31

INDUSTRIAL DEVELOPMENT BANK OF INDIA

MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

COMMITTEE ON PUBLIC UNDERTAKINGS 1993-94

TENTH LOK SABHA

LOK SABHA SECRETARIAT
NEW DELHI

THIRTY FIRST REPORT
COMMITTEE ON PUBLIC UNDERTAKINGS
(1993-94)

(TENTH LOK SABHA)

INDUSTRIAL DEVELOPMENT BANK OF INDIA

MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS— BANKING DIVISION)

(Action taken by Government on the recommendations contained in the 19th Report of Committee on Public Undertakings (Tenth Lok Sabha)

सत्यमेव जयते

Presented to Lok Sabha on 26 April, 1994
Laid in Rajya Sabha on 26 April, 1994

LOK SABHA SECRETARIAT
NEW DELHI

April, 1994 / Vaisakha, 1916 (Saka)

C.P.U. No. 733

Price: Rs. 8.00

Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Seventh Edition) and Printed by the Manager, P.L. Unit, Govt. of India Press, Minto Road, New Delhi.

CORRIGENDA TO THIRTY-FIRST REPORT OF COMMITTEE ON PUBLIC UNDERTAKINGS (TENTH LOK SABHA)

....

Page	Line	For	Read
2	9 from bottom	eval ated	evaluated
4	2	arised	advised
4	19	suggestion	suggesting
13	5 from	requirments	requirements
14	16	attneded	attended
15	11 from bottom	Paragrpah	Paragraph
17	20	recomend	recommend
18	10	evel	level
20	8	cordinated	co-ordinated
21	6	constaining	constraining
25	2	contest	context
25	3 from bottom	financial	finance
26	12	fil	fill
28	9 from bottom	slected	selected
31	17 from bottom	recommended	recommend
34	10 from bottom	indentified	identified

CONTENTS

		Pages
Composition of the Committee		(iii)
Composition of the Action Taken Sub-Committee		(v)
Introduction		(vii)
Chapter I	Report	1
Chapter II	Recommendations that have been accepted by Government	9
Chapter III	Recommendations which the Committee do not desire to pursue in view of Government's replies	24
Chapter IV	Recommendations in respect of which replies of Government have not been accepted by the Committee	27
Chapter V	Recommendations in respect of which final replies of Government are still awaited	30
	Appendices	
	Minutes of 31st sitting of Committee on Public Undertakings (1993-94) held on 21st April, 1994	37
II	Analysis of action taken by Government on the recommendations contained in the 19th Report of Committee on Public Undertakings (Tenth Lok Sabha)	39

COMMITTEE ON PUBLIC UNDERTAKINGS
(1993-94)

CHAIRMAN

Shri Vilas Muttemwar

Lok Sabha

2. Shri Basudeb Acharia
3. Shri R. Anbarasu
4. Shri Chetan P.S. Chauhan
5. Shri Ramesh Chennithala
6. Shri Ram Sunder Dass
7. Shrimati Saroj Dubey
8. Prof. M. Kamson
9. Shri Guman Mal Lodha
10. Shri B.M. Mujahid
11. Shri Ramdew Ram
*12. Dr. C. Silvera
13. Kum. Pushpa Devi Singh
14. Shri Pius Tirkey
15. Shri Virendra Singh

Rajya Sabha

**16. Shri M.A. Baby
17. Shri R.K. Dhawan
18. Dr. Murli Manohar Joshi
19. Shri V. Narayanasamy
***20. Shri Santosh Kumar Sahu
21. Shri Pravat Kumar Samantaray
22. Shri G. Swaminathan

SECRETARIAT

1. Shri G.L. Batra	—*Additional Secretary*
2. Smt. P.K. Sandhu	—*Deputy Secretary*
3. Shri Raj Shekhar Sharma	—*Assistant Director*

---

* Ceased to be a Member of the Committee consequent on his appointment as Minister in the Council of Ministers w.e.f. 17th February, 1994.

** Elected w.e.f. 12.8.1993 vice Shri Sunil Basu Ray ceased to be Member of the Committee w.e.f. 9.7.1993 consequent on his retirement from Rajya Sabha.

*** Ceased to be a Member of the Committee consequent upon his retirement from Rajya Sabha w.e.f. 2nd April, 1994.

ACTION TAKEN SUB-COMMITTEE OF THE COMMITTEE ON PUBLIC UNDERTAKINGS
(1993-94)

1. Shri Vilas Muttemwar —*Chairman*
2. Shri Basudeb Acharia —*Convener*
3. Shri Chetan P. S. Chauhan
4. Shri R.K. Dhawan
5. Shri V. Narayanasamy

INTRODUCTION

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

2. The Nineteenth Report of the Committee on Public Undertakings (1992-93) was presented to Lok Sabha on 30th April, 1993. Replies of the Government to all the recommendations contained in the Report were received on 28th February, 1994. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 21st April, 1994. The Committee also considered and adopted this Report at their sitting held on 21st April, 1994.

3. An analysis of the action taken by Government on the recommendations contained in the Nineteenth Report (1992-93) of the Committee is given in Appendix II.

NEW DELHI;
22 April, 1994

2 Vaisakha, 1916 (Saka)

VILAS MUTTEMWAR
Chairman
Committee on Public Undertakings

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Nineteenth Report (Tenth Lok Sabha) of the Committee on Public Undetakings on Industrial Development Bank of India which was presented to Lok Sabha on 30th April, 1993.

2. Action Taken Notes have been received from Government in respect of all the 32 recommendations contained in the Report.

These have been categorised as follows:

(i) *Recommendations / Observations that have been accepted by the Government:*

Sl. Nos. 3, 5—7, 9—11, 13, 14, 17, 18, 21, 23, 24, 26, 27, 30 and 32.

(ii) *Recommendations / Observations in respect of which the Committee do not desire to pursue in view of Government's replies:*

Sl. Nos. 2, 28 and 31.

(iii) *Recommendations / Observations in respect of which replies of Government have not been accepted by the Committee:*

Sl. Nos. 4, 22 and 29.

(iv) *Recommendations / Observations in respect of which final replies of Government's are still awaited:*

Sl. Nos. 1, 8, 12, 15, 16, 19, 20 & 25.

3 **The Committee desire that the final replies to recommendations at Sl. No. 1, 8, 12, 15, 16, 19, 20 & 25 for which only interim replies have been given by Government should be furnished to the Committee expeditiously.**

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

A. Apex Role of IDBI

Recommendation Sl. No. 4 (Paragraph 1.28)

5. The Committee were informed that the coordination role of IDBI was being performed mainly through the forum of inter-Institutional Meetings (IIM) held at the level of heads of institutions under the leadership of Chairman, IDBI and the Senior Executive Meetings. In this connection, the Committee had pointed out that as far back as in 1980-81, they had

recommended that suitable guidelines should be issued to IDBI in regard to the apex role assigned to it by the amending Act of 1975. This was also reiterated in their 45th Report (1981-82). The Committee were dismayed to find that no such guidelines have so far been issued. It was only when the matter was again raised during evidence that the Secretary, Department of Economic Affairs agreed to examine the issue afresh after the proposed Board for Financial Supervision which was yet to be set up gave its report to Government. The Committee had expressed their strong displeasure over the failure of Government in issuing any guidelines in regard to the apex role of IDBI even though a period of twelve years has elapsed since the recommendation was first made. They had urged the Government to issue at least some broad guidelines in this regard to enable the IDBI to effectively discharge its coordination function which could later on be modified, if necessary, in the light of the report of the Board for Financial Supervision.

6. In reply, the Government have stated that the substantive position of the Ministry of Finance remains that such guidelines are not necessary.

7. **The Committee are unhappy with the reply of the Government. They deplore the casual manner in which the Government has dealt with the recommendation of the Committee. Even after a period of more than 12 years since the recommendation was first made, the Government have failed to issue any guidelines in regard to the apex role of the IDBI. They desire that Government should at least issue such broad guidelines which would enable the IDBI to effectively perform its coordination function.**

B. Common Quality Testing Centres

(Recommendation Sl. No. 12, paragraph 2.63)

8. A Scheme for setting up common Quality Testing Centres (QTCs) in selected locations having clusters of units from a homogenous group of industry was introduced by IDBI in 1986. 7 such centres had started functioning while a few more were under various stages of implementation. The Committee were informed that an amount of Rs. 3.25 crores had already been sanctioned for setting up these Quality Testing Centres. The Committee had emphasised that the QTCs which were under various stages of implementation should be made operational at the earliest. They had further desired that in the meanwhile the effectiveness of the existing QTCs should be evalated to ascertain how far they were serving the purpose for which they were set up.

9. The Government have stated in their reply that eleven Quality Testing Centres (QTCs) hve been provided assistance aggregating Rs. 325 lakh so far by IDBI/SIDBI. Of these, 8 QTCs located at Bangalore, Bhubaneshwar, Cochin, Coimbatore, Ghaziabad, Goa, Howrah and New Delhi have already started functioning. While the QTC at Roorkee (UP) is under implementation, that of Srinagar has not made progress. As regards QTC at Dhanbad, the sponsoring institution has since expressed its

inability to proceed further with its setting up. Necessary action has been initiated by IDBI to assess the effectiveness of the existing QTCs.

10. The Committee expect that the action initiated by IDBI for assessing the effectiveness of existing QTCs will be completed soon and the outcome reported to this Committee within 3 months of the presentation of this Report.

C. Assistance to Voluntary Agencies

(Recommendation Sl. No. 14, Paragraph 2.65)

The Committee were informed that IDBI had commissioned two studies in Southern and Western regions for evaluating the impact of assistance to voluntary agencies. They had suggested that such studies should be conducted in other regions as well. The Committee had also recommended that in the light of these studies efforts should be made to ensure that the assistance to voluntary agencies led to self-sustaining growth of the weaker sections.

12. In their reply the Government have stated that evaluation study of VAs assisted by IDBI in Southern Region has been completed and the Report is being examined by IDBI. The Evaluation study of VAs in Western Region is nearing completion. The recommendation has been noted and similar studies would be undertaken by IDBI for other regions also.

13. The Committee trust that similar evaluation study of VAs in other regions would also be completed soon and results reported to this Committee at the earliest.

D. Refinancing of SFCS

(Recommendations Sl. No. 15/16, Paragraphs 2.66, 2.67 & 2.68)

14. The Committee had *inter-alia* observed that the State Financial Corporation Act vested certain powers and responsibilities in IDBI in matters such as appointment of Managing Directors/Executive Committees, approval of regulations framed by them, advice in issue of instructions by State Governments and inspection of working of SFCs. Inspite of these provisions, the Committee had an impression that the performance of SFC's had not been upto the mark. They were of the considered view that there was an urgent need for review of the SFC Act to streamline their functioning. IDBI had already submitted an action plan in regard to Organisational aspects of SFCs, role of State Government etc. which was under consideration of the Government. The Committee had desired that Government should soon undertake a review of the SFCs Act in the light of the Action Plan and affect necessary amendments. Provisions should in particular be made abut the continuity in top management and co-option of professionals on Boards of SFCs.

15. The Committee had also felt that there was an urgent need to

persuade the State Governments to make concerted efforts for toning up the functioning of SFCs. They should be arised to a make appointment of professionals on the SFCs Board management of SFCs, built up a sound portfolio and devise measures or stepping up significantly the recoveries of SFCs. The Committee had felt that such steps should undoubtedly go a long way in improving the financial health of SFCs.

16. In their reply, the Government have stated that the various aspects relating to the strategy for restructuring of State Financial Corporations (SFCs) were discussed at a meeting of the representatives of State Government, State Financial Corporations and State Industrial Development Corporation Organised by Government of India on 18 August, 1993. The meeting was presided over by the Finance Secretary, Government of India. It was decided that each SFC, alongwith the State Government concerned, would discuss with IDBI and SIDBI a Restructuring Plan for its operations, keeping in view the special requirements of the State. A Committee has also been appointed under Chairmanship of Chiarman and Managing Director of IDBI to undertake a comprehensive review of the SFCs Act. While the restructuring aspect is under examination by the SFCs and IDBI/SIDBI, the report of the Committee formed for suggestion amendments to the SFC Act is awaited.

17. The Committee desire that the Report of the Committee to undertake a comprehensive review of the SFC's Act be expedited and action taken thereon be reported to this Committee at the earliest. They also desire that an early decision be taken on the restructuring of SFCs by the IDBI/SIDBI to enable them to improve their financial health.

E. Assistance to Small Scale Sector

(Recommendations Sl. No. 17, Paragraph 3.21)

18. The importance of small scale sector in the context of the Indian economy can hardly be over emphasised in fact the total production in the small scale sector was stated to be well over Rs. 1.5 lakh crores. The availability of institutional finance to the small scale industries sector had not been commensurate with their needs nor in proportion to the volume of activity generated by the sector. There had been inadequacy of working capital in particular for small sector. The Nayak Committee appointed by the RBI which went into the subject in detail had since submitted its report in August, 1992. The report containing findings on various aspects such as adequacy and flow of institutional credit for working capital, adequacy of term credit provided to the SSI Sector, rehabilitation of sick SSI units and other related aspects was still under examination of RBI. The Committee had stressed that considering the importance of the SSI Sector, final decision on the findings of the Nayak Committee should be taken urgently and the Committee apprised in the matter.

19. The Government have in their reply stated that Reserve Bank of India has already taken action in respect of the important recommenda-

tions of Nayak Committee as could be seen from the credit policies announced by RBI in April and October 1993. These consist of a special package of measures for financing the small scale industries. The major recommendation of Nayak Committee incorporated in the above mentioned credit policy relate to:

(a) stepping up of the credit flow from banks to fully meet the credit requirements of the SSI Sector during the Eighth Five Year Plan by drawing up an annual credit budget on bottom up basis.

(b) simplification of method to arrive at the working capital requirement of SSIs where under a minimum of 20% of annual turnover of the SSI unit concerned would be made available as working capital finance for units with fund based credit requirement not exceeding Rs. 1 crore per unit.

(c) setting up of a grievances redressal machinery for SSI units at each banks level and at the level of RBI.

(d) provision of full need based working capital to Marketing Organisations marketing the products of SSI sector, on the basis of first method of lending, and

(e) modification in the definition of sick SSI units for ensuring speedy rehabilitation of potentially viable sick units.

20. It has also been stipulated in the credit policy of April 1993 that the foreign banks operating in India which fail to meet the priority sector target of 15% of outstanding credit by June 1993 would be required to deposit the amount equivalent to the shortfall with SIDBI at 10% interest p.a. Besides, foreign banks are required to step up their priority sector advances to a target of 32% of net bank credit by the end of March 1994. The shortfall, if any, at the end of March, 1994 would also be required to be placed as deposit with SIDBI at 10% interest p.a. It has also been stipulated that the share of credit to SSI sector and for export financing should be a minimum of 10% each of outstanding credit of foreign banks within the overall priority sector advance limit of 32% fixed for foreign banks. Other recommendations contained in the report of Nayak Committee are stated to be under consideration of the RBI.

21. The Committee note with satisfaction that some of the important recommendations of Nayak Committee in regard to financing the small scale industries have been implemented. They hope that an early decision will also be taken to implement the remaining recommendations made by the Nayak Committee in their report.

F. Single Window Scheme

(Recommendation Sl. No. 19 & 20, Paragraph 3.24 & 3.25)

22. IDBI introduced in 1988, a scheme known as the single window scheme, which was being operated by SIDBI. Under the scheme, SFCs/twin function SIDCs were authorised to provide term loans as well as working capital assistance to new tiny and small scale units where projects cost did not exceed Rs. 20 lakhs and requirements of working capital were upto Rs. 10 lakhs. The scheme enabled such units to obtain term loan and working capital loan from the same institution. The Committee had been informed that the scheme was proving convenient and helpful to the small scale industries and in fact that Committee appointed by the RBI to look into the credit needs of the small scale sector had suggested that this concept must be introduced for all the small scale industries in the country. The report of the Committee was still under consideration of the Government. The Committee had recommended that this suggestion of the Nayak Committee should be implemented without any delay and the single window scheme should be extended to all the small scale industries.

23. The Committee had also observed that the Single Window Scheme as at present only meant provision of term loan and working capital loan by a single agency. Some State Governments were stated to have attempted some sort of the an Escort service for providing all services at one place. The Committee had recommended that IDBI should examine the feasibility of introducing such services all over the country so that all the procedural clearances and assistance to small scale sector were available at one place.

24. In their reply, the Government have *inter-alia* stated that as recommended by Nayak Committee, out of 85 districts which have a concentration of SSI Units, RBI has allocated 45 districts to commercial banks to act as principal financing agencies under the SWS. Further, 23 districts have been allotted to eight SFCs to act as principal financing agencies under SWS. RBI has agreed to allocate the remaining 17 districts also to commercial banks. The recommendation of the Committee that as suggested by Nayak Committee, the SWS concept should be extended to all SSIs will be examined by SIDBI in consultation with the RBI.

25. As regard, providing all services at one place to small scale sector, the Government have stated that the recommendation would be examined by IDBI/SIDBI as suggested.

26. The Committee hope that an early decision will be taken regarding the Nayak Committee's suggestion to enlarge the concept of SWS to all SSIs in the country as also for providing all services at one place to the small scale sector, similar to the Escort service provided by some of the State Governments.

G. Delays in realisation by SSI

(Recommendation Sl. No. 22, Paragraph 3.27)

27. In order to help the small scale units to get prompt payments for their productions, SIDBI had reportedly set up two factoring organisations in 1991-92 for the Western and Southern Regions in collaboration with State Bank of India and Canara Bank respectively. The Committee had desired that the setting up of such factoring companies in the other regions of the country also would be expedited. They had also desired to be informed as to how far such factoring organisations had been able to achieve their objective of ensuring prompt payments to small sector.

28. In reply, the Government have stated that since their inception, the two factoring companies have factored debts of SSI units aggregating Rs. 160 crore covering 140 SSI units. Such assistance has helped the SSI units in early realisation of their dues.

29. The Committee regret to note that inspite of their recommendation made in April, 1993, no serious effort appears to have been made by the Government to set up more factoring companies in other regions of the country besides these two factoring companies, which are already in existence. The Committee reiterate that setting up of such factoring companies in other regions of the country to assist the SSI units in early realisation of their dues should be expedited and the progress made in this regard apprised to this Committee within three months of the presentation of this Report.

H. Assistance to Backward Areas

(Recommendations Sl. No. 25, Paragraph 4.31)

30. The Committee had been informed that the Cumulative sanctions of Rs. 19062 crores, upto March, 1991 by IDBI for backward areas were expected to catalyse additional employment potential for over 41 lakh persons. This figure did not depict a true picture of the impact of the development efforts since it included people who had earlier been employed elsewhere like agricultural side or service sector. The Committee had, therefore, desired that IDBI should undertake a study of the net employment generated by its various schemes in backward areas and apprise them of the results.

31. The Government in their reply have stated that IDBI has noted the recommendation for further action.

32. The Committee regret that even after more than 10 months of the presentation of the original Report, no concrete action has been taken by Industrial Development Bank of India. They desire that a study of the net employment generated by its various schemes in backward areas should be undertaken by IDBI urgently and the Committee apprised of the results within three months of the presentation of this Report.

I. Growth Centres

(Recommendation Sl. No. 29, Paragraph 4.35)

33. After the discontinuation of the investment subsidy and interest rate subsidy, the current strategy of Government for development of backward areas seemed to be through creation of adequate infrastructure in such regions. Government was stated to have decided the setting up of 100 Growth Centres, throughout the country in the 7th and 8th Five Year Plans which would be incorporated as companies under the Companies Act. With their equities shared by the Union and State Governments and financial institutions. These Growth Centres were expected to act as magnets for attracting industries to the backward areas with infrastructural facilities on par with the best available in the country particularly in respect of power, water, telecommunications and banking. The outlay on each of these Growth Centres was expected to be around Rs. 30 crores of which Rs. 10 crores was to be provided by Central Government as share capital. The Committee were constrained to observe that only 70 Growth Centres were proposed to be developed during the Eighth Five Year Plan of which 65 have so far been selected. Project reports in respect of only 28 projects had been appraised and a meagre sum of Rs. 51.50 crores had been released to the States as Central Assistance. The Committee were not aware whether these centres had been able to attract any new industries. They had expressed their deep anguish over the tardy progress of this important scheme meant for industrial development of backward area. They had desired that all efforts be made to substantially accelerate the pace of the scheme so that all the 70 Growth Centres came up within the stipulated time.

34. In reply the Government have stated that this scheme is also Centrally concerned with the Ministry of Industry. A copy of the recommendation of the Committee has been sent to the Ministry of Industry for their consideration. IDBI have however, informed that upto the end of March, 1993, Apex Committee constituted by Ministry of Industry, GOI had approved 33 Growth Centres and that GOI had also released a sum of Rs. 55 crores.

35. The Committee are not satisfied with the slow progress made in regard to setting up of Growth Centres. Out of 70 Growth Centres proposed to be developed during the Eighth Five Year Plan, only 33 have been approved by the Government and a paltry sum of only Rs. 55 crores has been released. The Committee reiterate that sincere efforts should be made by the Government so that the proposed 70 Growth Centres become functional within the stipulated time. They also desire that a review of the success of the Growth Centres already set up by IDBI be conducted and the outcome reported to this Committee within three months of the presentation of this Report.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Sl. No. 3 (Paragraph 1.27)

During evidence, it was pointed out by the Committee as an example that in the otherwise highly industrialised district like Raigad, the scarcity of drinking water to the poverty-stricken villages was a stark reality. It was one of such typical cases of affluence co-existing with affliction. The Chairman, IDBI, the Committee appreciate was quick to volunteer to work out a scheme to cover the whole district so that the acute problem of drinking water between February and June each year is solved. Satisfaction of such a dire need by pooling the resources of the industries will help the ideal of public, private and cooperative sector industries being socially conscious and publicly accountable. The Committee are happy that Chairman, IDBI has assured to coordinate this activity to set an example in all other similar areas/regions. The Committee hope that IDBI will, within a few months embark upon this scheme.

Reply of Government

Despite heavy rains, there is scarcity of drinking water in Raigad district, particularly in April/May. Eradication of water scarcity would require co-ordinated efforts by various agencies including Government and Voluntary Agencies. In this connection, IDBI has informed that Yousuf Meherally Centre, a voluntary agency operating in Raigad district, Maharashtra has recently approached IDBI for financial assistance to set up Technical Cell for watershed development. The cell consisting of experts would prepare project reports for augmenting the supply of water for different purposes. The cost of setting up the Technical Cell including building, etc. is estimated at Rs 27.5 lakhs. IDBI proposes to sanction a loan of Rs. 12.68 lakhs on soft terms for the purpose.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 1(72)/IFI/92 dated 28.2.1994]

Recommendation Sl. No. 5 (Paragraph 1.29)

The Committee on the Financial System under the Chairmanship of Shri M. Narasimham had in its report submitted in November, 1991 recommended that the IDBI should separate its promotional apex and refinancing role in respect of, for instance, State Financial Corporations, SIDBI etc. and its direct financing function. The Government have reportedly not accepted this recommendation and currently there are no plans to split IDBI into two organisations. This Committee endorse the stand taken by Government. For IDBI has in its charter not only the function of direct lending to industries but also the responsibility of supporting the State level institutions, namely, State Financial Corporations and State Industrial Development Corporations through an extensive mechanism of refinance as well as of equity support to them. The later responsibility is not being carried out by other financial institutions. With the accent now being on the financial institutions mobilising resources on their own, IDBI might not be able to provide refinance to State level institutions at three per cent below the final lending rate to the borrower, in case its direct lending function, which is admittedly more profitable, is separated from the refinancing role. In the circumstances, the Committee are of the view that IDBI should not be split into two organisations as long as it is expected to perform its promotional role.

Reply of Government

There is at present no proposal to split the IDBI into an apex level organisation and a business subsidiary.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No.1 (72)/IFI/92 Dated 28.2.1994]

Recommendation Sl. No. 6 (Paragraph 2.55 & 2.56)

The Industrial Development Bank of India mainly provides financial assistance under the Direct Finance Scheme, Refinance Scheme and Bills Rediscounting. Under the direct financing IDBI normally takes up projects costing more than Rs. 5 crores except in North-Eastern region, where projects costing less than Rs. 5 crores are considered for assistance. Under the Direct Schemes, project finance is provided in the form of loans, underwriting of and direct subscription to shares and debentures and guarantees for loans and deferred payments. Industrial projects in the small/medium sector costing not more than Rs. 5 crores are assisted by IDBI under its refinance scheme. Assistance under this scheme is extended through State Financial Corporations, State Industrial Investment Corporations, Scheduled Commercial Banks, Regional Rural Banks and State Cooperative Banks. Refinance in respect of small scale sector is now being provided by SIDBI. The Bills Rediscounting Scheme of IDBI is intended to help the purchaser of machinery/equipment to acquire it quickly and repay its cost over the years.

From the information furnished by IDBI, the Committee notice that the actual sanctions by IDBI have generally been below the targets. Not only that, the disbursements have invariably been far less than the sanctions. Thus during the years 1986-87 to 1991-92, as much as 24.8% to 35.5% of the amount sanctioned during the year remained undisbursed. The Committee are not convinced with the explanation given by IDBI that while the sanctions are as per the complete requirement of a project, release of disbursement is according to the progress in implementation of the project which takes two to three years. If that were the reason for the difference between sanctions and disbursements, the gap between the two should have narrowed down considerably over a period of time, if not completely vanished. That this has not happened, shows that there are some inherent deficiencies in the system of drawing up projections for sanctions and disbursements required to be made in a particular year. The Committee would, therefore, suggest that IDBI should examine this matter thoroughly and take corrective measures in order to narrow down the gap between sanctions and disbursements.

Reply of Government

IDBI has informed that targets for sanctions are fixed based upon the anticipated receipt of applications. However, the receipt of applications sometimes is not as per expectation. Similarly, the disbursements depend upon the anticipated schedule of project implementation and sometimes the expected schedules are disturbed due to various factors. However, IDBI is constantly reviewing its methods of fixing operational targets/ projections so as to minimise the gap between projected/targeted and actual levels of operation. As regards gaps between sanctions and disbursements, it may be mentioned that the sanction of assistance is a one time process while disbursements are spread over the implementation of the project. In the case of large units in industry like fertiliser, cement etc. The sanctioned amount is disbursed over a period of two to three years. Further, at times disbursement gets delayed due to delay in acquisition of land and machinery supply, promoters inability to bring in their contribution in time, delay in public issue etc. At the same time efforts are made to simplify the procedures so that the disbursements are expedited and gaps between sanctions and disbursements are reduced.

[Ministry of Finance, Department of Economic Affairs (Banking Division)
O.M. No.1 (72)/IFI/92 Dated 28.2.1994]

Recommendation Sl. No. 7 (Paragraph 2.57)

The Committee note that the number of public limited companies in the private sector directly assisted by IDBI was 369, 638 and 739 during 1988-89 (July-March), 1989-90 and 1990-91, respectively. While the financial performance of the companies assisted during these years was not available, results of a sample study of 401 IDBI assisted companies indicate that the operating profits of the profit making companies in the sample study during 1988-89 to 1990-91 were Rs. 2058 crores, Rs. 2991 crores and Rs. 3844 crores while losses of the loss making companies amounted to Rs. 180 crores, Rs. 170 crores and Rs. 133 crores, respectively for the same period. Out of the total sample of 401 companies, the percentage of companies which made profits was around 82% while the percentage of loss making companies was around 18%. This, according to IDBI, was in line with the general trends in the economy. However, the Committee are of the opinion that the performance of IDBI assisted companies ought to have been much better since in their case not only detailed project appraisal is undertaken but regular monitoring is also done by IDBI which has by now developed sufficient expertise in this regard. The Committee, therefore, desire that the appraisal and monitoring mechanism should be thoroughly looked into and corrective measure taken wherever necessary.

Reply of Government

IDBI has informed that as per the study conducted by it in 1991-92, the share of profit making companies in a sample of 505 IDBI assisted companies, has gone upto 87%. Further, it may be mentioned that the performance of companies are at times affected by external factors such as policy changes, demand recession, power shortage, labour problems etc. and it may not conform to the projected level of operation at the appraisal stage. Nevertheless, IDBI has been constantly upgrading its appraisal skills. The appraisal machinery has been further strengthened by setting up of the Technology Department and Market Research Department. As regards monitoring mechanism, the various tools of project supervision has been sharpened and with the decentralisation of work to IDBI's Regional Offices and Branch Offices, close monitoring of the projects is achieved.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 1 (72)/IFI/92 Dated 28.2.1994]

Recommendation Sl. No. 9 (Paragraph 2.60)

In order to ensure the implementation or rehabilitation programmes in a coordinated and expeditious manner, the RBI issued a set of detailed guidelines to banks in 1987 which were modified in June, 1989. Complementary guidelines were also issued by IDBI to the State level financial institutions in 1987 and subsequent modifications and policy changes advised to them. However, the Committee have been given to understand that there is still scope for improvement in coordination between Financial Institutions on the one hand and commercial banks and State level institutions on the other hand in the formulation and implementation of rehabilitation packages for sick units. The steps which could be taken in this direction include strict compliance with the revised guidelines especially in regard to medium and large industries, making the monitoring mechanism of the State level Inter-Institutional Committees set up by RBI, more effective and regular holding of Rehabilitation Meetings among the various agencies involved.

Reply of Government

The co-ordination between financial institutions and banks on formulation and implementation of rehabilitation packages for sick industrial units in the large and medium sector has been reviewed periodically by RBI/IDBI. Through such periodical reviews procedures and norms have been evolved over a period for strengthening co-ordination mechanism. The procedure for association of banks by financial institutions in the project appraisal exercise, holding of joint meetings, parameters for sharing reliefs/concessions/assistance as well as security in respect of sick industrial companies etc. have been established.

With the enactment of the Sick Industrial Companies (Special Provisions) Act (SICA), 1985, those sick units in large and medium industries coming under its purview are required to make a reference to BIFR. Existing co-ordination mechanism between Financial Institutions and banks has been further fortified.

As regards sick small scale industrial units Reserve Bank of India is periodically holding inter-institutional meetings to discuss various issues relating to rehabilitation of sick SSI units. In addition to this, Small Industries Development Bank of India (SIDBI) has also been organising Rehabilitation Meets for sick SSI units to arrive at common proposals for rehabilitation. The Rehabilitation Meets have proved helpful.

[Ministry of Finance, Department of Economic Affairs (Banking Division)
O.M. No. 1 (72)/IFI/92 Dated 28.2.1994]

Recommendation Sl. No 10 (Paragraph 2.61)

The Committee on Public Undertakings 1981-82 had recommeded that all India position regarding sick units and steps taken for their rehabilitation should be reflected in the Report on Development Banking in India brought out by IDBI. The recommedation was accepted by the Government. However, the Committee regret to notice that such information is still not being brought out in the Report on Development Banking. In view of the huge amount of institutional funds locked up in sick units, the Committee reiterate that the all India position in regard to the sick units together with steps taken for their rehabilitation should henceforth be brought out in the Report on Development Banking in India.

Reply of Government

IDBI has informed that pursuant to the Committee's suggestion a suitable chapter dealing with data on sick units would be included in future in the "Report on Development Banking in India".

(Ministry of Finance, Department of Economic Affairs (Banking Division)
O.M.No1 (72)/IFI/92 Dated 28.2.1994)

Recommendation Sl. No. 11 (Paragraph 2.62)

The Committee have been informed that in order to meet the consultancy requlrments of new projects ranging from information on market to actual implementation, 17 Technical Consultancy Organisation (TCOs) have been set up by IDBI in association with other institutions. During the five years period upto March 1992 and expenditure aggregating Rs. 576.67 lakhs was incurred by IDBI/SIDBI in respect of 1218 Entrepreneurship

Development Programmes (EDPs) completed by TCOs and other agencies reportedly benefitting more than 22000 potential entrepreneurs. The success rate was between 25-30 per cent in the case of general EDPs, around 50 per cent in the case of women EDPs and around 10 per cent in the case of Science and Technology. These success rates in the opinion of the Committee, are quite low. The Committee, would, therefore, urge that the study on the effectiveness of EDPs being conducted by the Entrepreneurship Development Institute of India, Ahmedabad should be completed expeditiously and they be informed of the measures taken for improving the success rate of EDPs.

Reply of Government

The study on Evaluation of Entrepreneurship Development Programmes has been completed by the Entrepreneurship Development Institution of India (EDII) in October 1992 and two-day National Workshop was organised by them to discuss the findings of the study. The workshop was attneded by representatives of Central/State Governments, All India Financial Institutions, Technical Consultancy Organisations, Institute for Entrepreneurship Development (IED), Science and Technology Entrepreneurs Parks (STEPs) and National Institute for Entrepreneurship and Small Business Development (NIESBD). The Finding of the study has been that the start up performance can be increased from the actual 31% to 50% provided some corrective measures are initiated in selection of centres, selection of trainees, training inputs, faculty support, identification of business/industrial opportunities and post-Programme follow-up/ monitoring. These suggestions will be kept in view by IDBI in respect of future programmes.

[Ministry of Finance, Department of Economic Affairs (Banking Division)
O.M.No1(72)/IFI/92 Dated 28.2.1994]

Recommendation Sl. 13 (Paragraph 2.64)

During the period 1986-87 to 1991-92, IDBI sanctioned an assistance aggregating Rs. 1048.73 lakhs to 114 Voluntary Agencies (VAs) covering various categories such as physically handicapped and socially disadvantaged groups like Scheduled Castes and Scheduled Tribes, rural and urban poor and poor women. However, from the information furnished to the Committee, they find that there have been wide disparities not only among different regions but among various States. In some States, the number of Voluntary Agencies to whom assistance has been provided is very small. The Committee desire that special efforts should be made by IDBI to identify and assist more voluntary agencies in such States. Besides, preference should also be given to voluntary agencies working for development of tribals.

Reply of Government

IDBI has informed that regional disparities are mainly due to lack of VAs in certain areas engaged in industrial/employment oriented activities which are eligible for assitance from IDBI. However, efforts will continue to be made by IDBI to reduce the regional disparity to the extent possible.

[Ministry of Finance, Department of Economic Affairs (Banking Division)
O.M.No.1(72)/IFI/92 Dated 28.2.1994]

Recommendation Sl. No. 14 (Paragraph 2.65)

The Committee have been informed that IDBI has recently commissioned two studies in Southern and Western regions for evaluating the impact of assistance to voluntary agencies. They would suggest that such studies should be conducted in other regions as well. The Committee also recommend that in the light of these studies efforts should be made to ensure that the assistance to voluntary agencies leads to self-sustaining growth of the weaker sections.

Reply of Government

Evaluation study of VAs assisted by IDBI in Southern Region has been completed and the Report is being examined by IDBI. The Evaluation Study of VAs in Western Region is nearing completion. The recommendation has been noted and similar studies would be undertaken by IDBI for other regions also.

[Ministry of Finance, Department of Economic Affairs (Banking Division)
O.M.No.1(72)/IFI/92 Dated 28.2.1994]

Comments of the Committee

Please see paragraph 13 of Chapter I of the Report.

Recommendation Sl. No. 17 (Paragrpah 3.21)

The importance of small scale sector in the context of the Indian economy can hardly be over emphasised. In fact the total production in the small scale sector is stated to be well over Rs. 1.5 ~~lakh~~ crores. However, the availability of institutional finance to the small scale industries sector had not been commensurate with their needs nor in proportion to the volume of activity generated by the sector. There has been inadequacy of working capital in particular for small sector. The Nayak Committee appointed by the RBI which went into this subject in detail has since submitted its report in August, 1992. The report containing findings on various aspects such as adequacy and flow of institutional credit for working capital, adequacy of term credit provided to the SSI sector, rehabilitation of sick SSI units and other related aspects is still under examination of the RBI. The Committee would stress that considering the importance of the SSI sector, final decision on the findings of the Nayak Committee should be taken urgently and the Committee apprised in the matter.

Reply of Government

Reserve Bank of India has already taken action in respect of the important recommendations of Nayak Committee as could be seen from the credit policies announced by RBI in April and October 1993. These consist of a special package of measures for financing the small scale industries. The Major recommendations of Nayak Committee incorporated in the above mentioned credit policy relate to:

(a) stepping up of the credit flow from banks to fully meet the credit requirements of the SSI Sector during the Eighth Five Year Plan by drawing up annual credit budget on bottom up basis.

(b) simplification of method to arrive at the working capital requirment of SSIs whereunder a minimum of 20% of annual turnover of the SSI unit concerned would be made available as working capital finance for units with fund based credit requirement not exceeding Rs. 1 crore per unit.

(c) setting up of a grievances redressal machinery for SSI units at each bank's level and at the level of RBI.

(d) provision of full need based working capital to Marketing Organisations marketing the products of SSI sector, on the basis of first method of lending and

(e) modification in the definition of sick SSI units for ensuring speedy rehabilitation of potentially viable sick units.

It has also been stipulated in the credit policy of April 1993 that the foreign banks operating in India which fail to meet the priority sector target of 15% of outstanding credit by June 1993 would be required to deposit the amount equivalent to the shortfall with SIDBI at 10% intrest p.a. Besides, foreign banks are required to step up their priority sector advances to a target of 32% of net bank credit by the end of March 1994. The shortfall, if any, at the end of March, 1994 would also be required to be placed as deposit with SIDBI at 10% interest p.a. it has also been stipulated that the share of credit to SSI sector and for export financing should be a minimum of 10% each of outstanding credit of foreign banks within the overall priority sector advance limit of 32% fixed for foreign banks.

Other recommendations contained in the report of Nayak Committee are under consideration of the RBI.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 1. (72)/IFI/92 Dated 28.2.1994

Comments of the Committee

Please see paragraph 21 of Chapter I of the Report.

Recommendation Sl. No. 18 (Paragraph No. 3.22 & 3.23)

The Committee find that the assistance sanctioned to small sector by IDBI as percentage of the total assistance sanctioned declined from 33.7% in 1987-88 to 28.8% in 1988-89 and 27.7% in 1989-90 though the disbursements to small sector marginally increased from 32.9% in 1987-88 to 33.4% in 1989-90. The Small Industries Development Bank of India (SIDBI) was set up in April, 1990 for providing exclusive financing to the small scale industries. During 1990-91 and 1991-92, assistance disbursed by SIDBI under the various schemes amounted to Rs. 3865 crores against the sanctioned of Rs. 5307 crores. The Committee are, therefore, of the opinion that the flow of assistance to small scale sector cannot be termed adequate even after the formation of SIDBI.

The Committee also feel that with the progressive delicensing and liberalisation in the industrial sector, there is need for laying special thrust on small, tiny and rural industries for creation of employment opportunites to people near their place of residence. They would, therefore, recomend that concerted efforts must be made by SIDBI so that its assistance reaches the small industries in urban as well as rural areas. In the field of rural industrialisation, the coordination among SIDBI, National Bank for Agriculture and Rural Development and Khadi and Village Industries Commission needs to be strengthened. In addition, special emphasis should be laid on arrangements for marketing the products of small scale industries.

Reply of Government

The aggregate assistance sanctioned and disbursed by SIDBI during the last three years has been consistently going up as may be seen from the table given below:

(Rs. crore)

Year	Sanctioned	Disbursements
1990-91	2323.8	2253.5
1991-92	3406.6	2588.1
1992-93	3549.9	2787.3

It has been SIDBI's endeavour to step up the flow of credit to the small scale sector through liberalisation of terms of existing schemes, simplification of systems and procedures and introduction of new schemes. SIDBI has introduced new schemes of assistance to cover:

i) industrial area development

ii) ancillarisation

iii) creation of marketing infrastructure

iv) equipment financing

v) leasing facilities

vi) factoring service

vii) raw material supplies

viii) equity financing

ix) venture capital financing and

x) Bills financing in respect of sale of SSI products.

These Schemes have evoked good response. However, it may be mentioned that SIDBI is principally a refinancing agency and its evel of assistance would depend to a great extent on the refinance assistance availed of by State-level institutions and banks.

NABARD and KVIC are already represented on SIDBI's Board Directors and SIDBI would endeavour to further strengthen its co-ordination with these organisation. IDBI has informed that lack of adequate marketing infrastructure was indentified as one of the problem areas affecting the competitiveness of the SSIs. Accordingly, in the very first year of its operations, SIDBI formulated new schemes directly focusing on assistance to establish/strengthen marketing infrastructure for promoting the sale of SSI products. Separate schemes have been formulated for creation of marketing channels for rural and semi-urban areas and the products of KVI sector. Assistance sanctioned and disbursed under marketing schemes aggregated Rs. 12.60 crore and Rs. 14.09 crore respectively in the last three years. The credit policy announced by RBI in April 1993 also requires banks to encourage the companies which market products of SSI sector by providing need-based working capital finance in full computed on the basis of the first method of lending. Taking advantage of the RBI policy requiring banks to extend working capital facilities to organisations marketing products of SSI sector, SIDBI expects better response to its scheme of assistance for creation of marketing infrastructure.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 1(72)/IFI/92 Dated 28.2.19943]

Recommendation Sl. No. 21 (Paragraph 3.26)

Prompt payment of money by buyers to small industrial units is of utmost importance. Small sector units have been facing the problem of delayed realisations from big units for the products supplied by the former. The Committee are glad that an Act *viz.* the Interest on Delayed payments to Small Scale and Ancillary Industrial Undertaking Act has since been passed to provide for and regulate the payment of interest on delayed payments to small scale and ancillary industrial undertakings. The Committee hope that this would enable the small scale sector to a large extent in making timely realisations for the goods supplied by them.

Reply of Government

SIDBI would be associating itself with the setting up of factoring companies in other regions of the country when nodal banks are identified for the purpose by Reserve Bank of India.

In order to ensure that the factoring companies factor the debts of the SSIs, SIDBI has during 1992-93, sanctioned Lines of Credit of Rs. 10 crores each in respect of existing two factoring companies. Further assistance will be considered by SIDBI depending upon the requirements of the factoring companies.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M.No. 1(72)/IFI/92 Dated 28.2.1994]

Recommendation Sl. No. 23 (Paragraph 3.28)

The Committee note the SIDBI stipulates the ceilings on the rates of interest chargeable by the Primary Lending Institutions (PLIs) such as State Financial Corporations, State Industrial Development Corporations etc. on their loans which are refinanced by SIDBI. At present the maximum rate or interest chargeable by the PLIs on loans given to the borrowers is 11.5% for loans upto Rs. 7,500, 13.5% for loans over Rs. 7,500 and upto Rs. 25,000 and 15% for loans over Rs.25,000 and upto Rs. 2 lakh. SIDBI provides refinance to SFCs at 3 per cent lower rates in the corresponding slabs. In this connection the Committee would like to emphasise that they attach the greatest importance to the smallest units among the small sector such as rural artisans. They would, therefore, like the Government/SIDBI to examine the feasibility of working out an interest rate structure whereby a borrower of loan upto Rs. 25,000 is required to pay a minimal rate of interest.

Reply of Government

The interest rate structure under the refinance scheme of SIDBI is based on the interest rate structure determined by RBI from time to time, as part of the credit policy exercise. The rate of interest payable by borrowers for loans upto Rs. 25,000 is the lowest in the structure of interest rates currently in vogue.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M.No. 1(72)/IFI/92 Dated 28.2.1994]

Recommendation Sl. No. 24 (Paragraph 4.30)

The Committee note that IDBI has been assigned a developmental and promotional role to encourage development of industires in the industrially backward areas of the country indentified by the Government. The assistance to backward areas sanctioned by IDBI during 1988-89 (July-March), 1989-90 and 1990-91 amounted to Rs. 1654 crore, Rs. 2747 crore and Rs.2685 crore representing 38.9%, 37.8% and 43.1% respectively of the aggregate assistance sanctioned by IDBI during these years. Admittedly much more requires to be done in the direction of development of backward areas. As at the end of March 1992, disbursement under the Area Specific Infrastructure Development Scheme in the No-Industry Districts were only Rs.24.6 crore against sanctions of Rs.101 crore reportedly due to lack of interest of State Governments. The Committee, therefore, suggest that a cordinated strategy for this purpose should be evolved involving the Central Government, the State Governments and the financial institutions.

Reply of Government

The subject of development of backward areas falls within the purview of the Ministry of Industry. As far as the IDBI is concerned, it accords priority to projects coming up in specified backward areas and this is reflected in the level of assistance sanctioned by it in the past. A copy of the recommendation of the Committee has been sent to the Ministry of Industry for their consideration.

[Ministry of Finance, Department of Economic Affairs (Banking Division)
O. M. No. 1(72)/IFI/92 Dated 28.2.1994]

Recommendation Sl. No. 26 (Paragraph 4.32)

Balanced regional development has all along been one of the prime objectives of planning. However, from the data made available to the Committee it is seen that seven States *viz.* Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura together accounted for just 0.7% of total assistance sanctioned by IDBI upto March, 1990. Not only that against an all India average of Rs.815, the per capita assistance disbursed by all financial institutions upto March, 1991 to these States ranged from Rs.106 to Rs.476 except in Sikkim where it was Rs. 790. Against this five States *viz.* Andhra Pradesh, Gujarat, Maharashtra, Tamil Nadu and Uttar Pradesh accounted for as much as over 56% of the assistance sanctioned by IDBI. Even among the backward areas 50 backward districts by size of assistance accounted for as much as 63% of the assistance to backward areas as at the end of March, 1991. The Committee have, therefore, come to the inescapable conclusion that severe regional imbalances still persist in assistance sanctioned by IDBI and other financial institutions. They would recommend that urgent and concerted efforts should be made by Government and financial institutions to minimise such regional imbalances.

Reply of Government

As mentioned above, the subject of development of backward areas concerns the Ministry of Industry. It may be mentioned that they have recently constituted an interministerial working group under Chairmanship of the Additional Secretary, Depertment of Industrial Developmet for promoting industrialisation in the North-East Region and Sikkim. The terms of reference of the working group are as follows:

(a) To suggest measures for accelerating the industrial development of the area.

(b) To discuss and resolve wherever possible, the specific problems constaining industrial development.

(c) To discuss ways and means of improving flow of credit towards the industrial sector and improvement of infrastructure connected with the industrial development.

(d) Ways and means to develop specialised sectors like oil related industries, gas-based projects, textile etc.

IDBI has informed that the assistance to backward regions depends on the flow of applications from projects to be located in those regions. The decision to locate a project in any particular region vests with the entrepreneur who is, in turn, guided by the level of infrastructure of the region, attractiveness of incentive and concessions, available to him, suitability of the location from angle of availability of raw matterial, skilled labour, easy proximity to market for his products etc.

IDBI, along with other institutions, has taken up various promotional activities such as Entrepreneurship Development Programme, to promote entrepreneurship in the area, setting up of Training-cum-Development Centres (TDCs), to provide facilities for running programmes designed to improve skills and crafts of the local people as also for organising EDPs setting up of Technical Consultancy Organisations to provide cheap consultancy services to SSI entrepreneures, etc. Government has also recently granted exemption from income tax for five years for industries coming up in North-Eastern region and Sikkim.

[Ministry of Finance, Department of Economic Affairs (Banking Division)
O. M. No. 1(72)/IFI/92 Dated 28.2.1994]

Recommendation Sl. No. 27 (Paragraph 4.33)

Besides the North-Eastern States, the Committee noticed that the total assistance sanctioned by all financial institutions to Bihar upto March, 1991 amounted to Rs. 2301 crore and the per capita assistance worked out to a meagre Rs. 183. Admittedly this assistance is extremely inadequate whatever parameters for assessment are used. The Committee were given to understand that one of the main reasons for this stafe of affairs was the weak position of State level institutions. The Committee need hardly emphasise the need for taking steps to remove the bottlenecks in the functioning of State level institutions, so that the funds made available by IDBI for assistance to industries in backward areas are utilised for the purpose to a greater extent. At the instance of the Committee a seminar was held at Patna in September, 1992 where besides certain other measures it was decided that in the case of Bihar IDBI would consider assistance for projects with cost of even less than Rs. 5 crore. The Committee suggest that such measures should also be taken in respect of other backward States.

Reply of Government

IDBI has informed that the performance of the Bihar State Financial Corporation has sharply deteriorated over the years. Almost its entire loan portfolio has become non-performing. Its recovery is the lowest amongst the State-level institutions. The corporation would need major financial and management restructuring. An outside Consultancy firm viz. M/s. A F Ferguson & Co., has been engaged by IDBI to carry out a study of Bihar SFC and further action would be taken after receipt of the report.

IDBI has already decided to consider financing of projects up to Rs. 5 crore on a selective basis (in Bihar and North-Eastern Region) if state level agencies are unable to finance them due to resource shortage. IDBI could consider extending it to other states if it is satisfied that the similar approach is called for.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 1 (72)/IFI/92 Dated 28.2.1994]

Recommendation Sl. No. 30 (Paragraph 5.25)

The Committee regret to note that IDBI is having large sums as overdues from the assisted units. As at the end of March 1991, the overdues amounted to Rs. 323.44 crores. The percentage of recovery was 84 percent. inspite of the IDBI reportedly making efforts for one-time settlements, 77 suits were pending in various courts as on 1.6.1992 against the assisted concerns involving a sum of Rs. 371.64 crores. Some of the suits were pending since 1983. The Committee have been informed that the normal time taken for settlement by courts may range from 10 to 12 years. The Committee strongly feel that such situation could have been avoided, had there been a provision for arbitration in the loan documents themselves. In this connection, it is noticed that a proposal for enacting a legislation for setting up of tribunals for speedy recovery of overdues to the financial institutions has been approved by the Cabinet. The Committee urge that such legislation should be enacted at the earliest in order to ensure quick recovery by financial institutions.

Reply of Government

The Recovery of Debts due to Banks and Financial Institutions Act, 1993 has since been enacted.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 1 (72)/IFI/92 Dated 28.2.1994]

Recommendation Sl. No. 32 (Paragraph 5.27)

Government had decided in early 1992 to constitute a Small Farmers Agri-Business Consortium with a view to promote accelerated agricultural development in association with farmers, research institutions, financial institutions and others. The consortium was proposed to be funded by RBI, National Bank for Agriculture and Rural Development (NABARD) and IDBI. However, the structure and functions of the consortium have not so far been decided and the matter is still under consideration. The Committee desire that an early decision on the structure and functions of the consortium should be taken.

Reply of Government

The Apex Policy Planning Committee for Small Farmers Agro-business Consortium (SFAC) has finalised the Memorandum and Articles of Association of SFAC. The consortium would be set up as a Society under the Societies Registration Act. IDBI will be one of the founder members and would contribute Rs. 150 lakh in two equal instalments to the corpus fund of SFAC. The work of project preparation has been entrusted to M S Swaminathan Research Foundation, Madras which has set up an interdisciplinary project design team for each district for identifying the optimum strategy for utilisation of land and for increased agricultural production. IDBI has nominated its officials on the project design team covering fifteen centres.

[Ministry of Finance, Department of Economic Affairs (Banking Division)
O.M. No. 1 (72)/IFI/92 Dated 28.2.1994]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

Recommendation Sl. No. 2 (Paragraph No. 1.25 & 1.26)

The Committee note that assistance by IDBI is being provided to private sector, joint sector and public sector. Whatever the nature of corporate entity, ultimately it is the public funds which are being utilised through assistance provided by IDBI and other financial institutions. Thus, the society at large is a major stakeholder in the units assisted by the financial institutions. Besides, the State Governments often provide various other concessions and facilities for setting up industries in a particular area. However there appears to be no mechanism where-by fulfilment of certain social obligations by the assisted units could be ensured.

In the opinion of the Committee, contribution towards development of the area where a particular industry is set up, timely payment of compensation to displaced persons, training and employment to local people and improvement in general quality of life of local people including medical facilities are the minimum social obligations which must be fulfilled by a unit—whether in private or public sector—which is set up by assistance from a public financial institution. The Committee have been given to understand that it may not be practicable for the financial institutions themselves to include such provisions as conditionalities in the loan documents. However, once there is a policy laid down by the Government of India and the individual State Governments about the social obligations to be discharged by the new projects set up, this would be made as conditionality by all financial institutions including IDBI as was being done in respect of other policies laid down such as environmental clearance etc. The Committee, therefore, recommended that model policy guidelines should be laid down by the Government of India in regard to the social obligations expected of the units assisted by the financial institutions and the State Governments should be asked to enforce them strictly with suitable modifications depending upon local needs. However, pending formulation of such guidelines, IDBI should insist at least on provision of hospitals and drinking water facilities by large units assisted by it.

Reply of Government

As regards discharge of social obligations by IDBI through the industries assisted by it, Ministry of Finance are of the view that the financial institutions are not the best instruments for performing social obligations. IDBI has also stated that insistence on provision of hospitals and drinking water facilities by IDBI as part of project design of large units to be financed by IDBI, would need to be viewed in the overall contest of the financial viability of the project. Normally such services require concessional finance to keep the unit viable. IDBI will not be able to provide concessional finance for such facilities as it is now required to raise funds at market rates.

This subject has, however, been fully dealt with in the 24th Report of COPU (1993-94) of the Tenth Lok Sabha entitled Social Responsibilities and Public Accountability of Public Undertakings which has been recently circulated by the Ministry of Industry, Department of Public Enterprises. An overall view of social responsibility of financial institutions like the IDBI would be taken in context of this report.

[Ministry of Finance, Department of Economic Affairs (Banking Division)
O.M. No. 1 (72)/IFI/92 Dated 28.2.1994]

Recommendation Sl. No. 28 (Paragraph No. 4.34)

The Committee note that earlier an investment subsidy was being given by Central Government in respect of backward areas. Interest rate subsidy was also being given by the financial institutions. Since these measures failed to give the desired impetus to development of industries in these areas, they have since been withdrawn. The interest free status of IDBI has also been withdrawn which might hamper to some extent its promotional role in backward areas. In this context the Committee feel that there is a strong case for providing some sort of fiscal benefits for lending to backward areas. They observe that to give a stimulus to new investment in industrially backward areas the Union Budget for the year 1993-94 contains a provision for a five-year tax holiday for new industrial undertakings located in all the North-Eastern States, Jammu &, Kashmir, Himachal Pradesh, Sikkim, Goa and Union Territories of Andaman and Nicobar Islands, Dadra and Nagar Haveli, Daman and Diu, Lakshadweep and Pondicherry. This is a step in the right direction. However, the Committee are of the opinion that much more needs to be done for the industrial development of backward areas.

Reply of Government

In so far as investment subsidy is concerned, this was administered by the Ministry of Industry and is more centrally their concern. As regards provision of concessional finance, IDBI is of the view that since financial institutions are now required to raise their resources from the market, reintroduction of such concessional financial would not be appropriate.

[Ministry of Finance, Department of Economic Affairs (Banking Division)
O.M. No. 1 (72)/IFI/92 Dated 28.2.1994]

Recommendation Sl. No. 31 (Paragraph 5.26.)

IDBI has informed the Committee that upto March, 1992 it was exempted from payment of income-tax, super-tax, super-profit tax or any other tax on its income, profits or gains. With effect from 1st April, 1992, the relevant provision in the IDBI Act was deleted in order to bring IDBI at par with other financial institutions like IFCI and ICICI. The Committee have also been informed that the new borrowings being raised by IDBI from the market reportedly cost it 16 to 17.5 percent as against RBI loans and Government Guaranteed Bonds which carried interest of five, eight or 12 percent. Besides, a separate fund called the Development Assistance Fund (DAF) which was set up in IDBI for financing projects which were of strategic importance to the economy or were expected to fil the gaps in the industrial structure was stated to have been abolished by Government with effect from April, 1991. IDBI has pleaded that withdrawal of tax free status and approach to concessional funds and the abolition of DAF would seriously affect its promotional and developmental activities some of which like providing equity support to State level institutions were not carried out by other financial institutions. The Committee are of the opinion that all these are related issues and need to be examined by Government afresh keeping in view certain promotional roles assigned to IDBI.

Reply of Government

IDBI was enjoying a tax free status till 1991-92. However, it became necessary for Government to withdraw such special privileges in the light of the ongoing financial sector reforms including the need to have a level playing field for the financial institutions, it would thus not be possible to reinstate this provisions.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 1(72)/IFI/92 Dated 28.2.1994]

CHAPTER IV

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

Recommendation Sl. No. 4 (Paragraph No. 1.28)

The Committee were informed that the coordination role of IDBI was being performed mainly through the forum of Inter-Institutional Meetings (IIM) held at the level of heads of institutions under the leadership of Chairman, IDBI and the Senior Executive Meetings. In this connection, the Committee wish to point out that as far back as in 1980-81, they had recommended that suitable guidelines should be issued to IDBI in regard to the apex role assigned to it by the amending Act of 1975. This was also reiterated in their 45th Report (1981-82). However the Committee find to their dismay that no such guidelines have so far been issued. It was only when the matter was again raised during evidence that the Secretary, Department of Economic Affairs agreed to examine the issue afresh after the proposed Board for Financial Supervision which is yet to be set up gives its report to Government. The Committee cannot but express their strong displeasure over the failure of Government in issuing any guidelines in regard to the apex role of IDBI even though a period of twelve years has elapsed since the recommendation was first made. They would now urge the Government to issue at least some broad guidelines in this regard to enable the IDBI to effectively discharge its coordination function which could later on be modified, if necessary, in the light of the report of the Board for Financial Supervision.

Reply of Government

The substantive position of the Ministry of Finance remains that such guidelines are not necessary.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M No. 1(72)/IFI/92 Dated 28.2.1994]

Comments of the Committee

Please see Paragraph 7 of Chapter I of the Report.

Recommendation Sl. No. 22 (Paragraph No. 3.27)

In order to help the small scale units to get prompt payments for their products, SIDBI has reportedly set up two factoring organisations in 1991-92 for the Western and Southern regions in collaboration with State Bank of India and Canara Bank respectively. The Committee desire that the setting up of such factoring companies in the other regions of the country also should be expedited. They would also like to be informed as to how far such factoring organisations have been able to achieve their objective of ensuring prompt payments to small sector.

Reply of Government

Since their inception, the two factoring companies have factored debt of SSI units aggregating Rs. 160 crore covering 140 SSI units. Such assistance has helped the SSI units in early realisation of their dues.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 1(72)/IFI/92 Dated 28.2.1994]

Comments of the Committee

Please see Paragraph 29 of Chapter I of the Report.

Recommendation Sl. No. 29 (Paragraph No. 4.35)

After the discontinuance of the investment subsidy and interest rate subsidy, the current strategy of Government for development of backward areas seems to be through creation of adequate infrastructure in such regions. Government was stated to have decided the setting up of 100 growth Centres, throughout the country in the 7th and 8th Five Year Plans which would be incorporated as companies under the Companies Act with their equities shared by the Union and State Governments and financial institutions. These Growth Centres were expected to act as magnets for attracting industries to the backward areas with infrastructural facilities on par with the best available in the country particularly in respect of power, water, telecommunications and banking. The outlay on each of these Growth Centres was expected to be around Rs. 30 crores of which Rs. 10 crores was to be provided by Central Government as share capital. The Committee are constrained to observe that now only 70 Growth Centres are proposed to be developed during the Eighth Five Year Plan of which 65 have so far been slected. Project reports in respect of only 28 projects have been appraised and a meagre sum of Rs. 51.50 crores has been released to the States as Central assistance. The Committee are not aware whether these centres have been able to attract any new industries. They cannot but express their deep anguish over the tardy progress of this important scheme meant for industrial development of backward areas. They desire that all efforts be made to sustantially accelerate the pace of the scheme so that all the 70 Growth Centres come up within the stipulated time.

Reply of Government

This scheme is also centrally concerned with the Ministry of Industry. A copy of the recommendation of the Committee has been sent to the Ministry of Industry for their consideration. IDBI have however informed that upto the end of March 1993, the Apex Committee constituted by Ministry of Industry, GOI had approved 33 Growth Centres and that GOI had also released a sum of Rs. 55 crores.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 1(72)/IFI/92 Dated 28.2.1994]

Comments of the Committee

Please see paragraph 35 of Chapter I of the Report.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation Sl. No. 1 (Paragraph No. 1.24)

The Industrial Development Bank of India was originally constituted in July 1964 as a wholly owned subsidiary of the Reserve Bank of India. Its ownership was transferred from RBI to Government of India in February, 1976. Apart from its main objectives to serve as the principle financial institution, IDBI has also been assigned a special role in planning, promoting and developing industries to fill the gaps in the industrial structure and coordinating the working of institutions engaged in financing, promoting or developing industries and assisting in the development of such industries. It has also a developmental and promotional role to encourage development of industries in the industrially backward areas of the country. In this context, it was brought to the notice of the Committee by IDBI that in view of the priorities of the Eighth Plan and developments of the economy, there was a need to further expand the scope of IDBI Act. Besides, as indicated by the Secretary, Department of Economic Affairs, it might not be possible to provide budgetary support in the form of equity contribution to the financing institutions. Instead the capital would have to come from the capital market. The Committee would, therefore, suggest that Government, in consultation with IDBI, should identify the specific areas in which amendments to IDBI Act might be required in the light of priorities of Eighth Plan and the recent developments in the economic sector.

Reply of Government

The question of amendment in the Industrial Development Bank of India Act, 1964 to enable the IDBI to, *inter alia,* access the markets for equity is under consideration of Government, in consultation with IDBI and the Reserve Bank of India.

[Ministry of Finance, Department of Economic Affairs (Banking Division)
O.M. No. 1 (72)/IFI/92 Dated 28.2.1994]

Recommendation Sl. No. 8 (Paragraph No. 2.58 & 2.59)

The Committee have been informed that as at the end of March, 1991. IDBI had in its portfolio 278 sick units involving outstanding term loans of Rs. 748 crores. Out of these BIFR has recommended winding up in respect of 50 cases. The amount outstanding in respect of 59 closed units was Rs. 127.19 crores. 12 units were under liquidation and the only way left for

IDBI to recover its money was to file a suit and recover the money through sale of assets. Apart from measures like management restructuring, market tie-up, amalgamation with healthy units, sometimes rehabilitation assistance is also sanctioned for revival of sick units. The Committee are of the firm view that all such post-operative measures can be avoided once IDBI is able to detect in time the problems of the units which eventually lead to sickness. The Committee see no reason why it should not be possible for IDBI to detect in time at least the internal factors leading to sickness such as management deficiencies, absentee management, infighting among promoters, technical obsolescence, labour trouble etc. and take corrective measures immediately to prevent a unit from turning sick.

The Committee have been informed that follow-up and monitoring of the assisted projects is carried out by IDBI at Head Office, Regional Office and Branch Offices. Quaterly progress reports are obtained from assisted concerns during the implementation period and half-yearly reports are called for after the projects go into production. In the case of certain large projects, mid-term review with particular reference to the estimated project cost and time schedule is also made. Follow-up visits are normally undertaken once in a year during implementation phase and once in two years thereafter. However, as admitted by the Managing Director, IDBI, certain factors which might subsequently lead to sickness of the unit, do not get reflected in the progress reports. The Committee would, therefore, recommended that the system of follow up and monitoring should be thoroughly reviewed and strengthened and any flaws in the existing system should be rectified to ensure timely detection of problems in order to prevent the assisted units from turning sick. If necessary the frequency of follow-up visits should be increased.

Reply of Government

The present system of monitoring assisted projects by the IDBI comprises, *inter alia*, periodical progress reports, follow-up visits and nomination of directors on the Board of assisted units. It should be possible to detect timely the internal factors which lead to sickness through such a mechanism.

The report of the Committee on Industrial Sickness and Corporate restructuring appointed by Government has also made some recommendations with reference to early detection of sickness. These recommendations are under consideration of Government.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 1 (72)/IFI/92 Dated 28.2.1994]

Recommendation Sl. No. 12 (Paragraph No. 2.63)

A scheme for setting up common Quality Testing Centres (QTCs) in selected locations having clusters of units from a homogenous group of industry was introduced by IDBI in 1986. 7 such centres have so far started functioning while a few more are under various stages of implementation. The Committee have been informed that an amount of Rs. 3.25 crores has so far been sanctioned for setting up these Quality Testing Centres. The Committee would emphasise that the QTCs which are under various stages of implementation should be made operational at the earliest. Meanwhile the effectiveness of the existing QTCs should be evaluated to as certain how far they are serving the purpose for which they were set up.

Reply of Government

Eleven Quality Testing Centres (QTCs) have been provided assistance aggregating Rs. 325 lakh so far by IDBI/SIDBI. Of these, 8 QTCs located at Bangalore, Bhubaneshwar, Cochin, Coimbatore, Ghaziabad, Goa, Howrah and New Delhi have already started functioning. While the QTC at Roorkee (UP) is under implementation, that of Srinagar has not made progress. As regards QTC at Dhanbad, the sponsoring institution has since expressed its inability to proceed further with its setting up. Necessary action has been initiated by IDBI to assess the effectiveness of the existing QTCs.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 1 (72)/IFI/92 Dated 28.2.1994]

Comments of the Committee

Please see Paragraph 10 of chapter I of the Reort.

Recommendation Sl. No. 15 & 16 (Paragraph No. 2.66, 2.67 & 2.68)

Under its refinance scheme, IDBI provides resource support to primary lending institutions such as State Financial Corporations, State Industrial Development Corporations and Banks etc. In the case of SFCs, depending on the debt equity ratio and financial health of individual SFC, IDBI has been contributing to their share capital on matching basis with the concerned State Government. During 1990-91 the total resource support to SFCs from IDBI and SIDBI was Rs. 867.5 crores constituting 68.5% of the total term loan disbursements of SFCs. The relative share of SFCs in the IDBIs total refinance during 1990-91 was 35.6%. Still the financial health of the SFCs seems to be far from satisfactory. The Committee have been informed that their recoveries have averaged between 35% and 36% during the last 5 years. The low recoveries have obviously affected their internal generation of funds, increased their dependence on external sources and affected their profitability.

The State Financial Corporations Act vests certain papers and responsibilities in IDBI in matters such as appointment of Managing Directors of

SFCs, nomination of Directors on their Board of Directors/Executive Committees, approval of regulations framed by them, advice in issue of instructions by State Governments an inspection of working of SFCs. Inspite of these provisions, the Committee have an impression that the performance of SFCs has not been upto the mark. They are of the considered view that there is an urgent need for review of the SFC Act to streamline their functioning. IDBI has already submitted an action plan in regard to organisational aspects of SFCs, role of State Government etc. which is under consideration of the Government. The Committee desire that Government should soon undertake a review of the SFCs Act in the light of the Action Plan and affect necessary amendments. Provisions should in particular be made about the continuity in top management and co-option of professionals on Boards of SFCs.

The Committee also feel that there is an urgent need to persuade the State Governments to make concerted efforts for toning up the functioning of SFCs. They should be advised to make appointment of professionals on the SFCs, Boards, take steps for ensuring a strong second line of management of SFCs, build up a sound portfolio and devise measures for stepping up significantly the recoveries of SFCs. The Committee feel that such steps would undoubtedly go a long way in improving the financial health of SFCs.

Reply of Government

The various aspects relating to the strategy for restructuring of State Financial Corporations (SFCs) were discussed at a meeting of the representatives of State Government, State Financial Corporations and State Industrial Development Corporations organised by Government of India on 18 August, 1993. The meeting was presided over by the Finance Secretary, Government of India. It was decided that each SFC, along with the State Government concerned, would discuss with IDBI and SIDBI a Restructuring Plan for its operations keeping in view the special requirements of the State. A Committee has also been appointed under Chairmanship of Chairman and managing Director of IDBI to undertake a comprehensive review of the SFCs Act. While the restructuring aspect is under examination by the SFCs and IDBI/SIDBI, the report of the Committee formed for suggesting amendments to the SFC Act is awaited.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 1 (72)/IFI/92 Dated 28.2.1994]

Comments of the Committee

Please see Paragraph 17 of Chapter-I of the Report.

Recommendation Sl. No. 19 (Paragraph No. 3.24)

IDBI introduced in 1988, a scheme known as the single window scheme, which is now being operated by SIDBI. Under the scheme, SFCs twin function SIDCs are authorised to provide term loans as well as working capital assistance to new tiny and small scale units where project cost does not exceed Rs. 20 lakhs and requirements of working capital are upto Rs. 10 lakhs. The scheme enables such units to obtain term loan and working capital loan from the same institution. The Committee have been informed that the scheme is proving convenient and helpful to the small scale industries and in fact the Committee appointed by the RBI to look into the credit needs of the small scale sector has suggested that this concept must be introduced for all the small scale industries in the country. The report of the Committee is still under consideration of the Government. The Committee recommend that this suggestion of the Nayak Committee should be implemented without any delay and the single window scheme should be extended to all the small scale industries.

Reply of Government

Assistance under Single Window Scheme (SWS) by SIDBI during the last three years has been as under:

(Rs. crore)

Year	No. of Units	Sanctions	Disbursement
1990-91	1777	50.6	14.6
1991-92	1915	60.7	31.8
1992-93	2442	81.8	39.7

The assistance under SWS during the last three years aggregated to Rs. 193.1 crore of sanctions and Rs. 86.1 crore of disbursements in respect of 6134 proposals. The liberalisation of terms of assistance under SWS has been one of the focal points of SIDBI's policy initiatives during the last three years. The limit on project outlay and working capital assistance in respect of SWS have been raised from Rs. 5 lakh to Rs. 20 lakh and Rs. 2.5 lakh to Rs. 10 lakh, respectively. Further, SWS has also been extended to cover commercial banks. In the case of banks, the extent of refinance against working capital (cash credit) was raised from 50% to 75% in 1992-93. Besides, the coverage of SWS was expanded to include the existing units in respect of 12 indentified clusters of SSIs to enable the units therein to take up technology upgradation and modernisation. RBI has also advised banks to take increasing recourse to SWS of SIBDI in their assistance to SSI units.

As recommended by Nayak Committee, out of 85 districts which have a concentration of SSI units, RBI has allocated 45 districts to commercial banks to act as principal financing agencies under the SWS. Further 23 districts have been allotted to eight SFCs to act as principal financing agencies under SWS. RBI has agreed to allocate the remaining 17 districts also to commercial banks.

The recommendation of the Committee that as suggested by Nayak Committee, the SWS concept should be extended to all SSIs will be examined by SIDBI in consultation with the RBI.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 1 (72)/IFI/92 Dated 28.2.1994]

Comments of the Committee

Please see Paragraph 26 of Chapter-I of the Report.

Recommendation Sl. No. 20 (Paragraph No. 3.25)

The Committee also observe that the Single Window Scheme as at present only means provision of term loan and working capital loan by a single agency. However, some State Governments are stated to have attempted some sort of an Escort service for providing all services at one place. The Committee recommended that IDBI should examine the feasibility of introducing such services all over the country so that all the procedural clearances and assistance to small scale sector are available at one place.

Reply of Government

The recommendation would be examined by IDBI/SIDBI as suggested.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 1(72)/IFI/92 Dated 28.2.1994]

Recommendation Sl. No. 25 (Paragraph No. 4.31)

The Committee have been informed that the cumulative sanctions of Rs 19062 crore upto March, 1991 by IDBI for backward areas were expected to catalyse additional employment potential for over 41 lakh persons. However, this figure does not depict a true picture of the impact of the developmental efforts since it includes people who had earlier been employed elsewhere like agriculture side or service sector. The Committee, therefore, desire that IDBI should undertake a study of the net emplyment generated by its various schemes in backward areas and apprise them of the results.

Reply of Government

IDBI has noted the recommendation for further action.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 1(72)/IFI/92 Dated 28.2.1994]

Comments of the Committee

Please see Paragraph 32 of Chapter-I of the Report.

NEW DELHI;
April 22, 1994
Vaisakha 2, 1916(S)

VILAS MUTTEMWAR
Chairman,
Committee on Public Undertakings

MINUTES OF 31ST SITTING OF COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 21.04.1994

The Committee sat from 15.45 hrs. to 16.20 hrs.

PRESENT

Shri Vilas Muttemwar — *Chairman*

MEMBERS

2. Shri Basudeb Acharia
3. Shri Chetan P. S. Chauhan
4. Shri Ramesh Chennithala
5. Shri Guman Mal Lodha
6. Shri Pius Tirkey
7. Shri Virendra Singh
8. Shri M.A. Baby
9. Shri R.K. Dhawan
10. Shri Pravant Kumar Samantaray

SECRETARIAT

1. Shri G.L. Batra, — *Additional Secretary*
2. Smt. P.K. Sandhu, — *Deputy Secretary*
3. Shri P.K. Grover, — *Under Secretary*
4. Shri R.S. Sharma, — *Assistant Director*

OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

1. Shri C.K. Joseph—Dy. Comptroller & Auditor General (Commercial)-cum-Chairman, Audit Board.
2. Shri B.B. Manocha,— Director (Commercial)

* * * *

2. * * * *

3. The Officers of C & AG Office then withdraw from the meeting. Thereafter, the Committee considered and adopted the draft report as approved by Action Taken Sub-Committee on Action Taken by the Government on the recommendations contained in Nineteenth Report of the Committee on Public Undertakings (1992-93) on Industrial development Bank of India.

4. The Committee authorised the Chairman to finalise the Reports on

the basis of factual verification by the Ministry/Undertaking concerned and audit (in respect of report mentioned in paras 1 and 2) and to present the same to Parliament.

The Committee then adjourned.

APPENDIX II

Analysis of the Action Taken by Government on the recommendations contained in the 19th Report of the Committee on Public Undertakings (Tenth Lok Sabha) on Industrial Development Bank of India.

I	*Total number of recommendations*	*32*
II	*Recommendations that have been accepted by the Government (vide* recommendations at Sl. Nos. 3, 5—7, 9—11, 13, 14, 17, 18, 22, 23, 24, 26, 27, 30 and 32)	18
	Percentage of total	56.25%
III	Recommendations which the Committee do not desire to pursue in view of the Government's replies (*vide* recommendations at Sl. Nos. 2, 28 and 31)	3
	Percentage of total	9.375%
IV	Recommendations in respect of which reply of Government have not been accepted by the Committee (*vide* recommendations at Sl. Nos. 4, 22 and 29)	3
	Percentage of total	9.375%
V	Recommendations in respect of which final replies of Government are still awaited (*vide* recommendations at Sl. Nos. 1, 8, 12, 15, 16, 19, 20 and 25)	8
	Percentage of Total	25.00%