

FORTY-FIRST REPORT
ESTIMATES COMMITTEE
(1986-87)

(EIGHTH LOK SABHA)

MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
(BANKING DIVISION)

STATE BANK OF INDIA - SOCIAL BANKING

Action taken by Government on the Recommendations contained in the Twenty-Ninth Report of Estimates Committee (Eighth Lok Sabha)



सत्यमेव जयते

Presented to Lok Sabha on 9th April, 1987

LOK SABHA SECRETARIAT
NEW DELHI

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To

Forty-First Report of Estimates Committee
(1986-87)

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9. **Shri C. Madhav Reddy**

INTRODUCTION

I, the Chairman of the Estimates Committee having been authorised by the Committee to submit the Report on their behalf present this Forty-first Report on action taken by Government on the recommendations contained in the Twenty Ninth Report of the Estimates Committee (8th Lok Sabha) on the Ministry of Finance, Department of Economic Affairs (Banking Division)—State Bank of India—Social Banking.

2. The Twenty-ninth Report was presented to Lok Sabha on 23rd April, 1986. Government furnished their replies indicating action taken on the recommendations contained in that Report on 27th February, 1987. The replies were examined and draft report adopted by Estimates Committee at their sitting held on 1st April, 1987.

3. The Report has been divided into following Chapter :—

- (i) Report
- (ii) Recommendations/Observations which have been accepted by Government.
- (iii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies.
- (iv) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee.
- (v) Recommendations/Observations in respect of which final replies of Government are still awaited.

4. An analysis of action taken by Government on the recommendations contained in Twenty-ninth Report of Estimates Committee (Eighth Lok Sabha) is given in Appendix. It would be observed that out of 29 recommendations made in the Report 20 recommendations i.e. about 69 per cent have been accepted by Government and the Committee do not desire to pursue 2 recommendations i.e. about 7 per cent. Replies of Government have not been accepted in respect of 4 recommendations i.e. about 14 per cent. Final replies of 3 recommendations i.e. 10 per cent are still awaited.

NEW DELHI;
April 2, 1987
Chitra 12, 1909 (S)

CHANDRA TRIPATHI,
Chairman
Estimates Committee.

CHAPTER I

REPORT

1.1 This Report of the Estimates Committee deals with Action Taken by Government on the recommendations contained in their Twenty-Ninth Report (8th Lok Sabha) on the Ministry of Finance, Department of Economic Affairs (Banking Division)—State Bank of India—Social Banking which was presented to Lok Sabha on 23rd April, 1986.

1.2 Action Taken Notes have been received in respect of all the 29 recommendations contained in the Report. These Notes have been categorised as follows :—

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

Sl. Nos. 1,4,5,7,8,9,10,13,14,15,16,17,18,20,21,22,25,26,27 and 28
(Total 20, Chapter II)

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

Sl. Nos. 2 and 3
(Total 2, Chapter III)

- (iii) Recommendations/Observations in respects of which Government's replies have not been accepted by the Committee :

Sl. Nos. 12,23,24 and 29
(Total 4, Chapter IV)

- (iv) Recommendations/Observations in respect of which final replies are still awaited ;

Sl. Nos. 6,11 and 19
(Total 3, Chapter V)

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

Recommendation Sl. No. 12 (Para 2.65)

Agricultural Development Branches

1.4 The Committee were informed that the State Bank of India evolved the concept of Agricultural Development Branches on its own in 1971 for handling agricultural advances exclusively. The Bank had 432 such branches and upto the end of 1984 the number of framers financed through these branches was 16,79,256 and the net outstanding amount Rs. 641.29 crores. These Branches provided credit for both agriculture as also allied activities like dairy, poultry, fisheries etc. The Committee noted that the Reserve Bank of India had taken a decision to expand the net work of commercial banks in the rural areas and had asked the State Bank of India and other banks to go slow on the opening of further Agricultural Development Branches. The Committee however had no doubt that all those areas which had not been covered by the commercial banks will be provided banking facilities in a time bound programme. The Committee desired the State Bank of India to make an indepth study in the working of the existing Agricultural Development Branches to find out their impact on the socio-economic advancement of the beneficiaries and also whether the recovery position was satisfactory.

1.5 The Ministry of Finance (Banking Division) in their reply have stated as under :

“The earlier Branch Licensing Policy 1982-85 had envisaged the establishment of one bank office for 17,000 population in the rural and semi-urban areas at the district level. In many cases even though the policy objective was achieved in the district, it was found that there were large unbanked/underbanked pockets within the district. In order to remove intradistrict variations in the spread of banking facilities, in the current Branch Licensing Policy for 1985-90, co-terminus with the Seventh Five Year Plan, the twin objectives of having one bank office for 17,000 population in the rural and semi-urban areas of each development block *and* filling up spatial gaps by having atleast one bank office within a distance of 10 Kms. from any village have been introduced. In the sparsely populated areas such as the hilly and tribal areas, the population coverage norm can be further relaxed to one bank office for 10,000 to 12,000 population. Spatial gaps in the availability of banking facilities may be expected to be filled in with the implementation of current Branch Licensing Policy.

As regards conducting of indepth study of the Agricultural Development Branches to ascertain whether recovery position at these branches is satisfactory, State Bank of India has reported that the studies car-

ried out in the past in this regard had revealed that the position is not very different from that obtaining at other branches. As regards conducting a study to find out the impact of the ADBs on the socio-economic advancement of the beneficiaries, it may be mentioned that in a situation where a number of other agencies such as co-operatives, land development banks, regional rural banks and branches of other commercial banks are operating in an area, a study to assess the socio-economic benefits accruing exclusively on account of the operations of ADBs may not give an accurate account of the socio-economic benefits."

1.6 The concept of Social Banking envisages the socio-economic advancement of the target groups under various schemes. Keeping that in view, the Committee had desired the State Bank of India to conduct an in-depth study of the working of its existing Agricultural Development Bank branches to find out their impact on the socio-economic advancement of the beneficiaries under this scheme. In Ministry's reply the State Bank of India is stated to have reported that a situation where a number of other agencies such as co-operatives, land development banks, regional rural banks and branches of other commercial banks operating in an area, a study to assess the socio-economic benefits accruing exclusively on account of the operations of Agricultural Development Banks may not give an accurate account. Evidently, the State Bank of India has not been able to comprehend the idea underlying Committee's recommendation. What the Committee had desired was a limited study being undertaken by the SBI to assess the socio-economic advancement of a particular target group viz. the beneficiaries of the Agricultural Development Banks in the areas of their operation and not that of the entire area as such. According to the Committee it is a matter of paramount importance to ascertain whether the objectives underlying this scheme have been realised so as to decide continuation/expansion of its operation or otherwise, particularly an view of RBI's decision to go slow with opening of further ADBs. The Committee, therefore, reiterate their recommendation and desire SBI to undertake the aforesaid study at the earliest and apprise them of its outcome within six months.

Recommendation SI. No. 23 (Para 3.12)

Simplification of Procedures

1.7 The Committee had been informed that in order to ensure that guidelines regarding simplified/procedures were followed by the rural bank branches, RBI had initiated evaluation through its own officers. Reserve Bank of India was also stated to have appointed Lead Development Officers

for three-four districts for the purpose. The Committee had desired the RBI to appoint many Lead Development Officers so as to cover all the districts served by the schemes for priority sectors. These officers should conduct surveys and make on-the-spot studies to find deficiencies in the procedures and suggest measures for plugging the loopholes so as to prevent harassment of beneficiaries and malpractices indulged in by the middle-men, bank officials and other functionaries.

1.8 In their reply the Ministry have stated that the recommendation of the Committee had been brought to the notice of the Reserve Bank of India and State Bank of India. In the recent past a large number of steps had been taken towards reducing deficiencies in rural lending operations and also to remove malpractices and other irregularities at rural branches. Banks had been advised to instruct their branch functionaries that they should not associate themselves in identification of assets of suppliers. Banks had been advised to reduce the time lag between receipt of applications and sanction which were required to be disposed of within a fortnight. A system of distributing both loan and subsidy to beneficiaries in cash under IRDP programmes was launched on 1.4.1986 in 22 selected blocks of the country so as to avoid the role of middlemen.

1.9 The Committee had desired the Reserve Bank of India to appoint as many Lead Development Officers as were required to cover all the districts served by the Lead Bank Scheme for priority sectors, to conduct surveys and make on-the-spot studies to find deficiencies in the procedures and suggest measures for plugging the loopholes so as to prevent harassment of beneficiaries and malpractices indulged in by the middlemen, bank officials and other functionaries. To Committee's dismay, the Ministry's reply does not touch upon this aspect of their recommendation at all. The reply of the Ministry indicates *inter alia* certain steps which are stated to have been taken towards reducing deficiencies in rural lending operations and also to remove malpractices and other irregularities at rural branches. The Committee cannot but deprecate the casual approach of the Ministry/RBI towards their specific recommendation. The Committee, therefore, reiterate their recommendation and desire the Ministry/RBI to take immediate steps to appoint Lead Development Officers for the purposes indicated.

Recommendation No. 24 (Paras 3.17 & 3.18)

Bunching of Applications

1.10 The Committee were not convinced of the reasons advanced by the SBI for undue delay in the disposal of the loan applications of beneficiaries under the various social banking schemes. So far as bunching of applications was concerned the Committee had desired that instructions should be

issued by the Ministry of Finance/Reserve Bank of India to all the concerned sponsoring agencies impressing upon them the imperative need for the avoidance of the bunching of applications so that these applications could be disposed of within the maximum period of two weeks.

1111 So far as the problem of handling of very large number of small loan applications was concerned, the Committee had expressed the view that the desired results could be achieved by computerisation of the whole process. The Committee had urged upon the State Bank of India to take expeditious decision on the computerisation as recommended by the Committee appointed by the bank. The Committee had further observed that the recommendations of that Committee about procedural problems etc. also needed immediate consideration and implementation.

1112 The Ministry in their reply have stated as under :

“Government and RBI have issued very clear instructions to all the banks that there should not be any undue delay in disbursal of loan applications of the beneficiaries in the rural areas. Instructions have been issued that all loan applications received in the rural areas should be disposed of within a fortnight. Instructions also exist that there should not be delay between sanction and disbursal of loan applications of the rural areas. In order to ensure that there is no undue delay in disbursal of loans, banks have been advised to fix two specific days in rural branches when loans may be disbursed. This would, while giving adequate time for the branch functionaries to process the proposals, also enable the beneficiaries to reduce the frequency of their visits to rural branches. It has also been decided that one day in the week should be treated as a non-banking working day in all the rural branches so as to enable the bank functionaries to contact the beneficiaries and to have interaction with them which would result in sanctioning process and the disbursal process being speeded up.

Government have also taken note of the recommendations made by the Committee that State Bank of India should take expeditious decision on the computerisation as recommended by the Committee appointed by the bank and that recommendations of that Committee about procedural problems, etc. should also make immediate consideration and implementation. State Bank of India has been asked to look into this matter and take immediate decision consistent with the requirement of business efficiency and the need for computerisation and mechanisation of rural branches based on the volume of business transacted at these branches”.

1.13 To combat the problem of handling and disposal of large number of small loan applications by the bank branches, the Committee had expressed their view that the desired results could be achieved by computerisation of the whole process. The Committee had, therefore, urged upon the State Bank of India to take expeditious decision on the computerisation as recommended by the Committee appointed by the Bank itself. They had also recommended immediate consideration and implementation of other recommendations of that Committee. The Committee are, however, surprised to find that the reply of the Ministry, which has been furnished after about ten months of the presentation of their report containing above recommendation, *inter alia* indicates that the State Bank of India have been asked to "look into this matter and take immediate decision consistent with requirement of business efficiency and the need for computerisation and mechanisation of rural branches on the volume of business transacted at these branches". The Committee are not at all happy with the casual approach of the Ministry. They had expected that within the time already taken, a final decision would be taken and intimated to the Committee. They, therefore, desire the State Bank of India to take final decision in the matter urgently and apprise the Committee thereof within three months.

Recommendation Sl. No. 29 (Para No. 3.45)

Publicity

1.14 The Committee were not satisfied with the steps taken by the Reserve Bank of India for publicising schemes of social banking under implementation in the rural areas. In the Committee's view mere Publication of 'Credit Information Review' layman's language and its free of cost circulation among about 50,000 people in a vast country like India was hardly going to serve any purpose. The committee, agreeing with the views of a non-official organisation, had observed that besides formal avenues of publicity like newspapers, pamphlets etc. effective publicity of schemes of social banking could be through widespread personal contact between the bank officials (field staff) and the borrowers *viz.* the target groups under each scheme. The committee had observed that besides, services of the modern publicity media like Radio and Television should also be made use of for propagating schemes amongst the target groups. The committee had expressed the view that this would help a good deal in creating awareness amongst the rural clientele about the benefits that accrued to them under various schemes. This would also obviate their exploitation by the middlemen as also unscrupulous officials through malpractices. The Committee wanted that there should also be a system of getting feedback from rural branches about the points made and difficulties experienced by the rural clientele and these should be analysed at a central place and TV/ Radio programmes based on those points and solutions or correct information about that should be telecast/broadcast giving due publicity to them in advance.

1.15 In their reply the Ministry have stated that the Public sector Banks had been advised from time to time that the Chief Executives and other senior officers should visit rural branches at least once in a month to satisfy themselves about the quality of work being done by the bank branches in rural areas—and to ensure that the grievances of rural customers [were promptly redressed particularly with reference to implementation of schemes for weaker sections of the society. This interface programme of bank officials with the rural borrowers and customers was expected to be more effective and would yield more positive results.

1.16 The Committee had observed that besides formal avenues of publicity like newspapers, pamphlets etc. effective publicity of schemes of social banking could be through widespread personal contact between the bank officials (Field staff) and the borrowers viz. the target groups under each scheme. The Committee had also expressed the view that services of modern publicity media like Radio and Television should also be made use of for propagating schemes of social banking amongst the related target groups as it would help a good deal in creating awareness amongst the rural clientele about the benefits that accrue to them under various schemes. This will also obviate their exploitation by the middlemen as also unscrupulous officials through malpractices. The Committee had also desired a system to be evolved for getting feedback from rural branches about the difficulties experienced by the rural clientele, and programmes based should be telecast/broadcast, giving adequate publicity. The Committee are constrained to find that the Ministry's reply only refers to their general advice to public sector banks about the visits of the Chief Executives and other senior officers to rural areas once in a month and interface programme of bank officials with the rural borrowers. It does not touch upon, even obliquely, the content of their above recommendation. The Committee deprecate this apathetic approach of the Ministry in dealing with their recommendation. They desire prompt action to be initiated for implementation of their above recommendation and would like to be informed of the decisions taken and progress made with regard thereto, within six months.

Implementation of Recommendations

1.17 The Committee would like to emphasise that they attach the greatest importance to the implementation of recommendations accepted by Government. They would, therefore, urge that Government should keep a close watch so as to ensure expeditious implementation of the recommendations accepted by them. In cases where it is not possible to implement the recommendations in letter and spirit for any reasons, the matter should be reported to the Committee in time with reasons for non-implementation.

1.18 The Committee desire that replies in respect of the recommendations contained in Chapter V of the Report may be finalised and final replies of the Government furnished to Committee expeditiously.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Sl. No. 1. (Para Nos. 1.10 to 1.14)

The banking activity of all financial institutions, particularly of the nationalised banks, has to conform to the needs of the Society to effectively participate in programmes of economic development of the country. Social banking constitutes bankers', participation in schemes and programmes that have content dominantly social in relevance i.e. future oriented in the context and welfare oriented in content. The benefit of such schemes directly accruing to the banks beneficiaries are incapable of being quantified. However, the Committee feel, effective implementation of such schemes and programmes leads to development of banking as they, besides generating goodwill and trust, impart stability to the socio-economic life of the target population.

Social banking also implies modification in the internal system of working of the banks so as to facilitate the extension of credit on intensive scale to the hitherto neglected sections of the society.

The Committee do not view such banking activity as a deviation from normal commercial banking as it lays the foundation for the commercial banking among the beneficiaries in the immediate future.

Keeping this perspective in view the Committee consider the concept of commercial banking and social banking as complementary and supplementary to each other. They are not to be viewed as mutually competing or conflicting concepts. This thinking has to pervade in the entire banking system if it has to serve as an effective instrument in the process of accelerated economic growth of the society with emphasis on the upliftment of the hitherto neglected and down-trodden sections of the society.

The committee feel that for realising the objectives of social banking there is an imperative need for bringing about an attitudinal change in the minds of bank functionaries at all levels so as to make them understand in unambiguous terms that it is their bounden duty to carry on the banking acti-

vities with the over all social and economic perspective in view. The Committee therefore desire the Department of Banking to devise in consultation with the Reserve Bank of India, ways and means to instil in the minds of the operators of the banking system in the country the right thinking towards social banking. The Committee have no doubt that when the developmental process reaches a certain level, existing gap between the haves and have-nots is reduced, the schemes and programmes promoted under social banking will ultimately fit into commercial banking.

Reply of Government

Government is in full agreement with the general observations made in this para.

It has been the constant endeavour of the Government and Reserve Bank of India that banks should bring about an attitudinal change in the minds of the bank functionaries at all levels so that they are sufficiently motivated and understand and appreciate the need for social banking to be made supplementary and complementary to commercial banking. Most of the training colleges of the banks have a course on priority sector lending. In many of the courses for the Branch Managers, the syllabi contains amongst other things copies relating to social banking. In addition, banks have been asked by Government to hold workshops and seminars on one of the most important aspect of social banking namely, Integrated Rural Development Programme. The Divisional Manager /Regional Manager of bank have also been asked to visit all the rural branches under their control atleast once in 3 months. One day in the week in rural branches has also been declared a non-banking working day with a view to have proper inter-action between the bank officers and the customers so that there is a greater rapport between the two. A working Group has also been set up in the Banking Division in Government where representatives of Reserve Bank of India, National Bank for Agriculture and Rural Development and other major public sector banks participate. This working Group amongst other things is expected to make recommendations for taking steps to bring about the necessary attitudinal and other changes so as to make social banking meaningful and purposeful.

In addition, senior executives of public sector banks including Chairman and Managing Directors, Executive Directors General Managers, etc. have been asked to visit rural branches to understand at first hand the problem obtaining in rural branches and also motivate the branch functionaries so as to bring about the necessary attitudinal changes in their minds. Senior Officers of the Banking Division of Government of India have also started visiting the rural branches. These visits have resulted in bringing about some changes in the functioning of the rural branches.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M.No.15/1/86-Cood, dated 27 th February, 1987]

Recommendation (Sl. No. 4 Para No. 2.24)

The Committee note that the State Bank of India accepted voluntarily lead bank responsibility in 81 districts in the country of which 75 are industrially backward and are situated in hilly and tribal regions. The Committee also note that 1266 branches or 17.61% of the total bank branches of SBI are located in lead districts and these branches disbursed Rs. 2630 crores against their share of 1198 crores upto the end of 1984. The Chairman of the State Bank of India has claimed during evidence that the credit-deposit ratio in the lead districts being served by the Bank has substantially improved over the years. The Committee are informed that along with a number of concurrent evaluation studies, impact studies in 10 selected lead districts were conducted by the SBI and the findings of these studies were brought to the notice of the District Consultative Committees as also the concerned functionaries of banks so as to remove lacunae and deficiencies in the implementation of the Schemes. The Committee are further informed that as on 30 September, 1985 licences for opening of 190 more branches were pending with the Reserve Bank of India. As the problems may vary from district to district, the Committee desire that meaningful implementation of the scheme, impact studies in all the districts under the scheme should be conducted on ongoing basis and effective follow up action taken so that the deficiencies which come to the fore could be removed forthwith. They would also like the RBI to clear pending licences, for opening more branches, expeditiously.

Reply of Government

The observations/recommendations of the Committee have been brought to the notice of State Bank of India (SBI) and Reserve Bank of India (RBI). The SBI has reported that besides the Impact Studies conducted in 10 districts as earlier reported to the Estimates Committee, additional Impact Studies have been carried out in 13 districts in the country during 1985-86. The bank has reported that out of the 23 Impact Studies so far carried out, 18 were in respect of the lead districts of the bank. The bank proposes to conduct detailed studies in their remaining lead districts also over a longer timeframe keeping in the cost-benefit considerations.

As regards the recommendation relating to RBI clearing the 190 pending licenses, it may be stated that Chairman, SBI, had stated at the time of evidence before the Committee (vide 2.20 of the 29th Report of the Estimates Committee, VIII Lok Sabha), that as on 30.9.1985, 190 licenses issued by RBI were pending with SBI. These 190 licenses referred to were actually licenses pending with SBI and not with RBI. The bank has reported that against 190 licenses pending with them as on 30.9.85, branches

have been since opened in 52 centres. In the meantime, in accordance with the objective of removing inter-block imbalances in the availability of banking facilities as set out in the current Branch Licensing Policy for 1985-90, RBI had decided that the authorisation/licenses pending with the banks for opening offices in rural and semi-urban centres in surplus banked blocks should be diverted to those in deficit banked blocks. Accordingly, the banks were advised by RBI not to proceed with the arrangements for opening offices against authorisations/licenses pending with them in respect of centres falling in surplus-banked blocks. In view of the advise of the RBI, SBI had surrendered 127 of the pending licenses. As on 16.12.1986, SBI had only 14 pending licenses including 11 earlier licenses and 3 fresh licenses.

Reserve Bank of India has reported that after scrutiny of the list of identified centres received from the State Governments, it has issued 488 allotments to the State Bank of India under the Current Branch Licensing Policy and the State Bank of India has been requested to open branches evenly during the remaining period of the current Branch Licensing Policy.

[Ministry of Finance Department of Economic Affairs (Banking Division) O.M. No. 15/1/86-Cord. dated the 27th February, 1987.]

Recommendation (Sl. No. 5 Para No. 2. 31)

The Committee are concerned to note that no study has been undertaken about the implementation of the Differential Rate of Interest Scheme and it has been left to the branch managers not only to identify the beneficiaries under the scheme but also to certify their income. The Committee need hardly point out that there is ample scope of malpractices in the present procedure being followed in the implementation of the scheme. The Committee would like the Government to review the working of the scheme in all its aspects and lay down proper guidelines for the proper implementation of the scheme. The Government may also consider taking assistance from the Village Panchayat Agencies in the identification of the beneficiaries and the District Revenue Authorities in getting the income of the beneficiaries certified.

Reply of Government

The Government of India introduced the Differential Rate of Interest (DRI) Scheme in the year 1972. The Scheme is meant to cater to the credit requirements of the weakest amongst the weaker sections of the society by assisting them in their efforts in improving their economic conditions through small productive ventures. The Scheme was reviewed in 1973, 1976-77, 1979 and in 1980. After review of the scheme, suitable guidelines were laid down by Reserve Bank of India from time to time.

As regards the suggestion that the Government may also consider taking assistance from the Village Panchayats in the identification of the beneficiaries and District Revenue Authorities in getting the income of the beneficiaries certified, as per the usual procedure, the banks do consult village and district level State functionaries for necessary identification and for getting the income certificates whenever found to be necessary. However, the commercial banks may not strictly insist on following these procedures as these may cause undue hardships and delay in sanctioning of loans to the beneficiaries. It may be borne in mind that the beneficiaries under DRI Scheme belong to the poorest strata of the society. Strict enforcement of formalities and procedures is likely to cause undue harassment and deprivation.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 15/1/86-Coord. dated the 27th February, 1987.]

Recommendation (Sl. No. 7 Para No. 2.42.)

The Committee also note the results of the survey conducted by the State Bank of India in 10 districts to find out whether the assets purchased by the beneficiaries out of the loans and subsidy given by the Regional Rural Banks were intact and whether the beneficiaries were genuine and eligible. It is disheartening that in many cases assets are not existing at all or have already been sold. Many of the beneficiaries have also been wrongly identified. The Committee would like the Government to initiate such measures as may be necessary to educate the beneficiaries that the assets purchased out of the loans and subsidy given by the Regional Rural Banks should be maintained with utmost care and constant efforts should be made to use such assets for economic generating activity.

Reply of Government

The Concurrent Evaluation Study undertaken by the Department of Rural Development have also brought out the fact that in some cases the assets have been found to be intact. Government have also brought the findings of the Evaluation Study to the notice of all the banks, with the request that adequate steps should be taken in this regard. In order to ensure that the Branch Managers are in a position to verify the assets and also to have greater inter-action between the branch functionaries and the beneficiaries it has been decided that one day in a week should be observed as a non-banking working day in rural branches in the country. Branch Officials are expected to use this day for verification of assets also.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 15/1/86-Coord. dated 27th February, 1987.]

Recommendation (Sl. No. 8, Para No. 2.43)

Many instances have come to the notice of the Committee where the middlemen and banking officials have colluded in taking advantage of the beneficiaries who are mostly illiterate. The representative of the Banking Division admitted during evidence that complaints have come to the notice of the Ministry to the effect that some middlemen and banking officials have grabbed as much as half of the amount of the loan and subsidy sanctioned to the beneficiary. The Committee note that instructions already exist to the effect that the bank officials should neither insist on the borrowers for purchasing inputs or other assets from particular dealers, nor there be any compulsion for the purchase of a particular branch of asset. The Committee would like that these instructions of the Reserve Bank should be scrupulously followed by all the banking officials and regular inspections should be conducted by the higher officials to ensure that the banking officials in a Branch are not indulging in any malpractices and that the benefits actually reach the target groups.

Reply of Government

The recommendations of the Committee relating to scrupulous observance of existing instructions and senior officials conducting regular inspections are accepted. Government have already issued instructions on 10th July, 1985 mentioning that bank officials should not be involved directly in the selection of assets or suppliers. These instructions also stipulate that the bank officials should not compel a borrower to purchase an asset from a particular dealer. Government have reiterated these instructions to all the banks.

Government have issued instructions on 21st February, 1986 mentioning that all controlling officers namely Regional Managers/ Divisional Managers should visit all their rural branches once in a quarter with a checklist which has been specially designed for this purpose. Banks have also a system of conducting periodical inspection of their branches by Inspectors atleast once in 12 to 18 months. Banks have been asked to streamline and strengthen their inspection machinery so as to make the rural branch inspections more effective and meaningful.

In order to eliminate misutilisation of the funds by middlemen and others, an experimental procedure of payment of cash and subsidy directly to the beneficiaries under IRDP has been introduced with effect from 1-4-1986 in selected blocks in the country. Such direct cash disbursement is made when the asset is of a standard type or brand or where the disbursement is

up to Rs. 3000/- under the Industries, Services, Business (ISB) sector or when it relates to purchase of animals.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M.No.15/1/86-Coord. dated the 27th February, 1987.]

Recommendation (Sl. No. 9 Para No. 2.44, & 2.55)

The Committee also feel that the procedure being followed for sanctioning loans and subsidies to the beneficiaries and the various forms used for the purpose appear to be cumbersome and need simplifications. The branch officials of the bank should guide and help the illiterate beneficiaries in getting the necessary formalities completed and the loans sanctioned expeditiously.

The Committee are informed that Committee under the Deputy Governor, Reserve Bank has been appointed to go into the specific question whether the mode of payment should be in cash or kind or whether it should be direct payment to the suppliers. The Committee hope that the Report of the Committee appointed under the Deputy Governor of Reserve Bank would be made available soon and necessary corrective measures initiated in right earnest to improve the situation.

Reply of Government

Under the existing instructions of Reserve Bank of India, all loan applications up to a credit limit of Rs. 25,000/- under the priority sector should be disposed off within a fortnight. Even now, the bank staff in rural branches help the illiterate applicants with filling up the application form. Suitable guidance is also expected to be provided by the Branch Managers of rural branches to the existing and potential clientele during their field visits on the day set aside by the branch as non-public business working day.

The Study Group set up by Reserve Bank of India in November 1985, under the Chairmanship of Deputy Governor, Reserve Bank of India and Chairman, National Bank for Agriculture and Rural Development to examine and report on the existing arrangements for flow of credit and supply of inputs and assets to IRDP beneficiaries had submitted an interim report to the Government of India/Reserve Bank of India on 23rd December, 1985. In pursuance of the recommendations contained in the interim report, an experimental procedure for disbursement of loan and subsidy amounts in cash directly to the beneficiaries has been introduced in 22 selected blocks with effect from 1st April, 1986.

The question of simplification of forms under IRDP has received the attention of the High level Committee on Credit for IRDP in its meeting held on 19th November, 1986 and suitable recommendations were made

by the Committee for simplification of the application forms under IRDP. Reserve Bank of India has since issued instructions dated 9th February, 1987 to all the banks advising them to bring the revised application form proposed by the Committee into use in the regional language(s).

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M.No.15/1/86-Coord. dated the 27th February, 1987]

Recommendation (Sl. No. 10 Para No. 2.49)

The Committee note that the S.B.I. had launched a liberalised scheme for assisting small scale industries at nine 'pilot centres' all over the country in 1986. The essence of the scheme was relaxation in the rigidity of standards as also administrative procedures in favour of small scale industrial units. The margin requirements are also stated to have been relaxed, interest rates lowered and clean advances too were granted in appropriate cases. Now the facilities for assisting small scale industries have been extended through to all branches of State Bank of India. The Committee would like to emphasise that since the development of small scale industries is crucial to the economy of the country, the banks have to play an important role in providing credit to them at liberal terms and conditions with least possible administrative and procedural hurdles.

Reply of Government

Liberalised margin and security norms have been laid down in respect of advances to Small Scale Industrial Units under the priority sector. Banks should not ask for collateral security/third party guarantee for loans upto and inclusive of Rs. 25,000/-. For loans in excess of Rs. 25,000/-, collateral security in way of immovable property or third party guarantee may be asked for only in case where the primary security is inadequate or for other valid reasons and not as a matter of routine. Proposals other wise viable should not be turned down merely for want of such collateral security or third party guarantee. Banks have been advised that adequate powers of sanction may be vested at the branch level and a time limit for the disposal of applications has been stipulated. Moreover, the prescribed application forms have been simplified and procedural formalities have either been done away with or simplified. Public Sector Banks have played a crucial role in the development of small scale industries. At the end of June, 1986, the outstanding advances of public sector banks to small scale industrial units stood at Rs. 7836 crores in 16.98 lakh borrowal accounts. The bank advances to small scale industrial units constitute 35.9% of total priority sector advances and 15.5% of the total net bank credit as at the end of June, 1986.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 15/1/86-Coord. dated 27th February, 1987].

Recommendation (Sl. 13 Para No. 2.73)

The Committee are unhappy to be informed that the provision of adequate infrastructural facilities by the District Rural Development Agencies which was to form the back bone of the economic development of rural areas turned out to be its weakest link resulting in limited impact of programme of credit deployment by the banks on the socio-economic conditions of the beneficiaries. The Committee need hardly stress that besides the availability of credit on easy terms, the provision of adequate infrastructural facilities and other inputs like project report, technical advice, marketing facilities etc. are also essential ingredients for the gainful utilisation of the loans/subsidies received by a beneficiary. While agreeing during evidence that the availability of the non-credit inputs was necessary for the economic development of a beneficiary, the representative of the State Bank of India stated that the bank did not provide these services as the bank did not have the requisite infrastructure for the purpose. The Committee would like to point out that the mere flow of credit from the banks cannot have any impact on the development of any beneficiary or any area under any scheme of social banking unless non-credit inputs are also identified and beneficiary made aware thereof and provided guidance for procuring them. The Committee, therefore, are firmly of the opinion that while formulating the schemes for the provision of credit facilities, matching schemes should also be formulated for the provision of necessary guidance about non-credit inputs simultaneously and very close coordination and liaison should be maintained with the District Rural Agencies in the matter.

Reply of Government

The recommendations of the Committee have been accepted. These recommendations have been communicated to the Department of Rural Development for issue of necessary instruction to the District Rural Development Agencies for formulating the necessary guidelines for provision of non-credit inputs alongwith credit inputs and for very close coordination and liaison between the DRDAs and the banks.

[Ministry of Finance, Department of Economic Affairs (Banking Division)
O.M. No. 16/1/86-Coord. dated the 27th February, 1987.]

Recommendation (Sl. No. 14 Para No. 2.79)

The Committee see the logic behind the view put forth before them that the initial phase of credit deployment should be the basis whether the credit

is helping the target groups in building up further credit absorbing capacity. According to the representative of the RBI who appeared before the Committee "it is presumed that when banks assess the viability of schemes, they look into the repayment capacity of the borrower". In Committee's view, the capacity to absorb credit and the repayment capacity are two different things. what they would like to emphasise is that the cycle of credit deployment and re-deployment has to be on the basis of generation of credit absorbing capacity of the borrower. Banks must not consider only repayment capacity of the borrower at the initial stages. If the deployment in first instance is well planned, it will certainly generate surplus and lead to enhancing the repayment capacity of the borrower. The approach of the financial agency should be for an overall upliftment of the target groups and not like that of a disinterested agency concerned with giving loan and looking for its repayment only.

Reply of Government*

The observations of the Committee—the approach of the financial agency should be for an overall upliftment of the target groups and should not be that of a disinterested agency concerned with only giving loan and looking for its repayment is unexceptionable. The banks are expected to provide assistance for all viable schemes with the object of raising the economic levels of the assisted persons and for creations of productive assets. The viability of the scheme would *inter-alia* depend upon the credit absorptive capacity of the borrower, the skill and aptitude of the borrower, etc. The recommendation of the Committee has been conveyed to the State Bank of India and the bank has intimated that the recommendation has been noted by them. The recommendation of the Committee have been forwarded to Reserve Bank of India also for consideration and issue of appropriate orders.

[Ministry of Finance, Department of Economic Affairs (Banking (Division) O.M. No. 15/1/86-Coord. dated 27th February, 1987.]

Recommendation (Sl. No. 15, Para No. 2.60)

The Committee also feel that special efforts are called for on the part of RBI/SBI for revival of the sick small scale units and in making them economically viable, if need be giving them second dose of loan and providing them with necessary expert guidance.

Reply of Government

State Bank of India has reported that the bank has taken the following

measures for intensification of the bank's efforts in the area of rehabilitation of sick units :

- (i) Administrative Officers (Rehabilitation) have been posted in 39 of the bank's Regional Offices to exclusively attend to the work relating to rehabilitation of sick units.
- (ii) Special training programmes/Workshops on rehabilitation of sick units have been conducted.
- (iii) Efforts are being made to strengthen the bank's Consultancy Cells so that timely assistance/guidance is provided both to entrepreneurs and the operating staff for rehabilitating sick units.

Reserve Bank of India have recently issued detailed guidelines on the symptoms to detect incipient sickness and relief/rehabilitation package that can be provided to sick units. These guidelines would enable the operating staff to take quicker action on identification of sick units and rehabilitation thereof.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 15/1/86-Coord- dated 27th February, 1987.]

Recommendation (Sl. 16, No. Para No. 2.84)

The Committee agree with a view that the bankers should be involved in the planning for rural development because bankers have the expertise of micro management of finance. There has to be a mechanism by which banks planning and the national planning mechanism have to be integrated. This can be done at the micro level as also at the macro level. This suggestion also found favour with the Secretary (Banking) when he informed the Committee that the fair financing part in the Seventh Plan, the Reserve Bank was fully associated and wherever there was any scheme requiring bank financing, the RBI was consulted before the scheme was included in the Plan. In Committee's view association of RBI alone though necessary was not enough. The committee feel that representation of commercial banks at least as micro level in the formulation of schemes for rural upliftment was equally important as the ultimate implementation of the scheme was their responsibility. The Committee would like the Government to examine as to what extent the banking industry could be involved in the process of formulation of schemes by the Government.

Reply of Government

As indicated at the time of oral evidence and reproduced in the above para, Reserve Bank of India is fully associated at the micro policy framing

level in regard to schemes requiring credit assistance from banks. At the micro level, the banks are fully involved with the preparation of perspective plans and annual action plans for the block/Distt. levels. Banks are also associated where were considered appropriate with various fora concerned with review of schemes requiring institutional credit assistance. For instance the High Level Committee on Credit Support on IRDP constituted by the Government (Department of Rural Development) to review the extent of support to IRDP from various credit institutions in the context of the Sixth Five Year Plan and also to identify the operational difficulties being experienced in obtaining credit has as its members several chief executives of the banks besides Deputy Governor, Reserve Bank of India and Chairman, NABARD. This High level Committee has been continued during the 7th Plan period also. The present composition of the Committee includes Chairman, SBI, Central Bank of India, United Bank of India, Punjab National Bank, Gurgaon Grameen Bank, National Cooperative Land Development Banks Federation and National Federation of State Cooperative Banks. Besides Reserve Bank of India itself has constituted a High Level Power Committee under the Chairmanship of Deputy Governor, Reserve Bank of India to discuss matters relating to flow of credit to rural areas.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 15/1/86-Coord. dated 27th February, 1987.]

Recommendation (Sl. No. 17 Para Nos. 2.96 & 2.97)

The Committee feel concerned to learn that according to the non-official estimates about 30 percent of the beneficiaries under IRDP were not eligible on the basis of income criteria. As per the study conducted by the State Bank of India in the 10 lead districts to assess the impact of IRDP, it has been found that 20.6 per cent of the beneficiaries were wrongly identified. One of the important reasons for improper identification has been stated to be that no meeting of the Gram Sabha for confirming the identification of the beneficiaries had been convened in the 10 districts taken up for study. The position may be no better if study is undertaken in all the districts where the State Bank of India is the lead bank. The Committee find it really surprising that while under the programme hundreds of crores of rupees are being spent by the Government, no fool proof institutionalised arrangements have been made for the proper identification of the beneficiaries.

As stated by the Chairman of the State Bank of India during evidence no assistance is being taken from the voluntary organisations for the identification of beneficiaries. The entire exercise is being done by the district rural development agencies. The Committee consider that voluntary organisations

can also play a vital role in the proper identification of the beneficiaries and they should be effectively associated with the task of proper identification of beneficiaries. The State Bank of India on its part should carry out a sample check to find out whether the beneficiaries selected by the district rural development agencies satisfy fully the criteria laid down for their selection before the release of money.

Reply of Government

The Task of identification of beneficiaries under the IRDP has been entrusted to the DRDA as per the scheme. The identification of the eligible families is based on a detailed household survey carried out for assessing the income of the families. This survey is expected to cover all the families which are seemingly poor in the village. On the basis of the income levels assessed, a list of the poorest of the poor families is required to be prepared by the village level worker/Block Staff. The list is to be then placed for approval in the meeting of the Village Assembly (Gram Sabha) which is to be called by the Block Development Officer. The instructions envisage that Village Assembly should be attended by the local people non-officials, block officers and bank officers, Prominent voluntary action group, etc.. The list of the beneficiaries finally selected in the Village Assembly is required to be displayed on the notice board of the Village Panchayat and the Block Officer. Further, the banks have been advised by RBI under their circular dated 23.11.1985 to fix two days in a month for disbursement of loans to farmers and other priority sector beneficiaries in rural areas by the rural branches of the banks. Subsequently, the instructions relating to disbursement of two fixed days in a month have been made applicable by RBI to the priority sector advances of the semi-urban branches also. These instructions are intended to eliminate possible malpractices on the one hand and facilitate proper supervision/surprise inspection of disbursement by higher officials on the other. In case the existing instructions are scrupulously and consciously followed by the block/branch officials, the chances of wrong identification of beneficiaries would be minimised.

The banks have also been advised by the Government (Banking Division) under instructions dated 3rd October, 1986 that it may be useful if the banks themselves undertake their own indepth evaluation of IRDP in two selected branches to find out the extent of deficiencies brought out by the concurrent evaluation of IRDP carried out under the auspicious of the Department of Rural Development.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No.15/1/86-Coord. dated the 27th February, 1987.]

Recommendation (Sl. No. 18, Para No. 2.98)

The Committee note that during the Seventh Five Year Plan, those beneficiaries who had been assisted earlier but were unable to cross the poverty line due to reasons beyond their control are to be given supplemental assistance and the identification of the eligible beneficiaries for the second dose is presently being undertaken jointly by the State Government authorities and bank officials. The Committee hope that utmost care will be taken to ensure that only eligible beneficiaries get this second loans and there is no case of wrong identification of a beneficiary.

Reply of Government

Government in consultation with Reserve Bank of India and the National Bank for Agriculture and Rural Development framed the guidelines for provisions of supplementary assistance under I.R.D.P. The detailed guidelines were sent to the State Governments under letter dated 16th August, 1985 of the Department of Rural Development. The guidelines indicate the categories which are not eligible for supplementary assistance. Those who were wrongly identified at the time of first assistance (family income prior to assistance exceeding Rs. 3,500/-per annum), wilful defaulters and those who have misutilised the loan by not acquiring the asset at all or by disposing of the asset after acquisition have been included in eligible category. RBI has also issued suitable guidelines to all scheduled commercial banks on the basis of the Government of India guidelines vide their letter dated 9th September, 1985.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 15/1/86-Coord. dated the 27th February, 1987].

Recommendation (Sl. No. 20, Para No. 3.7)

The Committee are surprised to learn that besides the large scale industrial units, even the public sector undertakings have been behaving irresponsibly in so far as clearing their dues to the small scale industrial units are concerned. It is all the more strange as to how banks have been clearing loan proposals of public sector undertakings and large scale industrial units without ensuring that they have cleared their dues to the small scale units. Now that the Reserve Bank of India has issued instructions to all the banks that before sanctioning loans to public sector undertakings and large scale industrial units, it should be ensured that they had cleared all their dues to the small scale industrial units, the Committee expect the State Bank of India to scrupulously follow these instructions.

Reply of Government

The recommendation of the Committee has been noted for compliance.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 15/1/86-Coord. dated 27th February, 1987].

Recommendation (Sl. No. 21, Para No. 3.8)

In so far as the practical problems in the agricultural sector are concerned, the Committee would like the State Bank of India to intensify their efforts in pursuing with the State Government authorities for providing the requisite infrastructural and other facilities in the areas of operations of the schemes of social banking so that these schemes could be implemented smoothly.

Reply of Government

The recommendations of the Committee has been conveyed to State Bank of India who have noted the recommendations for further action. Already institutional arrangements exist at the State level and District level for greater and intensive inter-action between the bankers and the local governmental authorities involving bank credit and channelising banking credit to developmental activities and for achieving social objectives. The District level Coordination Committee meetings and the State Level Coordination Committee meetings are required to be held once every three months. At these meetings problems relating to bank credit are discussed and wherever infra-structural facilities are found to be inadequate, the State Government authorities are informed of the need for providing the same.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 15/1/86-Coord. dated 27th February, 1987].

Recommendation (Sl. No. 22, Para 3.11)

The Committee find that the SBI has issued detailed guidelines for simplification of procedures and formats for all priority sector lendings. These include information as to how forms should be filled up and what items should be included therein particularly for small loans upto Rs. 25,000/- Loan application forms have been printed in all regional languages and terms and conditions stipulated for loan are printed on the back of the loan sanction letter. It has also been stipulated that the beneficiaries under IRDP and DRI loans should be issued pass books, having photographs of the beneficiaries affixed thereon. The cost of photographs is also borne by the banks in the case of certain categories of borrowers. Nevertheless, the Committee

would like to point out that notwithstanding all these simplified procedures, many instances have come to the notice of the Committee where the borrowers have been reported to be harassed by the bank officials. The Committee would like the bank authorities to ensure better customer service at the counters of rural branches which deal with poor rural clientele and those officials found wanting in courtesy and Good behaviour should be dealt with severely.

Reply of Government

The recommendations of the Committee are accepted. The recommendations of the Committee have already been conveyed to State Bank of India who have reported having noted the recommendations for further action. Government have also been impressing upon the banks the need for strict compliance of all guidelines on rural lending which includes issue of pass books in regional languages, etc. Banks have also been advised to reduce the time lag between the receipt of applications and sanction of loans and between sanction of loans and disbursement of credit. In order to ensure that the beneficiary is not required to visit banks too often and also to ensure that loans are sanctioned promptly and disbursed promptly banks have been advised to fix two specific days in each month for disbursement of loans. Banks have also been told that the officials found wanting in courtesy and good behaviour may be dealt with severely.

The recommendations of the Committee have been communicated to all the Public sector banks and advised to initiate measures which would ensure that better customer service is rendered at the counters of rural branches.

[Ministry of Finance, Department of Economic Affairs, (Banking Division) O.M. No. 15/1/86-Coord. dated 27.2.87].

Recommendation (Sl. No. 25, Para No. 3.23)

The Committee note that the present schemes being implemented by the bank for deposit mobilisation are more suited to urban and elite population. No innovative schemes for deposit mobilisation suited exclusively to rural population have been initiated by the Reserve Bank of India/State Bank of India. All that the Reserve Bank of India has done is that under the branch expansion scheme, nearly 60% of the branches have been opened in the rural areas. The Committee feel that sheer expansion of branch network in rural areas is not enough as an incentive for that rural population for savings and deposits. For adequate deposit mobilisation there have to be savings oriented innovative schemes for operation in the rural branches of

the banks with adequate publicity and door to door canvassing. The Committee would like the Ministry/RBI/SBI to give a serious thought to this matter and devise suitable deposit schemes for attracting rural clientele.

Reply of Government

It may be pointed out in the above context that the banks do devote great attention to mobilising the savings of different groups of people—particularly small savers, by innovating deposit mobilisation schemes suited to their type of requirements (within the overall structure of interest rates on deposits prescribed by the RBI). For instance, over the years, banks have introduced schemes such as the daily deposit schemes, recurring deposits and reinvestment deposits; and it may be noted that such types of schemes have proved attractive not only in urban areas but also amongst the rural population and agriculturists. The rural branches of various banks are also given deposit targets and recognition/prizes are awarded by the concerned banks to the best branches vis-a-vis achievements in deposit mobilisation.

At the same time, the recommendations of the Committee that the banks should do more for adequate deposit mobilisation in rural branches by devising innovative schemes has been noted by Government for further such intensive efforts suited to rural areas.

[Ministry of Finance, Department of Economic Affairs (Banking Division) Q.M. No. 15/1/86-Coord. dated 27th February, 1987].

Recommendation (S). No. 26, Para 2.24)

The Committee noted the progressively descending trend in the Credit-Deposit ratio among the rural population group in the country in so far as SBI is concerned. While in 1980 it was 68.47, it was 65.96 in 1981, 63.38 in 1982, 62.67 in 1983 and 61.37 in 1984. As against this, the situation is reverse in the case of metropolitan group where it was 100.90 in 1980, 104.33 in 1981, 116.34 in 1982, 107.87 in 1983 and 100.07 in 1984. The representative of the RBI, however, informed the Committee that 'we have stipulated that at least 60% credit-deposit ratio should be maintained for the rural areas.....for the Banking sector as a whole, in December, 1984, the ratio was 65.4%. However, in the rural areas of North-Eastern region and Eastern region the credit deposit ratio is even less than 30%. According to the Ministry, high credit-deposit ratio in urban and metropolitan areas does not mean diversion of resources from rural areas to urban/metropolitan areas but it is because of more credit absorption capacity in urban/metropolitan areas due to various reasons such as concentration of large industries.

in urban/metropolitan areas; large number of agro-based industries in urban/metropolitan area; and Food credit of the bank is shown in urban/metropolitan areas but is actually utilised in rural areas. The Committee would like to stress that the overall planning of the Bank should be such that every beneficiary of the credit programme ultimately turns out to be a genuine depositor of the bank. Fulfilment of this condition should be one of the criteria for judging the effectiveness and correct implementation of the schemes. The Committee have already observed in the proceeding sections of this report about provision of more infrastructural facilities and need for growth of industries particularly agro-based industries, in the rural areas so as to augment substantially the credit absorbing capacity in the rural areas. The Committee would like all possible measures to be evolved for increasing the credit-deposit ratio in the rural areas.

Reply of Government

The recommendations of the Committee are unexceptionable. Government and Reserve Bank of India have already issued instructions that the credit deposit ratio in rural areas should not be less than 60%. Government attaches considerable importance to the concept of rural deposits being deployed in rural areas of the country. The Minister of State for Finance while presiding over the meetings of the Regional Consultative Committees of the Eastern Region, the North Eastern Region and the Northern Region have stressed the need for banks maintaining a credit deposit ratio of 60% in rural areas. The State Level Bankers Committee also monitor the performance of the banks in this matter at their periodical meetings. At these meetings wherever required. State Govt. are requested to create and provide the necessary infra-structure to enable banks to funnel further credit to rural areas.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 15/1/86-Coord. dated 27.2.87].

Recommendation (Sl. No. 27, Para No. 3.34)

The Committee note with the regret the dismal position with regard to recovery position of the State Bank of India. The figures of outstandings in respect of SBI, as at the end of 1984 are : for short Term loans Rs. 135.14 crores, for Term Loans—Rs. 202.60 crores and for DIR Rs. 32.85 crores. The position in terms of percentages in various sectors as on 30th June, 1984 is stated to be : overdues in small scale industries—14.6%; small business finance 18.2%; C&I segment—14.43%; and agricultural segment 19.8%. The recovery position in terms of percentage in relation to demand in various sectors during 1984 is stated to be: short term loans—54.6%; Term loans 51.9%; DIR recovery 34.63% and IRDP 47%. This position according to

SBI's own admission is 'a bit discouraging'. Various reasons have been put forth for this adverse position and several steps are stated to have been taken to improve it. The Committee would like the State Bank of India to consider the setting up of separate recovery cells, with adequate field staff, to improve upon the position in all sectors/segments. The field staff should not prove to be terror to the beneficiaries, rather beneficiaries should look to them as their friend, philosopher and guide. All the same, while sanctioning loans particularly amongst weaker sections, repayment ethics should be explained and emphasised upon them. The beneficiaries should be briefed by the field staff about the advantages such as 'grant of further loan etc. after repayment of previous loans.

Reply of Government

The instructions dated 8.8.86 that one day in a week should be treated as non-public business working day by the rural branches is intended to enable the branch managers to spend the day so set apart exclusively in the field for contacting their present and potential clientele for development work like mobilisation of deposits, monitoring credit utilisation, recovery and providing appropriate guidance to borrowers.

As regards setting up of separate recovery cells in the State Bank of India, the bank has felt that if separate recovery cells are created with the task of only recovery of dues, it will tantamount to putting the Bank's staff into watertight compartments with, one set of staff exclusively for loaning and another set for recovery. The bank has felt that in case these two tasks are segregated and assigned to separate groups, it may lead to reckless lending as no responsibility for recovery would be attached to the loaning staff. The bank has reported that individual recovery targets are given to the branches/field staff and the performance monitored by the Regional Manager/Branch Manager. For overall monitoring, Standing Committees on Rural Credit and Recovery have been formed at Local Head Offices of the bank. In the circumstances [the SBI is of the view that the existing arrangements may be allowed to continue for recovery of dues.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 15/1/86-Coord. dated 27th February 1987].

Recommendation (Sl. No. 28, Para 3.41)

The Committee note that State Bank of India established in 1981 an Institute of Rural Development at Hyderabad for meeting the special needs of rural credit. Now with special emphasis is being laid on opening more bank branches in the rural areas and a number of social banking schemes are being implemented, it is but natural that the officers/staff manning the

rural branches should be exposed to the modern techniques of handling rural clientele. The Committee agree that training is continuous effort and the Institute of Rural Development can play a vital role in this behalf. The Committee, however, feel that the courses being offered by the Institute should be kept under constant review so as to bring them in line with the over changing socio-economic phenomenon in the rural areas. The Committee also desire that the officers/staff, who have been imparted training at the Institute, should be posted in the rural areas for a minimum period of 3 years and arrangements should also be made to look after their welfare and suitable residential accommodation, education of children at the place of posting and some extra allowance if their children are to receive education in a station different from their posting.

Reply of Government

The recommendation of the Committee has been conveyed to State Bank of India. State Bank of India has reported that the observations of the Committee on the banks' Institute of Rural Development and review of course content of the Institute on continuous basis have been noted by them. State Bank of India has also reported that the recommendation that the officers/staff who have been imparted training at the Institute be posted in rural branches as suggested by the Committee in this regard have been noted by the bank. Even today to the extent possible they are being posted to rural areas.

As regards providing facilities for the officers who have received training at the Institute and who are posted in the rural areas, State Bank of India has reported that all Branch Managers, Managers of Division, Field Officers, R.D. Os. and Cash Officers of comparable seniority are eligible for and are provided with residential accommodation at rural and other branches. As regards other officers/staff depending upon the conditions at a centre, dormitory type of accommodation wherever possible is also provided by the bank. The question of allowing the SBI to provide extra allowance to the staff working in the rural branches in case their children receive education in a station different from their station of posting cannot be considered in isolation and the decision in this regard would have to be at the industry level.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M.No. 15/1/86-Coord, dated 27.2.87].

CHAPTER III

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

Recommendation (Sl. No. 21, Para No. 2.16)

The Committee note that the State Bank of India has launched a number of schemes since its constitution in 1955 by the nationalisation of the Imperial Bank of India for the "extension of banking facilities on a large scale more particularly in the rural and semi-urban areas". Similarly Government has also launched certain schemes for the economic upliftment of the weaker sections of the society. With regard to monitoring and evaluation of these schemes, it transpired during evidence that the monitoring and evaluation was done by the bank itself in so far as bank's own schemes were concerned and by the planning Commission/Reserve Bank of India if the schemes were Government sponsored and that the Ministry of Finance (Banking Division) has nothing to do in the matter. It also transpired during evidence that over the years the State Bank of India and Planning Commission/Reserve Bank of India have done precious little in conducting any indepth evaluation of these schemes so as to find out whether the scheme were being implemented on proper lines and the funds were actually reaching the people for whom they were meant. The Committee consider such a situation as a case of shift responsibility on the part of the Ministry, the Reserve Bank of India and the State Bank of India. The Committee cannot expect the Ministry to wash of their hands by stating that the schemes launched by the State Bank of India were to be evaluated by the Bank itself and the schemes launched by Government were to be reevaluated by Reserve Bank of India or the Planning Commission. The Committee also do not appreciate the statement of the representative of the Reserve Bank of India that the banks were required to formulate and implement the schemes within the guidelines issued by them and they were not concerned with the monitoring or evaluation of the schemes launched by the SBI. The Committee need hardly point out that these schemes involve disbursal of thousand of crores of public money and the Ministry and the Reserve Bank of India have a vital and central role to ensure that these schemes are implemented in letter and spirit. The Committee suggest that an indepth evaluation of all the schemes should be done at regular intervals by

an outside expert body under the overall supervision of the Ministry, Reserve Bank of India/Planning Commission so as to ensure that the schemes are yielding the desired results. The Committee also suggest that all social Banking Schemes formulated or sponsored either by Government or the bank should have an in-built mechanism for evaluation and monitoring.

Reply of Government

The recommendations of the Committee, have been noted. While tendering evidence before the Committee, the officials giving evidence had in mind the special schemes designed by each individual bank which are being evaluated by the banks themselves. In so far as the other Centrally sponsored schemes such as IRDP, SEEU, etc. are concerned these are being reviewed by the Governmental Departments concerned and remedial measures taken wherever considered necessary. It was in this context that it was observed that the monitoring and evaluation of the banks' schemes were done by the banks themselves and that for Governmental schemes, these were done by other agencies. It may also be clarified here that the Department of Rural Development periodically conduct a review of the Integrated Rural Development Programme. The Department also conducts in-depth discussions with the State Government departments concerned for the proper implementation of the scheme. It has also undertaken a full scale review of the scheme through Concurrent Evaluation Studies and those are being monitored regularly and on an on-going basis. Similarly the Ministry of Industry also conducts periodical review of the SEEU. There has been no attempt to shift the responsibility for conducting review of such schemes either by Reserve Bank of India or by Government. Nor has the Government, made any attempt to wash their hands off by keeping away from having a proper evaluation of such important schemes. It is only in the limited context of the banks own individual schemes that it was indicated that these are reviewed by banks themselves.

As already mentioned, all the Central schemes are being reviewed and monitored on a continual basis. The individual schemes of the State Governments are also reviewed at the periodical review of the State level Bankers Committee Meetings held periodically once in a quarter. In addition, the Board of Directors of the banks themselves review the various schemes of the banks on an on-going basis at periodical intervals.

In so far as the scheme of Differential Rate of Interest is concerned, Government had requested the National Institute of Bank Management in 1984 to undertake a study of the working of the Differential Rate of Interest scheme with the objective of ascertaining:-

1. whether the DRI loans are reaching intended beneficiaries; and
2. whether the schemes were achieving the purpose of assisting these people in improving their socio-economic problems.

The study conducted by National Institute of Bank Management indicates that by and large the objectives of the DRI scheme have been fulfilled by the banks.

[Ministry of Finance, Department of Economic Affairs (Banking Division O. M.No. 15/1/86-Coord, dated the 27th February, 1987.]

Recommendation (Sl. No. 3, Para No. 2.17)

The Committee are unhappy to be informed that there are outstandings as at the end of 1984 to the tune of Rs. 1876 crores, Rs. 1737 crores and Rs. 808 crores in the Agriculture, Small Scale Industries and Small Business respectively. Outstanding which are considered bad or doubtful for recovery, are to the tune of Rs. 59 crores, Rs. 163 crores and Rs. 35 crores respectively in these sectors. Apart from huge proportion of outstandings in practically all the sectors, there are large sums which are virtually bad debts and are doubtful of recovery. If this is the position with regard to the SBI, the Committee can well imagine what would be the total picture if all the nationalised banks are taken together. The Committee would like the Ministry/ Reserve Bank of India to immediately conduct an indepth study to find out the reasons for the dismal picture about the implementation of these schemes and initiate necessary corrective and result-oriented measures so as to avoid losses in future and to achieve the desired aims of these schemes.

Reply of Government

The outstanding advances in any sector do not indicate the level of overdues or the recovery position. They only indicate the outstandings at that point of time. The outstandings include both the amounts that have already become recoverable and also the amount that have already become recoverable and also the amount that have yet to be recovered. In so far as cash credit accounts are concerned there is no overdues as such. The total in outstandings do not, therefore, give any indications nor do they represent the state of affairs of overdue position of a particular bank or in a particular sector.

The risk of some percentage of loans becoming bad or doubtful are inherent in the nature of commercial banking inspite of good quality of pre-sanction appraisal. Banks do make provisions every year at the time of finalisation of the annual accounts in respect of bad and doubtful debts subject to the satisfaction of the statutory auditors. The amount of provisions made are not disclosed and the banks have statutory protection from the disclosure of such bad debts for which provisions have been made.

Reasons for loans being bad or doubtful can be attributed to many reasons. It could be due to natural calamities such as drought, floods, etc. It could be due to non-improper or non-dying up of marketing arrangements, non-availability of raw-material, etc. It could also be due to the wilful de-

fault on the part of the beneficiary. The endeavour of the bank has always been to reduce the level of overdues and reducing the quantum of bad and doubtful debts by having proper pre-lending scrutiny and post-sanction monitoring of loans.

Various steps have been taken by commercial banks to reduce overdues. An Expert Group on state enactments having a bearing on commercial banks lending to agriculture was appointed in September, 1969 under Shri R.K. Talwar, the then Chairman of the State Bank of India. Talwar Committee has submitted its report in December, 1970. The Committee had recommended that State Government should empower an official with authority to issue an order having the force of a decree of a Civil Suit for payment of any sum due to a bank by sale of the property mortgaged in favour of the bank to facilitate recovery of dues of commercial banks without having to resort to protracted and time-consuming litigation to Civil Courts. For implementing the above recommendation, the Expert Group recommended enactment of legislation by various State Governments and Union Territories on the basis of a 'Model Bill' evolved by them. So far, 16 states have enacted legislations on the lines of the Model Bill. The merit of the cases of all types of dues of banks are brought within the purview of these legislations to facilitate their recovery. The matter of enacting the legislation by the remaining States and all the Union Territories is being pursued by the Reserve Bank of India with the concerned State Governments and Union Territories.

The banks have also been advised by the National Bank for Agriculture and Rural Development to carry out a review of the overdue accounts. The review of the overdue accounts would enable the banks to reschedule the payment in cases where the default is on account of genuine reasons and consequently reduce the levels of overdues.

In regard to post-lending supervision, instructions dated 8.8.1986, have been issued by the Reserve Bank of India to the banks to the effect that the rural branches should observe one day in a week as 'Non-public business Working day'. The day so set apart is to be, inter alia, utilised by the Branch Managers for contacting the borrowers for monitoring credit utilisation and recovery.

The broad reasons for default by the borrowers and some debts going bad or doubtful are known. Measures have already been taken for strengthening the recovery mechanism and post-lending supervision as set out in the preceding paras. In the circumstances, any fresh study to enquire into the reasons for bad and doubtful debts may not serve any fruitful purpose.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 15/1/86-Coord, dated 27th February, 1987.]

CHAPTER IV

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

Recommendation (Sl. No. 12, Para 2.65)

The Committee are informed that the State Bank of India evolved the concept of Agricultural Development Branches on its own in 1971 for handling agricultural advances exclusively. At present, the Bank has 432 such branches had upto the end of 1984 the number of farmed financed through these branches was 16, 79, 256 and the net outstanding amount Rs. 641.29 crores. These Branches provide credit for both agriculture as also allied activities like dairy, poultry, fisheries etc. The Committee however, note that the Reserve Bank of India has taken a decision to expand the net work of commercial banks in the rural areas and has asked the State Bank of India and other banks to go slow on the opening of further Agricultural Development Branches. The Committee however have no doubt that all those areas which have not yet been covered by the commercial banks will be provided banking facilities in a time bound programme. The Committee would also like the State Bank of India to make an indepth study in the working of the existing Agricultural Development Branches to find out their impact on the socio-economic advancement of the beneficiaries and also whether the recovery position is satisfactory.

Reply of Government

The earlier Branch Licensing Policy 1982-85 had envisaged the establishment of one bank office for 17,000 population in the rural and semi-urban areas at the district level. In many cases even though the policy objective was achieved in the district, it was found that there were large unbanked/underbanked pockets within the district. In order to remove intra-district variations in the spread of banking facilities, in the current Branch Licensing Policy for 1985-90, coterminus with the Seventh Five Year Plan, the twin objectives of having one bank office for 17,000 population in the rural and semi-urban areas of each development block and filling up spatial gaps by having atleast one bank office within a distance of 10 Kms. from any village

have been introduced. In the sparsely populated areas such as the hilly and tribal areas, the population coverage norm can be further relaxed to one bank office for 10,000 to 12,000 population. Spatial gaps in the availability of banking facilities may be expected to be filled in with the implementation of current Branch Licensing Policy.

As regards conducting of indepth study of the Agricultural Development Branches to ascertain whether recovery position at these branches is satisfactory, State Bank of India has reported that the studies carried out in this regard had revealed that the position is not very different from that obtaining at other branches. As regards conducting a study to find out the impact of the ADBs on the socio-economic advancement of the beneficiaries, it may be mentioned that in a situation where a number of other agencies such as co-opertives, land development banks, regional rural banks and branches of other commercial banks are operating in an area, a study to assess the socio-economic benefits accruing exclusively on account of the operations of ADBs may not give an accurate account of the socio-economic benefits.

[Ministry of Finance, Department of Economic Affairs (Banking Division)
O.M. No. 15/1/86-Coord dated the 27th February, 1987].

Recommendation (Sl. No. 23, Para 3.12)

The Committee are informed that in order to ensure that guidelines regarding simplified procedures are followed by the rural bank branches, SBI has initiated evaluation through its own officers. Reserve Bank of India is also stated to have appointed Lead Development Officers for three four districts for the purpose. The Committee would like the RBI to appoint many Lead Development Officers so as to cover all the districts served by the schemes for priority sectors. These officers should conduct surveys and make on-the-spot studies to find deficiencies in the procedures and suggest measures for plugging the loopholes so as to prevent harassment of beneficiaries and malpractices indulged in by the middlemen, bank officials and other functionaries.

Reply of Government

The recommendations of the Committee has been brought to the notice of the Reserve Bank of India and State Bank of India. In the recent past a large number of steps have been taken towards reducing deficiencies in rural lending operations and also to remove malpractices and other irregularities at rural branches. Banks have been advised to instruct their branch functionaries that they should not associate themselves in identification of assets or suppliers. Banks have been advised to reduce the time lag between receipt of applications and sanction which are required to be disposed of within a fortnight. A system of distributing both loan and subsidy to beneficiaries in

cash under IRDP programme was launched on 1.4.1987 in 22 selected blocks of the country so as to avoid the role of middleman.

[Ministry of Finance, Department of Economic Affairs, (Banking Division) O.M. No. 15/1/86-Coord. dated 27.2.87]

Recommendation (Sl. No. 24 Paras 3.17 & 3.18)

The Committee do not feel convinced of the reasons advanced by the SBI for undue delay in the disposal of the loan applications of beneficiaries under the various social banking schemes. So far as bunding of application is concerned, instructions should be issued by the Ministry of Finance/ Reserve Bank of India to all the concerned sponsoring agencies impressing upon them the imperative need for the avoidance of the bunching of applications so that these applications could be disposed of within the maximum period of two weeks.

So far as the problem of handling of very large number of small loan applications is concerned, the Committee feel that the desired results can be achieved by computerisation of the whole process. The committee would urge upon the State Bank of India to take expeditious decision on the computerisation as recommended by the Committee appointed by the bank. Recommendations of that Committee about procedural problems etc, also merit immediate consideration and implementation,

Reply of Government

Government and RBI have issued very clear instructions to all the banks that there should not be any undue delay in disbursement of loan applications of the beneficiaries in the rural areas. Instructions have been issued that all loan applications received in the rural areas should be disposed of within a fortnight. Instructions also exist that there should not be delay between sanction and disbursement of loan applications of the rural areas. In order to ensure that there is no undue delay in disbursement of loans, banks have been advised to fix two specific days in rural branches when loans may be disbursed. This would, while giving adequate time for the branch functionaries to process the proposals, also enable the beneficiaries to reduce the frequency of their visit to rural branches. It has also been decided that one day in the week should be treated as a non-banking working day in all the rural branches so as to enable the bank functionaries to contact the beneficiaries and to have interaction with them which would result in sanctioning process and the disbursement process being speeded up.

Government have also taken note of the recommendations made by the Committee that State Bank of India should take expeditious decision on the computerisation as recommended by the Committee appointed by the bank and that recommendations of that Committee about procedural problems, etc, should also make immediate consideration and implementation. State

Bank of India has been asked to look into this matter and take immediate decision consistent with the requirement of business efficiency and the need for computerisation and mechanisation of rural branches based on the volume of business transacted at these branches.

[Ministry of Finance, Department of Economic Affairs, (Banking Division) O.M. No. 15/1/86-Coord. date 27.2.87]

Recommendation (Sl. No. 29, Para No. 3.45)

The Committee do not feel satisfied with the steps taken so far by the Reserve Bank of India for publicising schemes of social banking under implementation in the rural areas. More publication of 'Credit Information Review' in laymen's language and its free of cost circulation among about 50,000 people in a vast country like India is hardly going to serve any purpose. The Committee, agreeing with the views of a non-official organisations, would like to observe that besides formal avenues of publicity like newspapers, pamphlets etc. effective publicity of schemes of social banking could be through widespread personal contact between the bank officials (field staff) and the borrowers viz. the target groups under each scheme. Besides, services of the modern publicity media like Radio and Television should also be made use of for propagating schemes amongst the target groups. In Committee's view this would help a good deal in creating awareness amongst the rural clientele about the benefits that accrue to them under various schemes. This will also obviate their exploitation by the middlemen as also unscrupulous officials through malpractices. There should also be a system of getting feed back from rural branches about the points made and difficulties experienced by the rural clientele and these should be analysed at a central place and TV/Radio programmes based on those points and solutions or correct information about that should be telecast/broadcast giving due publicity to them in advance.

Reply of Government

The Public Sector Banks have been advised from time to time that the Chief Executives and Other senior officers should visit rural branches at least once in a month to satisfy themselves about the quality of work being done by the bank branches in rural areas—and to ensure that the grievances of rural customers are promptly redressed particularly with reference to implementation of schemes for weaker sections of the society. This interface programme of bank official with the rural borrowers and customers is expected to be more effective and yield more positive results.

[Ministry of Finance, Deptt. of E.A. (Banking Division) O.M. No. 15/1/86-Coord. dt. 27.2.87].

CHAPTER V

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

Recommendation (Sl. No. 6 Para No. 2.41)

The Committee note that the Regional Rural Banks are State sponsored, low cost, regionally based and rural oriented commercial banks. These Banks are expected to confine their lendings to small and marginal farmers, landless labourers, rural artisans etc. Presently the total number of beneficiaries sponsored by the State Bank of India under this scheme is 15.9 lakhs with a total outstanding amount of Rs. 214.25 crores. While giving the break-up of these beneficiaries, category-wise, the Chairman of the State Bank of India informed the Committee during evidence that only figures for small and marginal farmers, agricultural labourers and artisans were available as separate figures for landless labourers were not being maintained. The Committee need hardly stress that landless labourers constitute a very large chunk of the rural population and in the fitness of things separate figures should be maintained by the Regional Rural Banks.

Reply of Government

The Committee's recommendations have been noted and Reserve Bank of India and NABARD have been requested to consider the feasibility of having separate break up of bank loans given to landless labourers.

[Ministry of Finance, Department of Economic Affairs (Banking Division)
O.M. No. 15/1/86-Coord. dated the 27th February, 1987.]

Recommendation (Sl. No. 11, Para No. 2.57)

The Committee note that the State Bank of India since 1976 is conducting special Entrepreneur Development Programmes with a view to motivating first-generation entrepreneurs to set up risk bearing ventures, particularly in backward districts. Besides, Indian Institute of Management, Ahmedabad and Indian Institute of Technology, Delhi, etc. are also conducting such programmes. The Committee do not consider that the programme being

conducted by State Bank of India has been very successful in view of the fact that only 22% of the 2200 entrepreneurs trained so far have set up industrial units and 17% are in the process of preparation of project reports. The Committee are informed that the programme is being evaluated by the State Bank of India to find out whether it needs any modification or should be discontinued in view of the low response from the trainees to set up industrial units after training. The Committee would like to be apprised of the results of the evaluation being done by the State Bank of India. The Committee would also like the State Bank of India to coordinate with the other organisations conducting such programmes, to find out whether a unified and broad based programme could be conducted by either of the organisations instead of so many organisations conducting such programmes independently.

Reply of Government

State Bank of India has reported that the evaluation study of EDP is almost complete. As soon as the report is available, the Committee will be apprised of the findings of the evaluation study and the bank would take further action regarding co-ordination of such programmes with other organisations/agencies.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 15/1/86-Coord, dated the 27th February, 1987]

Recommendation (Sl. No. 19 Para No. 2.109 to 2.111)

The Committee are perturbed over the complex problem of disbursal of subsidy to the IRDP beneficiaries. It has been conceded by the Ministry/SBI that capital subsidy has led to tremendous misuse and has attracted many an unscrupulous ineligible persons to grab it. As per Secretary (Banking) evaluation studies on the subject carried out by the RBI, the SBI and the Institute of Financial Management and Research have also unequivocally revealed the fact of misuse of the present form of disbursal of subsidy and have opined that the modalities of disbursal need to be reviewed and improved. There have been suggestions of replacing capital subsidy by interest free loans but these have not found favour with the State Ministers of Rural Development and consensus among them is in favour of retaining the capital subsidy.

A recent study conducted by the State Bank to examine the merits of substituting capital subsidy with interest free loans, while conceding the facts of misutilisation and listing loopholes for corrupt practices, has favoured its retention on the ground that it is more attractive and advantageous to the beneficiaries.

The Committee are constrained to observe that in the face of the fact that there is large scale misuse in the disbursal of subsidy and an attractive

field is open for unscrupulous ineligible persons to grab it, there have been several studies made in regard thereto, none of them had been instituted to suggest changes in the modalities of disbursement so as to check the malpractices and misutilisation. Even, the Reserve Bank of India which is responsible for formulating guidelines and keeping a watch over the implementation of the IRDP, while being aware of large scale misuse of the Government subsidy, could not institute an enquiry and devise modalities for checking the menace. The Committee desire that an expert group should be appointed by the Reserve Bank to go into all the *pros and cons* of the issue and evolve procedures whereby implementation of this major programme against poverty is made foolproof leaving no scope for its misuse.

Reply of Government

A decision has already been taken in a High Level Meeting held on 22.12.1986 that a scheme for possible substitution of capital subsidy by interest subsidy may be prepared and its advantages and disadvantages considered in-depth in consultation with the Rural Development Department and the State Government.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 15/1/86-Coord. dated 27th February 1987.]

NEW DELHI:

April 2, 1987

Chaitra 12, 1909 (S)

CHANDRA TRIPATHI

Chairman,

Estimates Committee

APPENDIX

(Vide Introduction)

*Analysis of action taken by Government on the Twenty-ninth Report
of Estimates Committee (8th Lok Sabha)*

I. Total number of recommendations...	29
II. Recommendations which have been accepted by Government (Sl. Nos. 1, 4, 5, 7, 8, 9, 10, 13, 14, 15, 16, 17, 18, 20, 21, 22, 25, 26, 27 and 28)	20
Percentage of total.....	69%
III. Recommendations which the Committee do not desire to pursue in view of Government's Replies (Sl. Nos. 2 and 3).....	2
Percentage to total.....	7%
IV. Recommendations in respect of which Government's Replies have not been accepted by the Committee (Sl. Nos. 12, 23, 24 and 29).....	4
Percentage to total.....	14%
V. Recommendations/Observations in respect of which final replies are still awaited (Sl. Nos. 6, 11 and 19)...	3
Percentage to total...	10%

**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA
SECRETARIAT PUBLICATIONS—1986**

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BIHAR		DELHI	
2.	M/s. Crown Book Depot, Upper Bazar, Ranchi, Bihar.	14.	M/s Jain Book Agency, C/9, Connaught Place, New Delhi (T. No. 351663 & 350806).
GUJARAT		15.	M/s. J.M. Jaina & Brothers, P. Box 1020, Mori Gate, Delhi. 110006. (T. No. 2915064 & 230936)
3.	The New Order Book Company, Ellis Bridge, Ahmedabad-380006. (Tel. No. 79065)	16.	M/s Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi-110001. (T. No. 3315308 & 45896)
MADHYA PRADESH		17.	M/s Bookwell, 2/72 Sant Nirankari Colony Kingsway Camp, Delhi-110009. (T. No. 7112309)
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5.	M/s. Sunderdas Gian Chand 601, Girgaum Road, Near Princes Street, Bombay-400002.	20.	M/s. Venus Enterprises, B-2/85, Phase-II, Ashok Vihar, Delhi.
6.	The International Book Service, Deccan Gymkhana, Poona-4.	21.	M/s. Central News Agency Pvt. Ltd. 23/90, Connaught Circus, New Delhi-110001. (T. No. 344448, & 322705, 344478, 344508)
7.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-400001.	22.	M/s. Amrit Book Co, N-21, Connaught Circus, New Delhi-110001 (T. No. 40398)
8.	M/s. Usha Book Depot, 'Law Book Seller and Publishers' Agents Govt. Publications, 585, Chira Bazar, Khan House, Bombay-400002.	23.	M/s. Books India Corporation Publishers, Importers & Exporters, L-27, Shastri Nagar, Delhi-110052. (T. No. 269631, & 714465)
9.	M&J Services, Publishers, Representa- tive Accounts & Law Book Seller, Mohan Kunj, Ground Floor, 68 Jyotiba Fuele Road, Nalgaum-Dadar, Bombay-400014.	24.	M/s. Sangam Book Depot, 4378/4B, Murari Lal Street, Ansari Road, Darya Ganj, New Delhi-110002.
10.	Subscribers Subscription Services India, 21, Raghunath Dadaji Street, 2nd Floor, Bombay-400001.		
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11.	M/s M.M. Subscription Agencies, 14th Murali Street, (1st floor) Mahalingapuram, Nungam- bakkam, Madras-600034 (T. No. 476558)		
UTTAR PRADESH			
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