh, Jammu & Kashmir, Arunachal Pradesh, Meghalaya, Mizoram, Sikkim, Andaman & Nicobar Islands and Goa etc.) and it continued to be less than 40% in all these States. In some of the States like Haryana, Punjab Rajasthan, Bihar, Madhya Pradesh, Uttar Pradesh and Gujarat etc., CD Ratio has shown a declining trend. The Committee have been informed that Reserve Bank of India in June 1980 advised the Public Sectors banks to achieve a credit-deposit ratio of 60% in respect of their rural and semi urban branches separately on all India basis, so that the objective of removing regional embalances in economic development could be achieved. The Committee also find that Reserve Bank of India have now constituted task forces to identify the causes for low CD Ratio in respect of certain States like Uttar Pradesh, Bihar, West Bengal etc. and in respect of other States, State Level Bankers Committees have been advised to review the position. The Committee regrets why these measures were not initiated much earlier. In the opinion of the Committee the claim of the Ministry that 'present arrangement for monitoring CD ratio at the state level under the aegis of State Level Bankers Committee is deemed adequate is not justified keeping in view the poor CD ratio in various States. Though, the Committee feel that the CD ratio may not be uniform in all the States, but they see no reason as to why CD ratio is even less than 40% in several States/UTs. The Committee, therefore, desire that the Ministry should take concrete measures for bringing improvement in CD ratio in the States where it is low and as also in those States where it has shown a declining trend. In this connection, the Committee need not over emphasize the fact that the existing monitoring mechanism in the Ministry/Reserve Bank of India for monitoring All India and State-wise CD Ratio needs strengthening.

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