NINETIETH REPORT

PUBLIC ACCOUNTS COMMITTEE

(1986-87)

(EIGHTH LOK SABHA)

INDIA GOVERNMENT MINT, BOMBAY— OVERVIEW

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFF AIRS)

सत्यमेव जयते

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(1986-87)

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INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf, this 90th Report on Paragraph 57 of the Report of the Comptroller & Auditor General of India for the year 1983-84, Union Government (Civil) relating to India Government Mint., Bombay—Overview.

2. The Report of the Comptroller and Auditor General of India for the year 1983-84, Union Government (Civil) was laid on the Table of the House on 16th May, 1985.

3. In this Report, the Committee have taken an overall view of the three existing mints in the country. The Committee have observed that the installed/achievable capacity of these mints has not been determined with the result that the extent of capacity utilisation of the mints could not be assessed. The Committee have therefore recommended that the capacity and its optimum utilisation should be settled without any delay so as to make it possible to effectively monitor the progress of the working of the mints and to take prompt remedial measures in regard to work slippages.

4. The Committee have pointed out that the targets of production of coins for the year 1979-80 to 1982-83 as fixed by the Ministry of Finance, were not in conformity with the procedure stated to have been adopted by the Ministry while fixing such targets. The Committee have expressed concern as to how the dwindling stock position of unissued coins at Reserve Bank of India and the mints was overlooked by the Ministry of Finance while programming of production of coins for the years 1981-82 and 1982-83. Evidently, there was a total failure on the part of the Ministry of Finance in prescribing realistic targets of production and initiating timely measures for augmenting the production of coins. This failure, in the opinion of the Committee, had resulted in tapering down of production and consequential shortage of coins which affected whole of the country since early past of 1983. Since the entire process of assessment of demand of coins by Reserve Bank of India and the fixation of volume of production and its monitoring is interlinked, the Committee have desired that apart from devising a scientific mechanism for assessing requirement and production of coins, the Ministry of Finance should also coordinate with Reserve Bank of India with a view to analysing

coinage requirement from time to time. The Committee have also considered it desirable to fix a proper percentage of coins to the total currency so as to eliminate any possibility of shortage of coins.

5. The Committee have also pointed out that despite the augmented production of coins in the mints during the years 1983-84 and 1984-85, the existing mints have failed to meet the entire coinage requirement of the country with the result that Government has placed orders for import of 4000 million pieces of coins. The Committee have expressed their displeasure over these import orders as the same have not only costed the country valuable foreign exchange but have also exposed the poor coordination and planning in the Ministry of Finance. The Committee have desired the Government to take measures to plan the future mintage capacity in the country directly in proportion to the rate of demand growth of coins.

6. The Committee have expressed their displeasure over the continuance of primitive techniques and old machinery in the production sections of the mints. Keeping in view the fact that the Indian coins manufactured in foreign mints are cost beneficient, the Committee have desired the Government to provide latest technology in the existing mints so as to effect utmost economy in the cost of production of coins.

7. The Public Accounts Committee (1985-86) examined Paragraph 57 at their sitting held on 6 January, 1986. The Public Accounts Committee (1986-87) considered and finalised this Report at their sitting held on 16th April, 1987 based on the evidence taken and the written information furnished by the Ministry of Finance (Department of Economic Affairs). The Minutes of the sittings form Part II* of the Report.

8. A statement containing observations and recommendations of the Committee is appended to this Report (Appendix—III). For

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facility of reference these have been printed in thick type in the body of the Report.

9. The Committee would like to express their thanks to the Ministry of Finance for the corporation extended by them in giving information to the Committee.

10. The Committee also place on record their appreciation of the assistance rendered to them in the examination of their paragraph by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
April 24, 1987.
Vaisakha 4, 1909 (*S*).

E. AYYAPU REDDY
Chairman,
Public Accounts Committee.

REPORT

INDIA GOVERNMENT MINT, BOMBAY—OVERVIEW

Audit Para

1. The Audit Paragraph 57 on 'India Government Mint, Bombay—Overview' as appearing in the Report of the Comptroller and Auditor General of India for the year 1983-84, Union Government (Civil) is reproduced at Appendix I of the Report.

Introductory

2. The Reserve Bank of India is the sole authority for the issue of the Indian currency which consists of one rupee notes and coins and small (subsidiary) coins, both issued by the Government of India, and currency notes issued by the Reserve Bank. One rupee notes issued by the Government are treated as rupee coin for all purposes of the Reserve Bank of India Act. While the rupee note is issued under the Currency Ordinance, 1940, the minting of rupee coin is governed by the Coinage Act, as amended from time to time. Small coins, *i.e.* coins of the value less than one rupee are also issued under the provisions of the Coinage Act. The Government of India is responsible for the minting and supply of coins to the Reserve Bank on demand to enable the latter to provide facilities for exchanging notes into coins. The Bank acts only as the agent of the Central Government for the distribution, issue and handling of the coins or for withdrawing and remitting them back to Government, as may be necessary.

3. Coins constitute a small but significant part of the total currency in circulation. The demand for rupee coins and small coins is related to the typical tariff rates of local and Government bodies, retail prices of goods of daily consumption and host of other transaction demands of public having small denominational values.

4. Presently, in India, the various denominations of coins are being produced by the three existing India Government Mints at Bombay (established in 1829), Calcutta (established in 1903) and Hyderabad (taken over by Government of India in April 1950). A new Mint is being set up at NOIDA and this Mint is likely to start production from 1988-89. The main function of the existing three Mints is to meet the entire requirements of the coinage of the country by manufacturing them.

5. Each of the three Government of India Mints is headed by a General Manager who is the administrative and technical head of the Mint. The General Manager exercises all the financial and administrative powers as Head of the Department and functions directly under the Joint Secretary (Currency & Coinage) of the Department of Economic Affairs in the Ministry of Finance.

6. So far as Bombay Mint is concerned, the circulation coins at present being manufactured in this Mint are in the denominations of Re. 1|-, 50P, 25P, 20P, 10P, and 5P. Re. 1|-, 50P and 25P coins are manufactured from an alloy of cupro-nickel (Copper 75 per cent, Nickel 25 per cent) and 20P, 10P and 5P coins are manufactured from an alloy of aluminium-magnesium (Aluminium 96 per cent and Magnesium 4 per cent). While Re. 1/-, 50P and 25P are circular in size, 20P coins are hexagonal in size. 10P coins are scalloped and 5P coins are square with rounded corners.

In addition, the Bombay Mint also perform the following functions:

"(i) Manufacture of Medals, Seals, Tokens etc. for various Government Departments , Universities and other public Institutions.

(ii) Receipt, examination and disposal of uncurrent (withdrawn) coins.

(iii) Tendering expert opinion on counterfeit and doubtful coins.

(iv) Melting of gold and silver for the public and issue of Assay Certificate.

(v) Holding of the Nation's stock of precious metals like Gold and Silver or various accounts.

(vi) Running of the Gold Refinery of the Government of India.

(vii) Manufacture and supply of Commemorative Coins (Proof & Uncirculated sets).

(viii) Manufacture of Standard Weights and Measures and accessories.

(ix) Running of the Collection-cum-delivery Centre for Gold at Ahmedabad."

7. On a functional basis the India Government Mint, Bombay is divided into three Departments viz. (a) Operative Department, (b) Assay Department and (c) Accounts and Administration Department.

8. While the Audit para related specifically to Bombay Mint, it was considered necessary to have an overall view of all the three Mints in the country.

Determination of capacity in the three Mints

9. According to the information furnished the Committee, the installed capacity and the achievable capacity of the existing Mints has not been determined and, therefore, the actual utilisation of capacity in Bombay could not be assessed in Audit. The Committee desired to know the reasons due to which the installed capacity/achievable capacity of the three Mints has not been determined and what steps were being taken by Government to determine the same. The Ministry of Finance (DEA) have stated in a note:

> "The integrated capacity of the Mints depends on the type and age of machines, process techniques and balance between the various production sections in the Mint. Another factor relevant to capacity is number of working hours and related incentive scheme.....
>
> A step has been taken for an engineering study of the Mints by appointment of MECON as engineering consultants for modernisation of the Mints with a view to reviewing and assessing for an optimum capacity."

10. The Committee desired to know about the appointment of M|s. MECON for this job, their terms of reference and the time by which their report was expected. In a post evidence note the Ministry of Finance (DEA) stated:

> "M/s. MECON, [Metallurgical Engineering Consultants (India) Ltd.] a Government of India undertaking has been appointed as Consultants for the New Mint Project, NOIDA, U.P. by an Agreement dated 7-11-1985. In addition to the rendering of the detailed engineering and consultancy services for implementation of the New Mint Project, the scope of the assignment includes Preparation of Engineering Reports for modernisation of the existing 3 Mints at Bombay, Calcutta and Hyderabad. The report is expected to be submitted by MECON within a period of 3 months after the final clearance is given by the Government. The final clearance has not yet been given because currently the Government is considering a proposal to sustitute the coinage alloy of some of the coins with stainless steel. After a decision is taken by Government, it would be

possible to advise M/s. MECON to complete their study as their study would depend *inter alia* on the type of metals that would be used for making coins."

11. The Committee were informed that the Government of India appointed M/s Kirloskar Consultants to study the various aspects regarding installed capacity, achievable capacity, labour hours utilised etc. The consultants submitted their Report. The Mint stated (August 1981) that the Report was rejected by the recognised unions as non-practicable: but a final decision on the Report was yet to be taken. The Committee desired to know whether the final decision on the Report had been taken. The Ministry of Finance (DEA) stated in a note:

> "M/s. Kirloskar Consultants' report was not accepted by the Recognised Unions of the Mints and, therefore, it could not be pursued for implementation."

12. The Committee enquired about the area of difference in acceptance of Kirloskar Report. The Ministry of Finance (DEA) stated as follows:

> "The area of difference in the acceptance of Kirloskar Report has been mainly on the proposed reduction in manpower and increase in the production norms to be achieved with the same old machinery. The report also recommended fixation of scientific norms and enhanced productivity calculated on the basis of 48 hours working of the Mint."

13. The Committee pointed out that the Bombay Mint made the following observations in January, 1985 regarding the fixation of capacity:

> "It is necessary to have an industrial Engineering Cell to do justice to this job. The Department of Personnel and Administrative Reforms (D.P.A.R.) has recommended installation of a cell."

14. The Committee enquired as to when the setting up of the Industrial Engineering Cell in the Mints was recommended by DPAR. The Ministry of Finance (DEA) stated in a note:

> "The DPAR had recommended the setting up of the Industrial Engineering Cell in the Mint after studying the working in Bombay and Calcutta Mints. The Study Report of the DPAR was submitted in May 1983."

15. When asked whether the said Industrial Engineering Cell had been installed in the Mints, the Ministry of Finance (DEA) stated:

> "The proposal for formation of Industrial Engineering Cell in the Mints has since been approved by the Government and steps were being taken for formation of the Cell."

16. In reply to a question about the steps taken for formation of the cell and the time by which the cell is likely to start functioning, the Ministry of Finance (DEA) explained:

> "The recommendation of the DPAR was accepted by the Empowered Committee (specially constituted for the purpose of taking decisions on the recommendations) in August, 1985. The Ministry of Finance have since advised the 3 Mints to submit their proposals for creation of additional posts for the proposed Industrial Engineering Cell. The Internal Work Study Unit of the Department of Economic Affairs have been advised to study the staff requirements and the related matters. After their report is available, the requisite number of posts can be created so that the Engineering Cell can be established in each of the Mints. As the manning of the Industrial Engineering Cell has to be done by the qualified personnel, availability of suitably trained personnel is the other pre-requisite for setting up the Cell in time."

17. Coins constitute a small but necessary part of the total currency in circulation in the country. As distinct from the currency notes issued by the Reserve Bank of India (RBI), the rupee notes/coins and the subsidiary coins are issued by the Government of India and put into circulation through RBI. The Central Government is responsible for the minting of various denominations of coins which are presently produced in the three India Government Mints established at Bombay, Calcutta and Hyderabad. Although the production in these Mints has been continuously on the increase in each year from 1982-83, the existing Mints have failed to meet country's growing demand of coins in the recent years, with the result that the Government has had to recourse to import of coins pending commissioning of a new Mint at NOIDA due by 1988-89.

18. The Committee are surprised to find that while the existing Mints have been functioning under the Department of Economic Affairs in the Ministry of Finance for a considerably long period the

installed/achievable capacity of these Mints has not yet been determined. The Government appointed M/s Kirloskar as consultants to study the various aspects regarding installed and achievable capacity, labour hours utilised etc. in the Bombay Mint in the seventies. The Consultants' Report *inter alia* recommended "fixation of scientific norms and enhanced productivity calculated on the basis of 48 hours working of the Mint". However, the Ministry of Finance could not pursue its implementation as the recognised Unions of the Mints resisted the Report mainly on account of the "proposed reduction in manpower and increase in the production norms to be achieved with the same old machinery". The Committee further note that the Department of Personnel and Administrative Reforms (DPAR) also recommended installation of an Industrial Engineering Cell in the Mints with a view to assessing installed operating capacity of each equipment and plant. Although the Study Report of DPAR was submitted in May, 1983, the specially constituted Empowered Committee accepted the recommendation of DPAR only in August 1985. The Committee have now been informed that the Government has in November 1985 appointed M/s MECON as engineering consultants for the new Mint Project, NOIDA and the scope of their assignment also includes preparation of engineering reports for modernisation of the three existing Mints. While M/s. MECON are expected to submit their report within three months after the final clearance is given by the Government, the final clearance has not yet been given due to the impending decision on substituting the coinage alloy of some of the coins with stainless steel.

19. The facts stated above would clearly indicate that the Ministry of Finance have been far too lackadaisical and indifferent towards the aspect of determination of capacity of the Mints with the result that the actual capacity utilisation of these Mints could not hitherto be assessed. Even if the Kirloskar Report could not be implemented because of its rejection by the Rekognised Unions of the Mints for reasons explained in the proceeding paragraph, the Committee have no doubt that more practical and scientific approach could and should

have been made for determining capacity of the Mints with due consideration for the existing manpower and the machinery in the interest of optimum economic results. The Committee are of the considered view that it is absolutely essential to have the capacity utilisation of these Mints assessed so that it is possible to analyse variation in the actual work and determine reasons for work slippage and other delays. The Committee deprecate that there has been delay of more than two years in accepting the recommendation of DPAR for setting up of Industrial Engineering Cell in the Mints with the result that the proposed cell still continues to be in a formative stage. What is more disquieting is the fact that even M/s MECON's engineering study has been held for want of clearance by the Ministry of Finance pending the decision on substituting the coinage alloy of some of the coins with ferrious steel. The Committee would like the issue of determination of capacity and its optimum utilisation to be settled without any delay so that it is possible to effectively monitor the progress of the working of mints and to take prompt remedial measures in regard to work slippages.

Targets of production and achievements

20. According to Audit Paragraph, the targets of production of coins are fixed for each year by the Ministry of Finance on the basis of available stock balances and requirements of the Reserve Bank of India. The Committee desired to know the mechanism adopted by the Ministry for fixing targets of production of coins to be minted during each year. The Ministry of Finance (DEA) explained as follows:

> "Targets are fixed by the Ministry of Finance with reference to the forecast of demand of coins of various denominations furnished by the Reserve Bank of India after taking into consideration the production achieved by the 3 Mints during the last few years, the availability of man/machine power for processing different alloys and types of coins."

21. According to the table furnished by the Ministry, the following were the Mint-wise targets of production fixed by the Ministry

and the actual production achieved by them during 1978-79 to 1982- 83.

(in million pieces)

Year	Target				Production				
	Bombay	Calcutta	Hyderabad	Total	Bombay	Calcutta	Hyderabad	Total	Stock with Mints
1978-79 . . .	360 00	350.00	438 00	1148 00	196·16	192·57	212·00	600·79	929.00
1979-80 . . .	365.00	365.00	270·00	1000 00	221 53	184 48	145·92	551 94	714 43
1980-81 . . .	410.00	410 00	280.00	1100.00	171·83	169·05	211·04	551·91	369 39
1981-82 . . .	335.00	335.00	00·00	750 00	180·35	177.59	166·83	525·17	57 80
1982-83 . . .	440.00	200.00	260 00	900·00	297 00	186.00	176.81	660.00	[illegible]42.97

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22. It would be seen from the above table that production targets as also the actual production of coins displayed fluctuating trends during the years 1978-79 to 1982-83. Explaining the fluctuations in the targets of production, the Ministry stated in a note:

"The targets fixed fluctuates year to year depending upon the stocks available with Reserve Bank of India, the trend of distribution to the various issue departments of RBI and the stock of unlifted coins with the Mints"

23. The Committee enquired whether the Ministry analysed the reasons for wide gaps between the targets of production fixed by them and the production of coins achieved by the Mints during 1978-79 to 1982-83. The Ministry of Finance (DEA) have stated in a post-evidence note:—

"The Bombay Mint was working 60 hours per week upto 31-3-1977 along with an incentive scheme. The other two Mints were also working 60 hours per week without incentive scheme. From 1-4-1977, working hour in all the 3 Mints were reduced to 54 hours per week. Again, from 10-5-78 the working hours were reduced to 48 hours per week. The incentive scheme in the Bombay Mint was also withdrawn on 31-3-1977. These steps were taken as a result of huge. accumulation of stocks with the Mints e.g. 929 million pieces in 1978-79 on account of the fall in the demand for coins. The production targets were also reduced. The Mints were not able to achieve even the reduced targets because of the psychological set-back to the workers on account of the loss in overtime allowance (which was double the rate of the ordinary rate for work done beyond 48 hours per week, as provided in the Factories Act). Alongwith the reduction in the working hours, incentive scheme which was in force was also withdrawn. The loss of earning by way of overtime allowance and incentive earnings which amounted to almost 50 per cent, created discontentment among the workers."

24. In reply to a question regarding the steps taken by the Ministry to prescribe the realistic targets and to impress upon the Mints to achieve them, the Ministry stated as follows:

"With a view to increasing production, an incentive scheme has been introduced in the Bombay Mint with effect from

28-12-81, in the Hyderabad Mint from 8-4-83 and Calcutta Mint from 4th July, 1983. As a result of this, the production has increased. Further, with a view to increasing production, 22 new Coining Presses had been acquired and installed in the 3 Mints."

Small Coins

25. The statement given below indicate the targets of production and actual production in respect of smaller denomination coins (10p. and 5p.) in each of the year during the period 1981-82 and 1983-84.

(In lakh pieces)

Year	Bombay		Calcutta		Hyderabad		Bombay		Calcutta		Hyderabad	
	T	P	T	P	T	P	T	P	T	P	T	P
1980-81 .	1200	612·19	1200	796 62	600	485·74	1000	134 55	1000	238 10	1000	1044·93
1981-82 .	1500	818·20	1500	708·67	Nil	Nil	350	65 65	350	437·50	800	1348·45
1982-83 .	500	617·63	1300	911·40	...	...	...	44 09	300	232·45	..	..
1983-84 .	150	66·85	600	526 75	...	...	...	...	300	286 55	..	..

From the above, it would be seen that during the period 1981-82 to 1983-84 the targets of production of 10p. and 5p. denominations' coins were reduced in Bombay and Calcutta Mints while the production of these denominations of coins

T — Target

P — Production

at Hyderabad Mint was stopped except in 1981-82 when only 5p. coins were produced.

26. The Committee desired to know the considerations for reduction of targets in case of smaller denomination coins in Bombay and Calcutta Mints and stoppage of production at Hyderabad Mint during this period. The Ministry of Finance (DEA) stated in a note as follows:—

"*Bombay Mint*

In so far as the Bombay Mint is concerned, the facts are furnished below:—

Small Coins

Year	Target allotted	Achievement
1981-82 . . .	10 p.-150 million pieces	82·50 million pieces
	5 p. -35 ,,	6 56 ,,
	... ...	2 p. 10 10 ,,
TOTAL . .	185m. pieces	99·16 m. pieces
1982-83 . . .	25 p.-50 m. pieces	78 00 m. pieces.
	10 p.-50 m. pieces	63 00 m. pieces
	5 p.-Nil	4·40 ,, ,,
	100m. pieces	145·40 m. pieces
1983-84 . . .	25p.-84.00 m. pcs.	1 2.00 m. pcs.
	20p.-70 00 ,,	61 00 ,,
	10p.-15 00 ,,	6·70 ,,
	5p.-Nil	Nil
TOTAL . .	169 00 m pcs.	169·70 m. pcs.
GRAND TOTAL: .	454 00 m. pcs	414·26 m. pcs,

The noticeable shortfall in production of small coins in the year 1981-82 has been due to the belated introduction of the incentive scheme. The target of 150 million pieces of 10p. coins and 35 million pieces of 5p. coins was accepted while finalising the coinage programme in March 1981 on the understanding that the Incentive Scheme for 48 hours plus incentive which was under consideration at the time would be finalised soon. The Incentive Scheme was, however, finalised and implemented only from 28-12-1981.

Calcutta Mint.

It is noted that in the Calcutta Mint they have kept parity in production of higher denomination coins and smaller denomination coins taking into account the overall production in the Mint. Small coins (10p. and 5p.) account for 60 per cent of the total production of the Calcutta Mint during 1980-81 to 1983-84. Production in 1983-84 includes aluminium magnesium 20p. coins also."

Shortage of Coins

27. The Audit para points out that since the early part of 1983 shortage of coins, particularly those of smaller denominations affected almost all commercial towns and centres in the country. According to Ministry of Finance, one of the main reasons for shortage of coins is the absence of consistent efforts for making a realistic assessment of demand of coins over a period of time.

28. Explaining the role of the Reserve Bank of India with regard to the assessment of requirement of the coin in the country the Secretary, Ministry of Finance (Department of Economic Affairs) stated during evidence:

> "The Ministry of Finance operates through the Reserve Bank in regard to determining the demand of the coinage because the Reserve Bank is the monitoring authority of the country. The Reserve Bank of India is in touch with the demand in the country and have specialised in it because we do not know about any independent assessment and what the demand will be. We have to rely on some feed back mechanism."

29. On being asked as to how the Reserve Bank of India make assessment of demand of coins, the representative of the RBI explained during evidence:

"We depend upon the small coin depots which are established at around 1,850 branches of the banks, mainly of the State Bank of India group. Out of these 1,840 or 1,850 branches, about 1,800 are of the State Bank of India group. In some centres there is only one small coin depot whereas in others, there are more than one depot. By small coins I mean the coins upto the denomination of 50 paise. We have fifteen issue offices. Out of these, there are three offices of the Reserve Bank of India which are called Link Offices, These offices are situated at places where there are mints, and have the responsibility of picking up the coins produced in the mints and distribute them. The manner in which these should be distributed is also laid down. Each of these 15 Issue Offices has an area allotted to it. For instance, the Bombay office has to take care of the Western Part of Maharashtra, apart from Bombay itself. All small coin depots within the jursidiction of the respective Issue Offices, are responsible for accounting for the coins that they receive, distribute and receive back, Everyday they prepare a summary of the total coins they have issued. The arrangement for accounting for of these small coins depots' transactions is that as soon as the coins are taken out, they are treated as having been distributed. The balance, if any, remains the property of the Government of India. From the monthly summaries of small coin depots transactions, the Bank prepare a summary of absorption that is the total amount of the coins issued less the total amount of the coins taken back. There are certain denominations which are in great demand. So, we study the demand for the coins of each denominations—50 paisa, 25 paisa and so on. All these small coin depots' transactions are consolidated in the Central office. We take the absorption also into account from year to year. We take the previous four or five years' pattern of consumption denomination-wise for the purpose of making our indent. These indents are prepared some time in the month of January or February. Lately, we have substituted this method of indenting by bringing in long term forecast of coins. We attempted it in 1970s but our efforts were not successful at that time. So, in 1983 we improved the method of forecasting by introducing statistical analysis known as regression analysis. On the basis of the previous years' pattern of consumption, taking the absorption into account and also taking into account the coins balances held by us, we place our orders. In 1978-79, when we found that we had substantial quantity of coins, we thought that there was no point in ordering for more coins. So, we adjusted our indents accordingly. this is the procedure that the Reserve Bank follows."

30. The Committee desired to know the year-wise and denomination-wise demand of coins made by RBI. The Ministry of Finance (DEA) in their reply furnished the following figures:

Year	2P	5p.	10p.	s20p.	25p.	50p.	Re.1	Rs. 2	Total
1978-79 . . .	200	350	350	...	200	100	250	...	1450
1979-80 . . .	100	200	200	...	...	...	250	...	750
1980-81 . . .	...	300	200	...	...	...	250	...	750
1981-82 . . .	—	300	200	...	...	...	400	...	1000
1982-83 . . .	...	300	300	...	200	300	400	...	1500
1983-84 . . .	...	300	300	300	400	250	300	200	2050
1984-85 . . .	...	350	400	350	300	250	300	300	2250

31. The Committee wanted to know the reasons for fall in demand of coins by RBI whch resulted in tapering down of production upto 1981-82. The Ministry of Finance (DEA) stated:

> "The lower indents for the three years 1979-80, 1980-81 and 1981-82 were due to assessment of demand made in the Bank in the light of the level of requirements keeping in view coin stocks held in the Bank. The Bank's indents have been steadily rising because of increasing demand. However the mintage of coins did not match the indents for the year as shown below:

(In million pieces)

Year	Indent for coins	Mintage of coins
1979-80	750	540
1980-81	750	552
1981-82	1000	525
1982-83	1500	660
1983-84	2050	1065
1984-85	2250	1356

32. According to Audit Paragraph, the genesis of the problem of shortage of coins and steps that could be taken in order to meet the coin shortage were discussed by the General Managers' of all the three Mints at Delhi in May, 1983 and a comprehensive note, prepared after detailed discussion on the question, was sent by the Ministry of Finance to the Governor of RBI. The note conceded that one of the main reasons for shortage of coins was failure on the part of RBI to lift the stocks produced by the Mints. According to the information furnished by the Ministry, the following was the position of unlifted coins in respect of Hyderabad Mint for 1977-78 to 1981-82.:

> "R.B.I. was not lifting coins from the Mints which resulted in huge closing stock of coins with the Mint as indicated below:

On 31-3-1977	2377	lakh pieces
On 31-3-1978	3480	„ „
On 31-3-1979	1307	„ „
On 31-3-1980	457	„ „
On 31-3-1981	906	„ „
On 31-3-1982	71	„ pieces"

33. The Committee desired to know the reasons for failure of RBI in lifting the coins produced by the Mints even though the actual production was much less than its indents. The Ministry of Finance (DEA) explained the position as follows:

"During the period 1978-79 to 1983-84 the three Mints linked offices of the Bank were lifting coins regularly. The yearly off-take *vis-a-vis* production at Mints during the same period is shown below:

(in million piece:

Year	Mintage	Lifting by RBI	Aggregate closing balance at all RBI Offices
1978-79	600	975	1595*
1979-80	540	767	1313*
1980-81	552	897	N.A.
1981-82	525	827	448x
1982-83	660	675	199
1983-84	1065	1080	443

*Small coins only

It will appear from the above that during the year 1978-79 to 1981-82, the Bank had lifted from the Mints more than the mintage of the respective years in spite of holding sizeable stocks. In fact, in two out of four years, the lifting exceeded even the indent of the Bank. The additional lifting was from the stocks available in the Mints."

34. In reply to a pertinent query of the Committee as to how could RBI lift more coins than the mintage during the period 1978-79 to 1983-84 unless sizeable stocks of coins remained with the Mints in the past, the Ministry of Finance (DEA) stated:

"It is true that during the years 1978-79 to 1982-83 the Reserve Bank was able to lift more coins from the Mints than what was produced by the Mints because of the existence of unlifted stocks at the Mints. It was only during the years 1978-79, 1979-80 and 1980-81 that the Reserve Bank was not in a position to lift the entire production of the Mints together with the unlifted stocks at the Mints. During 1981-82, it may be noted, the entire production together with a large part of the carry over stocks was lifted. The lifting during all the years was nevertheless more than the production at the Mints although lower than Bank's indents. The reason for the Bank not being able to lift more coins was that the Bank alongwith the Agency Banks was carrying heavy unissued coin stocks. In fact, as already testified before the Committee this was also the reason for the lowering of the Bank's indents for the years 1979-80 and 1980-81".

35. As would be seen from the statistics furnished by the Ministry, the aggregate closing balance of the coins at all RBI offices was substantially declining in spite of the fact that RBI was lifting more coins than the mintage during the said period and the absorption of coins was to the tune of approximately 1000 million pieces per year. The Committee desired to know the factors responsible for sudden fall in the indents for coins by the RBI during the years 1979-80 to 1981-82. The Ministry of Finance (DEA) stated in a note:

"Trends observed in the past have shown that public demand for coins is subject to fluctuations due to various factors such as changes in levels of income, changes in purchasing power of coins, changes in rates and tariffs like electricity charge, bus|tram|rail fares, postal rates etc. Moreover, there are marked tendencies for the public in our country to hoard coins in conditions of shortage which pushes up the demand for coins. Conversely, when coins are available in plenty, there is very little demand for coins from the public and heavy return flows also take place. Thus when a glut occurs, there is neither demand for coins to be issued through the Reserve Bank's offices nor are there demands for coins from the small coin depots/currency chests with the result, more coins cannot be put into circulation. The vaults of the Reserve Bank and the agency banks will have more coins than they can accommodate. This is precisely what happened during the period 1979-80 to 1981-82. During the years 1979-80 to 1981-82 not only the RBI's offices but also the small coin depots/currency chests were holding large balances of coins. There was obviously no point in having more coins minted and stocking them at the Mints or at the RBI/agency bank offices. So, the indents were reduced."

36. The Committee pointed out that the present estimate of demand of coins furnished by RBI has increased many fold in the past ten years and enquired whether the Ministry have scientifically examined the aspect of coinage estimate and demand. In reply, the Secretary, Ministry of Finance stated during evidence:—

> "I must agree that there is no scientific way in which we can tell you about demand. We have to adopt a better method to estimate the demand."

37. Reserve Bank of India's assessment at one time was reported to have been considered to be unrealistic by Baijal Committee in its meeting held in July, 1983. In the Background Papers considered by that Committee it was indicated that:

> "In-so-far-as the actual off-take by Reserve Bank of India is concerned, this has been generally much less than what they had been asking for in the original indents each year, so that one would say, that either the annual indents did not represent realistic demand for coins or the banking system was unable to take up and distribute large number coins."

38. In reply to an enquiry whether the RBI's assessment was considered to be unrealistic by the Baijal Committee, the Ministry of Finance (DEA) informed the Committee in a subsequent note:

> "In the meeting held on 29th July, 1983 the then Additional Secretary (EF) Shri J. S. Baijal, in his introductory remarks observed that we should have realistic estimates of the demand for coins keeping in view the present mintage capacity of the Mints. He further observed that there was a possibility that the demand estimates of RBI might be on the high side. Except for the above observations of Shri Baijal, there is nothing on our record to indicate that the Baijal Committee had concluded that the Reserve Bank's assessment of the requirements of coins was unrealistic."

39. Asked whether Government proposed to depend on RBI despite Baijal Committees' remarks, the Ministry of Finance (DEA)

stated:

"Reserve Bank being the Monetary Authority of the country and thus being responsible for controlling the currency and credit mechanism, is in a better position to make assessment of the requirements for coins. Further, coins are put into circulation by the Bank through its Issue Offices and a wide network of small coins depots/currency chests established with its agency banks. During the course of its operations, therefore, by constant interaction with the public in general and trade and commercial bodies in particular, apart from the commercial banks themselves operating throughout the length and breadth of the country, the Bank is in a position to assess the coin requirements of the economy. The Bank has also full-fledged Research Departments which continuously survey monetary etc. trends in the economy for the benefit of various policy decisions and directions.

The Government has no independent means of assessing the requirements of coins."

40. The Committee enquired whether any scientific research was made by Reserve Bank for the additional demand of coins for the next five or ten years. The representative of the RBI stated during evidence:

"We have examined this aspect as to how the future requirement of coins could be realistically assessed. The only way we found it would be done was by relating to the past experience, the manner in which coins circulation has changed from year to year during the previous years, say, ten years. Then on the basis of certain assumptions, what is the growth rate of income for the next five years, what will be the rate of inflation, etc. We make the calculations."

41. On being pointed out that the RBI is responsible for printing of currency notes and putting currency into circulation every year

and there should not be any question of assumption, the representative of the RBI stated during evidence:

> "In 1983 we estimated that the currency circulation in 1985 will be of the order of Rs. 20,500 crores. The actual currency circulation on 31st March, 1985 was Rs. 23,600 crores. We completely went off the mark within a period of just about two years. If that could happen in few years many more things could happen over long periods. In foreign countries no better method has been introduced."

42. On being enquired whether the Ministry have made any assessment of demand of coins for another 10—15 years. The Ministry of Finance (DEA) stated in a post evidence note:

> "Demand estimates of coin are made by the RBI. Such long term estimates for a period of 10 years from 1983-84 to 1992-93 were last made in March, 1983. These long term estimates are also reviewed on an annual basis by the RBI in the light of the developing circumstances in the economy. Such annual reviews have been made in 1984 and 1985. These estimates are arrived at by using statistical methods on the assumptions of economic factors such as growth in wage earners, variation in wage income and inflation and as such, such assumptions cannot be valid over a long time-frame due to fast changing economic environments. Variations in estimates are, therefore, inevitable. This has rendered realistic assessment of coins demand a difficult exercise. During July, 1985 the RBI made a fresh assessment of the requirement of coins for the period ranging from 1985-86 to 1994-95."

43. At the instance of the Committee, the Ministry of Finance (DEA) furnished the 'Technical Note on Forecasting of Mintage requirement of coins for the period 1985-86 to 1994-95'. According to the note, the estimates of annual mintage requirement of coins of different denominations for the period 1985-86 to 1994-95 (adjusted

for shortfall in circulation as on March end 1985) are as follows:

Year	DENOMINATIONS							Volume in Million pieces
	5P	10P	20P	25P	50P	Re. 1/-	Rs. 2/-	Total
1	2	3	4	5	6	7	8	9
1985-86	200	550	550	500	450	500	350	3200
1986-87	300	600	600	600	450	500	350	3400
1987-88	300	650	650	650	500	500	350	3600
1988-89	300	650	650	700	500	500	350	3650
1989-90	...	750	750	750	550	500	400	3700
1990-91	...	750	750	850	550	500	400	3800
1991-92	...	800	800	900	550	500	400	3950
1992-93	..	850	850	1000	600	500	400	4200
1993-94	..	900	900	1100	600	500	400	4400
1994-95	...	950	950	1200	650	500	400	4650
TOTAL	1200	7450	7450	8250	5400	5000	3800	38550

*Figures are rounded to nearest fifties.

44. The Ministry of Finance stated further in a note:

"The forecast generated for the decade would entail a growth rate of about 10.6 per cent in respect of circulation in small coins and 9.23 percent in respect of circulation of Rs. 2/- and Re. 1/- coins. Mintage requirement of rupee coins have however been adjusted in keeping with the phasing out of notes of the denominations from circulation by the end of 7th Plan period and ensuring exchangeability of coins by those of lower denominations. The mintage requirements so adjusted entails a smaller production growth of about 4 per cent by providing a larger supply base in the beginning of 1985-86, since mintage capacity cannot be made to grow at the rate of demand growth of 9 to 10 per cent. The larger supply base in the initial year would warrant an augmentation in the infrastructure of the production by about 6 per cent against existing capacity of mints of around 2000 million pieces annually, with a built in schedule of growth in mintage capacity of about 4 percent annually for the decade."

45. However, the quantum of small coins and one Rupee Coins/ Notes *vis-a-vis* total currency which was in circulation in a few selected years in the past is reproduced below from the RBI publication entitled 'Function and Working' (4th edition, 1983, page. 13)

(Rupee Crores)

End of March	Total	Small Coins	One Rupee coins and notes
1971	4,620 (100)	137 (3·0)	262 (5 7)
1977	8,378 (100)	233 (2 7)	350 (4 2)
1978	9,097 (100)	197 (2 2)	368 (4·0)
1979	10,869 (100)	209 (2·0)	365 (3 4)
1980	12,385 (100)	225 (1·8)	339 (2.7)
1981	14,323 (100)	242 (4·7)	348 (2·4)
1982	15,470 (100)	262 (1·7)	366 (2.4)

*Figures in brackets indicate percentage to the total.

It would be seen from the above statistics that the percentage of small coins and one rupee notes/coins to total currency was steadily on the decline from the year 1971 to 1982. The percentage of small coins to total currency which was 3 in 1971 had come down to 1.7 in 1982 and the same for one Rupee coins/Notes came down from 5.7 in 1971 to 2.4 in 1982.

46. According to the latest statistics furnished by RBI in their publication entitled 'Report on Currency and Finance 1985-86', the share of rupee coins and small coins in total currency was 1.9 percent and 1.4 percent, respectively, at the end of March, 1986.

47. It is seen from Audit para that when it was known in 1982 that there was a gap in available capacity of the Mints and estimated demand of coins, the Ministry sought for a reversal of the decision taken in 1980 to close Hyderabad Mint and the Cabinet approved it in February, 1982. The Committee wanted to know about the steps taken for augmentation of the production of coins with a view to bridging the gap between anticipated demand and output of coins. The Ministry of Finance (DEA) explained the position in a note as follows:

"(a) It was decided to introduce incentive scheme alongwith the increased working hours in all the three Mints, *i.e.* Bombay, Calcutta and Hyderabad.

(b) A Committee was formed under the Chairmanship of Shri J. S. Baijal, Additional Secretary with Shri B. V. Rama Rao, Director General (Currency & Coinage) and Shri M. R. Karupanchetty, Chief Officer, Department of Currency Management, Reserve Bank of India as members to suggest ways and means to improve the supply position of coins and currency notes. The Committee made following recommendations for the purpose:—

(a) Introduction of second shift in the Calcutta Mint. As a follow-up of this recommendation, second shift in the Calcutta Mint has been introduced with effect from 25th February, 1985 which would result in mintage of additional 360 million pieces in a year.

(b) Procurement of 22 new Coining Presses (6 for Bombay Mint, 8 each for Calcutta and Hyderabad Mints). All the 22 new coining presses have arrived and have been installed/in the process of installation.

(c) Setting up of a new Mint:, Cabinet has approved the setting up of a new mint at NOIDA. Land for the Mint has been acquired and feasibility report is being processed. The Mint is likely to start production from 1988-89."

48. According to Audit, RBI has given (March 1983) to the Ministry of Finance estimated requirement of coins of 205 crore pieces in 1983-84 and 225 crores pieces in 1984-85. Against this the production of coins was 106.30 crore pieces in 1983-84 and 135.6 crore pieces during 1984-85. RBI has also made forecast (March, 1983) for requirement of 320 crore pieces of coins in 1991-92, (which is now revised to 395 crore pieces). The Committee desired to know the steps both short term and long term, taken to meet the shortfall in production and increased demand of coins in future years. The Ministry of Finance (DEA) have explained the position as follows:

"(a) Incentive schemes were introduced in all the 3 Mints to raise the production of coins. Further, from 48 hours plus incentive working, working hours have been increased to 54 hours per week plus incentive working, thereby increasing the working time by an hour per day.

(b) As part of the modernisation of the Mint, 22 new Coining presses have been imported and installed in the 3 Mints. It has also been decided to conduct a study on the modernisation of the existing Mints which would be undertaken by M/s. Metallurgical & Engineering Consultants Ltd. (MECON).

(c) A second shift in the Calcutta Mint has been introduced with effect from 25-2-1985 with an annual capacity of 360 million pieces per annum.

(d) It has been decided to establish a new Mint at NOIDA, U.P. with a capacity of about 2,000 million pieces of coins per annum. The project Report has been prepared by the Consultants M/s. MECON Ltd. and investment decision is being taken. About 14 cases of land has already been acquired for the new Mint at NOIDA."

49. According to the information furnished by the Ministry, the incentive Scheme has been introduced in the Bombay Mint with

effect from 28-12-1981, in Calcutta Mint from 4-7-1983 and in Hyderabad from 8-4-1983.

50. As regards the installation of the 22 new coining presses imported as part of the modernisation programme, the Ministry of Finance (DEA) stated in a note:

"The 6 new coining presses have been installed in the Bombay Mint and they have since been commissioned from 24-6-85. In the Hyderabad Mint, 4 new presses have already been installed in March, June and August 1985 as replacement of old ones and 4 presses are being installed as additions. In the Calcutta Mint 3 presses have been installed as addition; 5 presses are being installed in replacement of old ones."

51. In reply to a question regarding the out turn of the newly acquired coining presses, the Ministry of Finance (DEA) stated as follows:

"The out turn of the newly acquired coining presses is 1 lakh pieces per day of 10 hours shift as against 50,000 on old presses."

52. As regards the additional coinage capacity proposed to be created by installation of these presses, the Ministry of Finance (DEA) stated in a note as follows:

"With the installation of the 22 new coining presses an increase of 500 million pieces per annum in the production capacity of the three mints together is expected."

53. In reply to a question regarding the yearwise production programme and (Mint-wise) *vis-a-vis* requirement forecast by RBI for 1985-86 to 1991-92, the Ministry of Finance (DEA) stated in a note:

"The Mint-wise production programme for 1985-86 is as under as against the RBI's requirements of 2600 million pieces:

Bombay Mint	780
Calcutta Mint	740
Hyderabad Mint	480
Total :	2000

Production targets for the year 1986-87 onwards have not been worked out."

54. The Committee enquired as to how with the increasing trends in the indents of RBI and the existing Indian Mints producing to their maximum capacity in the year 1985-86, Government proposed to keep the balance between the demand and supply till the new Mint at NOIDA is commissioned by 1988-89. The Ministry of Finance (DEA) stated in a post evidence note:

"As against the RBI demand of 3200 million pieces we are able to supply the following number of coins during 1985-86 to them for distribution:

	(*in Million pieces*)
(a) Production from the 3 Mints during 1985-86 .	2210
(b) Imported coins (as part of the 2000 million pieces ordered in 1985-86	1500
	3710

As against RBI's demand of 3400 million pieces of coins during 1986-87 we would be able to supply the following number of coins:

(a) Production in the 3 Mints (estimated) . . .	2600
(b) Balance of import from the first order of 2000 million pieces :	500
(c) Re-order of another 2000 million pieces (1000 million pieces of one-rupee coin, 750 million pieces of 50 paise and 250 million pieces of 25 paise coin)	2000
Total . . .	5100

Thus, we would be able to supply much more than what the RBI has demanded during 1986-87. The excess could be utilised against their demand for 1987-88 and 1988-89, by which time the production from the New Mint is expected to start."

55. Explaining the procedure adopted by RBI for distribution of coins, the Ministry of Finance (DEA) stated:

"The Bank has a two-pronged coin distribution system. The Bank's Issue Offices (now numbering 15) issue coins over their countries as well as through the small coin depots/currency chests established with branches of SBI, SBI's subsidiaries, nationalised banks, treasuries and sub-treasuries which are located in the nooks and corners of the country. With the object of keeping the various agencies adequately stocked with coins, the Issue Offices despatch coins at appropriate intervals and in appropriate quantities and denominations, stocks permitting. There is a geographical distribution largely following State boundaries amongst the Issue Offices called the resource jurisdiction. The responsibility for despatching coins to the agency banks (*i.e.* small coin depots/currency chests) located within the resource jurisdiction lies with the Issue Office concerned. At the distribution points, the coins are issued to the public either in exchange for notes/coins or in payment. The coins collected from the RBI or the Agency banks by the banks/Governments Departments are eventually issued to the members of the public in the course of their normal business."

56. In reply to another question on distribution of coins in the country, the Secretary, Ministry of Finance (DEA) stated during evidence:

"The Reserve Bank of India was originally dependent only on its own offices. Recently, we have taken a decision to involve SBI and all the nationalised banks directly. We are trying to revamp the distribution system so that anybody who wants coins in exchange will be given coins."

57. Explaining the steps taken by Government to increase the availability of coins in the short run, the Secretary, Ministry of Finance stated during evidence:

"…. the whole banking system has been asked to come into distribution. We have also arranged for special coin trains which are running from Calcutta to Delhi. In Calcutta the demand has been met satisfactorily and we are now moving the coins from Calcutta to the Northern parts. The trend is that there is no shortage now in these areas. If two or three trains more come, the shortage will be met. We also want to submit that in order to curb the tendency on the part of the people to melt we may have to use some other new metals for the coins."

58. The Committee desired to know whether there was any scientific findings of the fact that the coins were disappearing because people were melting them, the Secretary, Ministry of Finance admitted during evidence:

"What we are told is, that they are being used by the handicraftsmen for melting and converting them into ornaments and vessels. That is my private information, from banks and so on. We have to confirm it. I have put a small group to exactly trace the movement of the coins from Bombay to Hyderabad, Rajasthan, and Gujarat, to find out what is happening. We will also make some enquiries through the Handicrafts Federation or some other source. In our private meetings they told us that it is easily available, that is, the metal needed for those handicrafts is otherwise available."

59. As regards constraints on the distribution of coins to the various parts of the country, the Ministry of Finance (DEA) stated as follows:

"Almost all the District Headquarters and commercial centres are having currency chests/small coin depots. In fact, more than one currency chest is being maintained at important centres. The constraints in expansion of the network of small coin depots are mainly infrastructural deficiencies like lack of rail/road link, inadequate security etc. The mere absence of a small coin depot does not automatically mean that coins cannot be distributed there."

60. In reply to a question as to how the Government propose to tackle the alleged problem of hoarding of coins for melting or selling them on premium, the Ministry of Finance (DEA) stated in a post evidence note:

"The Government of India have advised several times the State Governments/Union Territories to take action against hoarders of coins for the purpose of melting, in terms of Sections 3 to 8 of the Small Coins (Offences) Act, 1971 melting of coins as well as hoarding of Coins with the intention of melting is a cognizable offence. While there has been no report from any of the States about melting of coins, we have received reports from a few States about hoarding of coins. Action is being taken by the concerned State Governments against the hoarders of coins.....The questions of making hoarding a cognizable offence other than for the purposes of melting has been considered by the Government. However, it was felt that it would be very difficult to implement such a decision from the practical point of view; this might lead to avoidable petty harassment to the public. Therefore, the Government's intention is to increase the supply of coins in large numbers so that hoarding and selling of coins on premium would disappear automatically."

61. The Committee have been informed that the annual indents for various denominations of coins are placed on Government by the Reserve Bank of India (RBI) after assessing the demand of coins made in the light of the previous years utilisation patterns and the stock of unissued coins held by the offices of RBI. Based on such indents the mint-wise target of production of coins are fixed by the Ministry of Finance on year to year basis after taking into consideration the production achieved by the three Mints during the preceeding few years and the availability of man/machine power for processing different coinage alloys. These targets of production of coins are arrived at on the basis of the stock of coins available with both RBI and the Mints.

62. The Committee note that during the year 1978-79 the closing balances of coins at RBI's offices and the Mints was 1595 million pieces and 929 million pieces respectively. Owing to these large balances of unissued coins with its offices, RBI lowered its annual indents for coins from 1450 million pieces for 1978-79 to 750 million pieces for each of the years 1979-80 and 1980-81. The targets of production of coins during these years, as prescribed by the Ministry of Finance, were 1000 million pieces and 1100 million pieces but the actual production of coins was only 551.94 and 551.91 million pieces in the respective years. As the annual absorption of coins during these years was high, the coins' stocks both at RBI and the Mints were reduced significantly at the end of 1980-81. RBI, accordingly increased its annual indents for coins to 1000 million pieces for 1981-82 and 1500 million pieces for 1982-83. The Ministry of Finance however, prescribed lower targets of production of 750 million pieces of coins for 1981-82 and 900 million coins for 1982-83 but the Mints failed to achieve even these reduced targets of production with the result that the coins' stock with the Mints and RBI declined steeply during these years. According to the informaion furnished by the Ministry of Finance, the shortfall in the production of coins was attributable to the reduction in the working hours of the Mints and the withdrawal of the incentive schemes which resulted in loss in the

earnings of the workers causing psychological set-backs and discontentment among them. The Committee have also been informed that the working hours of the Mints were reduced from 60 hours a week to 54 hours from 1-4-1977 and again to 48 hours from 10-5-1978 on the ground of accumulation of stock in the Mints owing to fall in demand of coins. The Committee, however, note that although an incentive scheme aimed at increasing the production of coins in the Bombay Mint was introduced from 28-12-1981, the Mint could not achieve the prescribed targets of production during the years 1981-82 and 1982-83.

63. It is disquieting to note that the targets of production of coins for the years 1979-80 to 1982-83 were not in conformity with the procedure stated to have been adopted by the Ministry of Finance while fixing such targets. During 1979-80 and 1980-81 when RBI lowered its indents for coins due to heavy stocks of coins with its offices and the Mints, the Ministry of Finance had persisted with high targets of production. On the contrary in 1981-82 and 1982-83 when the stock position of coins with RBI and the Mints was dwindling and the RBI's indents were rising due to increase in demand of coins, the Ministry had prescribed lower targets of production. It is difficult to comprehend as to how the dwindling stock position of coins at RBI and the Mints was overlooked by the Ministry of Finance while fixing targets of production for the years 1981-82 and 1982-83. What surprises the Committee most is the fact that the 'Committee of officers', appointed by the Ministry of Finance in July, 1983 to look into the problem of shortage of coins had observed that "there was a possibility that the demand estimates of RBI might be on the high side." The Committee, on the contrary, feel that had the indents of RBI been met during 1981-82 and 1982-83, there would not have been any shortage of coins. Evidently, there was a total failure on the part of the Ministry of Finance in prescribing realistic targets of production and initiating timely measures with a view to augmenting the production of coins. In the opinion of the Committee, this failure had resulted in tapering down of production and consequential shortage of coins.

64. The Committee have also been informed that the genesis of the problem and the steps that could be taken to meet the shortage of coins were discussed by the General Managers of the three Mints at Delhi in May 1983 and a comprehensive note on the subject was sent by the Ministry of Finance to the Governor of RBI. The note inter-alia brought out that notwithstanding the fall in production as compared to the targets fixed on the basis of demand, RBI had failed to lift even the coins produced in the Mints. In a subsequent note

to the Committee, the Ministry of Finance reiterated that it was only during the years from 1978-79 to 1980-81 that RBI was not in a position to lift the entire production together with the unlifted stocks at the Mints as the Reserve Bank along with the agency banks was carrying heavy unissued coins stocks. The Committee, however, find from the statistics furnished by the Ministry that RBI was lifting more coins than the mintage in each of the years during 1978-79 to 1983-84 and the lifting during 1979-80 and 1980-81 exceeded even the indents of the Bank.

65. The Committee consider that the system adopted by the Ministry of Finance for prescribing targets of production of coins had certain deficiencies insofar as it failed to take into consideration the adjustments necessitated on account of shortfall in the production of coins in the previous years. Another factor responsible for the situation was that the Ministry of Finance had failed to take into consideration the typical tariff rates and the price structure in the market while fixing targets of production of smaller denominations' coins with the result that the targets of production of 10p. and 5p. coins were considerably lowered despite RBI's high indents for the same.

The entire process of assessment of demand of coins by RBI and the fixation of volume of production and its monitoring by the Ministry of Finance is so inter-linked that both RBI and the Ministry of Finance should interact with a view to assessing and meeting the coinage requirement of the country. The Committee therefore, recommend that the Ministry of Finance should not only devise a scientific mechanism for assessing requirement and production of coins but should also coordinate with RBI with a view to analysing the coinage requirement from time to time so that the shortage of coins is avoided.

66. The Committee find that the percentage of small coins to total currency had gone down from 3 in 1971 to 1.4 in 1986. Similarly, the percentage of one rupee notes/coins had also declined from 5.7 in 1971 to 1.9 in 1986. This is presumably due to the declining value of rupee. Small coins are no longer in demand as they used to be except in retail shops. The demand for small coins is likely to be reduced and those for coins of 50 paise may go up. It is considered desirable that the Ministry of Finance take into account all relevant consideration for fixing a proper percentage of the coins to the total currency so that the targets for the production of coins in the Mints are fixed realistically. It is imperative that the psychology of shortage should removed.

67. The Committee note that RBI in March 1983 had given the estimated requirements of coins to the tune of 2050 million pieces in 1983-84, 2250 million pieces in 1984-85 and 3200 million pieces in 1991-92. As against this, the production of coins in the Mints was however, only 1063 million pieces and 1356 million pieces during the years 1983-84 and 1984-85 respectively. The Committee have been informed that with a view to meeting the shortfall in production and the growing demand of coins in future years, the Ministry has initiated certain short and long term measures viz., (i) introduction of an incentive scheme and increase in the weekly working hours in the three Mints (ii) introduction of second shift in Calcutta Mint from 25-2-1985; (iii) import of 22 new coining presses which have been installed or are in the process of installation either as replacement or addition in the three Mints and (iv) setting up of a new Mint at NOIDA, U.P. which is likely to start production from 1988-89. The Committee however, find that despite the augmented production of coins in the country during the years 1983-84 and 1984-85, the existing mints have failed to meet the entire coinage requirement with the result that Government has placed orders for import of 4000 million pieces of coins from the foreign mints. The Committee are unhappy to point out that these import orders have not only costed the country valuable foreign exchange but have also exposed the poor coordination and planning in the Ministry of Finance. The Committee would like to be surprised of the amount of foreign exchange spent in the import of coins during the aforesaid years. Keeping in view the fact that the forecast for requirement of coins generated for the decade would entail a growth rate of about 10.6 percent for circulation of small coins and 9.23 percent for Rs. 2 and Re. 1 coins, the Committee would urge upon the Government to take measures to plan the future mintage capacity in the country directly in production to the rate of demand growth so as to obviate any possibility of imbalance. The Committee would urge the Government to take adequate steps in advance so as to ensure that it is not necessary to import coins. It must be remembered that the history of Indian Mints shows that at one time foreign countries used to get their coins minted in India.

68. The Committee note that RBI's Issue Offices issue coins over their counters and also through small coins depots/currency chests established with the branches of SBI, nationalised banks, treasuries etc. The Committee also note that there are constraints in expansion of the network of small coin depots due to "infrastructual deficiencies like rail/road link, inadequate security etc." The Secretary, Ministry of Finance, however, informed the Committee during evidence that Government had recently taken a decision to involve

SBI and all the nationalised banks directly in the distribution of coins. The Committee would urge upon the Government to expeditiously take steps for revamping the distribution system by involving all branches of SBI and nationalised banks with a view to providing smooth notes/coins exchange facility in all parts of the country. The Committee note that the Government intends to examine the alternatives of modernising the mints on the availability of MECON Report. The Committee hope that while examining this question the Government would take into account the latest technological development in this field in advanced countries and also the fluctuating requirements of coins so that the production of coins in the mints is done efficiently and economically.

Minting Operations

69. The coins are manufactured from various alloys namely, Aluminium-Magnesium (Al. Mg.), Cupro-Nickel (Cu. Ni) and quarternary alloy. In Melting Section, the metallic alloys are melted and cast into bars which are rolled into strips in Rolling Section. These strips are cut into disc or blanks in the Cutting Section. The blanks so obtained are annealed and examined visually in Annealing Section to weedout blanks not properly cut. The annealed blanks are struck into coins in the coining presses in the Coining Section and sent to Examining Section were these are examined and sorted out into good and defective coins.

Melting Section

70. It is learnt from Audit that no norms have been fixed for arising of wasters in Melting Section in Bombay and Hyderabad Mints. The Committee desired to know as to why no norms have been fixed for arising of wasters. The Ministry of Finance (DEA) stated:

"Bombay and Hyderabad Mints

No norms have been fixed for percentage of wasters in the melting. The percentage of wasters depends upon the quality of melting which in turn depends upon the percentage of rejections and also the virgin metal used. If the percentage of virgin metal used is more, normally the percentage of wastage will be less and this cannot be standardised."

71. Explaining it further, the General Manager, India Government Mint, Bombay stated during evidence:

"The norms have not been fixed with regard to the percentage of wastages. This is a sequential section operation. What is produced in melting section goes to the rolling section and like that. The norm for melting loss has been fixed and it is being observed. The norms for yield have not been fixed but on the experience of the previous years, the rejection percentages are being monitored and if they vary drastically, we have a dialogue with the workers."

72. In reply to another query of the Committee regarding fixing of norms to contain the rejections/wasters in production process in Rolling Section to Coining Section, the Ministry of Finance (DEA) stated in a note:

"Norms can be fixed only when inputs of uniform standardised proportion of virgin metal, scrap etc. are used in Melting Section. The quality of slabs, received from melting section also vary from time to time."

73. The Committee enquired whether the Mints have ever examined the feasibility of standardising the input percentage of rejection and the virgin metal in Melting Section with a view to improving the performance in Rolling Section to Coining Section. The Ministry of Finance (DEA) stated:

"Bombay Mint:

Yes, Normally the input for melting is in the ratio of 50:50 and 60:40 of rejections and virgin in the case of CN and Aluminium respectively. However, it has not always been possible to adhere to this ratio due to various constraints like non availability of virgin Metal of the required quantity and the need for consuming the rejections with a view to ease congestion in the storage. Hence, when the input ratio of metal changes, the increase in melting rejections fluctuates.

The Hyderabad Mint has indeed conducted trials in the past with various combinations of virgin metal and rejection percentages in the allegation and melted the alloys and processed upto the final coining stage and arrived at the sectional process efficiency levels of the trials. Though the exact trial reports are not available at present, optimum levels of virgin metal to rejections/scissel proportions have been determined and followed as much as possible. The levels are 50 percent virgin and 50 percent rejection and this combination was found to be the best suited for mint working. However on certain occassions, the Mint could not adhere to the ideal melting proportions for the following reasons:

(a) Non-supply of virgin metals from outside sources in time.

(b) Heavy accumulations of rejections as the melting capacities never matched the final coining capacity.

(c) Variations in the programme of melting of alloys due to sudden spurt of demand of certain coins upsetting the melting plans and also variations in the product mix of annual targets."

74. According to Audit Para the overall percentage of yield of good bars ranged from 85.2 to 91.1 in case of A1.Mg. alloy against a norm of 91 percent and from 94.1 to 98.1 in the case of Cu.Ni. alloy against the norm of 97.25 per cent. Explaining the Audit observation, the Ministry of Finance (DEA) stated in a note:

"Norms have been laid down for irrecoverable loss in melting of A1.Mg. and Cupro-nickel. However, it has not been possible to lay down any fixed norm for the percentage yield of good bars after melting. The arising of process scrap depends upon the input mix of virgin metal and process scrap for melting. Hence there is bound to be variation in the yield of good bars from time to time. The input mix for melting depends on the accumulation of process scrap and stock position of virgin metal, leading to variations in yield."

75. As regards the steps taken by the Mints to increase the percentage of yield of goods bars and to avoid abnormal operational losses, the Ministry of Finance (DEA) explained in a note:

"Bombay Mint:

The Mint has recently introduced continuous casting with the help of sophisticated machinery and the operational rejection in casting bars have now been eliminated to a very great extent....The Mint has of late stopped melting of A1.Mg. and has resorted to purchase of ready made extruded and hot rolled, A1.Mg. strips of the desired specifications from the leading large scale Aluminium Manufacturers in the country like BALCO, HINDALCO, INDALCO etc. As such strips are directly used for blanking, rejections have been considerably reduced.

Hyderabad Mint:

Adherence to the best virgin metal|rejection combination in melting and a close monitoring in the operational methods of melting section has resulted in getting good quality bars free from impurities and by using proper proportion of deoxidizer in case of C.N. the percent of yield of good bars has improved considerably. The changing over from the present oil fired tilting furnaces to electrical induction furnaces will further result in better quality of met having less impurities and further process rejections."

76. The Committee desired to know if a record of over all percentage of the arising of process scrap in the Mints during the entire production process *vis-a-vis* the prescribed norms laid down for irrecoverable losses being maintained and if so, what are the results. The Ministry of Finance (DEA) in a post-evidence a note stated:

"*Bombay Mint*:

Record of rejections and overall percentage arising of process scrap in the Mint during the entire coining process is maintained.....Records are also maintained for irrecoverable losses.

Hyderabad Mint:

Such a record is being maintained. The losses are recorded on a day-to-day basis and are generally within the prescribed limits."

77. According to the information furnished by Audit, no norms have been fixed for consumption of fuel oil in melting process in Hyderabad and Calcutta Mints. The Committee desired to know as to why no norms have been fixed for consumption of fuel oil. The Ministry of Finance (DEA) replied in a note as under:

"No norms have been fixed in the Hyderabad Mint for the consumption of the furnace oil as the furnaces used are oil fired tilting furnaces of very old design which do not have any arrangement for measuring the furnace oil."

78. According to Para 61 of the Audit Report (Civil) the year 1982-83 regarding India Govt. Mint, Hyderabad figures of consump-

tion of fuel oil (in litres) per tonne of metal melted in Hyderabad Mint was as under:

Year	Consumption per tonne of metal melted (in litres)
1976-77	236.66
1977-78	318.52
1978-79	353.52
1979-80	396.74
1980-81	390.74
1981-82	251.36"

79. From the above, it would be seen that there was a sudden increase in the fuel oil consumption from 1977-78 onwards in Hyderabad Mint. Explaining the reasons for the same, the Ministry of Finance (DEA) stated as follows:

> "Since the working hours were reduced to 48 hours a week from May 1978, resulting in heavy reduction in the earnings of workmen, there was a disproportionate fall in production in all the sections due to apathy in the minds of the workers. Further, there was a time gap of about 9 hours in the melting section between the ending of the second shift and the commencing of the 1st shift next day and this had resulted in considerably heat loss in the furnaces and consequent increase in the consumption of furnace oil."

80. In Action Taken Note in respect of Para 61 of Audit Report (Civil) 1982-83 India Government Mint, Hyderabad, the Ministry of Finance stated (December 1984) as under:

> "However, quarterly consumption of fuel oil consumed *vis-a-vis* the quantity of metal melted is now being reviewed and compared for the last one year."

81. In reply to Committee's query regarding the result of this review of quarterly consumption of fuel oil *vis-a-vis* the quantity of metal melted in Hyderabad Mint, the Ministry of Finance (DRA) stated as follows:

"After the introduction of the incentive scheme, the fuel oil consumed per tonne of metal melted shows a range between 203 to 227 litres. The variations of the quantity is due to the slight variation in the quality of oil supplied and the variation in the proportion of virgin metal and scissal and wasters in the metal melted."

82. The Committee enquired as to how the introduction of incentive scheme has substantially reduced the fuel oil consumption to a range between 203 to 227 litres per tonne of metal melted in Hyderabad Mint. The Ministry of Finance (DEA) stated in a note:

"The incentive scheme has succeeded in reducing the fuel oil consumption as compared to the non-incentive working in the following ways:

(a) the output per furnace shift has been raised by about 70 percent from the previous non-incentive base, thus minimising heat loss and higher thermal efficiency,

(b) the working hours of the employees were staggered in such a way as to keep the furnaces in operation for almost 22 hours every day, thus reducing the heat loss, thereby reducing the fuel oil consumption."

83. It is learnt from Audit that the percentage of scrap arisings in Rolling Section, arisal of scissel in Cutting Section and arisings of rejections/wasters in Annealing Section were high in all the three Mints. The Committee enquired about the steps taken to fix norms in these departments of coining process. The Ministry of Finance (DEA) stated in reply as follows:

"Arising and accumulation of certain amount of wasters in the departments of coining process is inevitable. The rejections/wasters are reused to the extent of 50 percent to 60 percent dependent upon the coinage programme for the period.

Norms can be fixed only when inputs of uniform standardised proportion of virgin metal, scrap etc. are used in melting section. The quality of slabs received from melting section also vary from time to time. In practice this cannot be maintained as the scissel and scrap arisings which varies according to the quantity of blanks cut, have to be disposed off. Scissels and wasters in cutting section vary from time to time according to the denomination of coin blanks cut and the quality of strips produced in the Rolling Department."

84. According to Audit Paragraph, the actual arisings of scissels and wasters in Cutting Section in Bombay Mint during the period 1977-78 to 1983-84 were as follows:

Denomination of coins	Percentage of rejections wasters (scissel)
5 paise	Between 39·7 to 41·5
10 paise	Between 40·5 to 49·3
30 paise	40·2
25 paise	Between 34·0 to 37·8
50 paise	Between 34·2 to 37·9
1 Rupee	Between 35.3 to 36 4
2 Rupees	Between 34.4 to 35·7

The reasons for wide variations in efficiency and arisings of scissel have not been analysed by the Management.

85. The Committee wanted to know as to why the reasons for wide variations in percentages of arisal of scissels/wasters in Cutting Section in Bombay Mint have not been analysed. The Ministry of Finance (DEA) stated in a note:

> "This is being done in the costing section and feed back given to the shop-floor department concerned of Bombay Mint for taking remedial measures."

86. In Action Taken Note in respect of para 61 of Audit Report (Civil) 1982-83 India Government Mint, Hyderabad the Ministry of Finance stated as under:

> "It is not possible to avoid variations in yield. However, day-to-day figures are now being kept and watched for significant variations to enable us to take remedial action."

87. As regards the results of such a review in Hyderabad Mint, the Ministry of Finance (DEA) stated as follows:

> "The day-to-day review of the figures of performance has helped in that the executive is able to take action on the spot and control fluctuations in figures within the limits imposed by the old equipment and to maintain the yield at the average level."

88. In reply to a question as to whether this system has been introduced in Bombay and Calcutta Mints, the Ministry of Finance (DEA) replied in negative.

89. According to Audit Paragraph, the percentage of defective coins of 5p., 10p. and 20p. is high in examining Section in Bombay Mint. The Committee enquired about the steps taken to improve the performance of operators and coining presses. The Ministry of Finance (DEA) stated as follows:

"Defects in the coins arise on account of various factors like defects in melting, blanking and coining. Steps will be taken with the introduction of the Industrial Engineering/ Quality Control Cell to ensure that bad quality of a component does not pass from one process to another."

90. The Committee wanted to know whether the day-to-day rejections of coins were being analysed and remedial action taken to reduce rejections in all the three Mints. The Ministry of Finance (DEA) replied in affirmative.

Accumulation of rejections/wasters

91. Audit Para points out that normally the rejections/wasters are re-melted and used in the production of coins. However, the stock of rejections/wasters have been increasing every year from 1979-80 and have increased steeply during 1982-83 and 1983-84 (Bombay Mint).

92. The Committee enquired as to why were the rejections, wasters and uncurrent coins allowed to accumulate and also about the steps taken to avoid these accumulations. The Ministry of Finance (DEA) explained in a note as follows:

Bombay Mint

The Coinage Programme laid more emphasis on Cupro-nickel coins which necessitate diversion of maximum melting capacity for cupro-nickel alloy restricting the availability of melting capacity for aluminium magnesium. The requirements of aluminium-magnesium coins was met out of ready-made extrusions procured from outside. The rejections arising out of these aluminium-magnesium extrusions and uncurrent coins could not be melted within the restricted capacity. The rejections are being got converted from outside sources and expected to come down considerably.

Calcutta Mint

The responsibility for disposal of dross has been entrusted to MSTC Calcutta (a Govt. of India Undertaking). Effective steps have been taken to convert aluminium magnesium scissels into strips for re-use in the coinage production.

Hyderabad Mint

"No accumulation of rejections, wasters and uncurrent coins are allowed in this Mint. As and when they are available they are sent for remelting to the Melting Department immediately."

93. According to Audit Paragraph, the Bombay Mint stated (January 1985) as under:

"We are exploring the possibility of getting rejections melted and converted into good bars/strips by alternative methods due to constraints on our melting capacity."

94. The Committee enquired about the constraints on melting capacity of the Mint which have resulted in heavy accumulation of rejections etc. The Ministry of Finance (DEA) replied in a note:

"*Bombay Mint*:

Accumulation of certain amount of rejections/wasters is inevitable in the process. As already mentioned rejections/wasters are used only in certain proportion to the virgin metal. Hence, stocking of rejections becomes inevitable for progressive use with the proportional quantity of virgin metal whenever required.

The Bombay Mint which was working 60 hours/week with incentive upto March 77 and 54 hours/week upto May 78 was naturally melting more metal resulting in larger accumulation. The working hours of the Mint was reduced to 48 hours/week in May 78 and the melting operations were considerably reduced due to reduced working hours and industrial unrest. There was, therefore, no scope for consuming larger quantity of rejections. In addition to this fresh rejections and uncurrent coins were also accumulated. As there is no way of using the rejections alone in the melting operations it becomes inertable to accumulate rejections .

95. In reply to Committee's query about the disposal of uncurrent coins, the Ministry of Finance (DEA) stated as under:

"*Bombay Mint*:

The uncurrent coins are defaced or melted and used in the process."

"*Hyderabad Mint*:

Uncurrent coins are added to the metal stock in the Mint and are issued to melting section for remelting after taking proper care."

96. In reply to another query regarding the value of rejections| wasters and uncurrent coins lying in each of the three Mints as on 31-3-1985, the Ministry of Finance (DEA) furnished the following information:

"*Bombay Mint*

The value of rejections/wasters and the uncurrent coins in the Bombay Mint as on 31-3-1985 is,

(i) Rejections/wasters: Rs. 3,28,36,459|-

(ii) Uncurrent withdrawn: Rs. 7,18,412/-.

Hyderabad Mint:

The value of scissel, wasters, uncurrent coins at Hyderabad as on 31-3-1985 is as under:

Rs. 13.85 lakhs comprising of

Scissel, scrap, waster etc.	Rs. 2.84 lakhs
Withdrawn coins	Rs. 11.02 lakhs

Utilisation of Machinery

97. It is learnt from Audit that in Action Taken Note in respect of India Government Mint, Hyderabad, the Ministry of Finance stated (December 1984) as under:

"In the case of production machines, day to day records of machines of production work, machines under repairs and machines on stand-by are maintained in all production departments from July 1984 onwards (except in the Coining Department where such records are already being kept) in the sections and are made use by the Shop Floor Officers."

98. According to Audit Para, the Bombay Mint has not maintained machine-wise log sheets and it has also not worked out available machine hours, hours used for production, idle hours etc. in respect of each machine. The Committee desired to know as to what steps have been taken for maintenance of machine-wise log sheets with a view to ascertaining extent of utilisation of each machine at Bombay and Calcutta Mints. The Ministry of Finance (DEA) have stated in a note:

> "Maintenance of machine-wise data is a voluminous process. In the absence of adequate trained men it has not been possible/practicable to maintain these data. With the formulation of industrial engineering Cell in the mints, it will be possible to examine this aspect and pursue".

99. The Committee pointed out that the records of machines are being maintained in all production departments of Hyderabad Mint from July, 1984 and enquired about the reasons for not making use of the experience of Hyderabad Mint in India Government Mint, Bombay.

The Ministry of Finance (DEA) in a note replied as follows:

"*Bombay Mint*:

> It has not been possible to follow the experience of the Hyderabad Mint in Bombay Mint because of the sheer volume of work involved and the large number of machineries in use in that Mint. However, the Bombay Mint is seized of this matter and expect to introduce this as soon as the Industrial Engineering Cell is set up."

100. However, according to para 61 of the Audit Report (Civil), 1982-83—India Government Mint, Hyderabad, test checks made in audit for the years 1979-80 and 1980-81 with reference to the daily

statements of idle hours recorded in respect of coining Presses revealed the following position:

	1979-80		1980-81	
	Hours	Percentage	hours	Percentage
Available hours	1,05,608	...	1,17,408	...
Hours spent on production jobs . .	28,368	26·86	36,536	31·12
Hours lost due to break-down . . .	36,168	24·25	44,657	38·04
Stand by hours	18,480	17·50	12,298	10.47
Idle hours	22,592	21 39	23,917	20 37

101. It will be seen from the above that 34 and 38 per cent of the available hours were lost due to break-down of machines in the years 1979-80 and 1980-81 respectively. No machine log books are maintained by the Mint with a view to recording the details of periodical maintenance and break-down of machines. An analysis of the machine-wise break-down during 1980-81 revealed that out of 24 machines in coining department, 8 machines were under repairs continuously for over 9 months. Of these 4 machines were commissioned in 1973-74 and 1974-75 and one machine in March 1976.

102. According to Audit sub-para 57.3, the Bombay Mint has no system of recording machine-wise/year-wise details of expenditure incurred on repairs and maintenance. The Committee enquired as to how, in the absence of such record of expenditure, the costing system envisages collection and allocation of expenses to departments with a view to comparing them periodically with budgetted costs and analysing the variations. The Ministry of Finance (DEA) stated in a note as follows:

"In the absence of the machine-wise data, the expenditure commonly booked were located and absorbed on machines on the basis of capital cost of the machine. Scientific system is, however, expected to be introduced with the setting up of the Industrial Engineering Cell."

103. In reply to a question regarding the percentage of old machines which have completed their normal life to the total number of machines in each of the three Mints, the Ministry of Finance (DEA) intimated the following figures:

"*Bombay Mint*

The percentage of old machines which have completed their normal life *vis-a-vis* the new machines is 61.2 per cent.

Hyderabad Mint

Taking the Mint production departments into account the position of old machines to the total number of machines at Hyderabad Mint as on 31-3-1985 is as under:

Melting Section	100%
Rolling Section	20%
Cutting Section	100%
Annealing Section	40%
Coining Section	35%

Calcutta Mint

Many of the machinery in the departments other than Coining Department in the Calcutta Mint have outlived its estimated span of life. However, these are also in running condition and giving reasonable service without calling for excession maintenance. In the coining department after replacement of eight machines, out of a total of 57 machines, 10 have completed their normal life."

104. When asked about the perspective plan of replacement of these machineries, the Ministry of Finance (DEA) have replied as follows:

"The Government of India have decided to appoint M/s. MECON to conduct a study on the modernisation programme of the 3 Mints. The study will be conducted as soon as Government takes a decision on the recommendation of the Coinage Policy Committee relating to the metal alloy, change in denomination etc. of the coins. Decision regarding replacement of old machines and additions of sophisticated machines would be taken after the completion of the study by M/s. MECON."

105. On being asked as to why the Mints have not been modernised in the past, the Secretary, Ministry of Finance stated during evidence, as follows:

"Certain decisions were taken by the Baijal Committee. How exactly the modernisation has to be done, is under consideration. At the moment we are now having ideas."

He further added:

"We will have to proceed in another direction if we decide on stainless steel. In the future metal is decided on, then we can go in for modernisation or modification of the plant. As soon as we get a decision on the report of the Committee we may change it. We may have to continue to have cupro-nikel for some coins for the time being."

106. Enquired as to state the relationship between the metal used for minting coins and modernisation or modification of the plant, the Ministry of Finance (DEA) stated in a note as follows:

"The equipment required for producing coins from non-ferrous metals like AL.Mg. and C.N. are entirely different from those required for producing coins from ferrous steel. As modernisation or modification of plant has to be planned on a long terms basis, it is essential that the metal to be used for coins should be definitely fixed. Otherwise, the capacity created for manufacturing coins from C.N. or Al.Mg. will go waste and at the same time, the non-availability of capacity for producing coins from steel will result in low production of such steel coins, creating a scarcity of coins in the market."

Costing:

107. The comparative statement of cost of production of different denominations of coins (Appendix II) as furnished by Audit, reveals abnormal variations in the cost of production of different denominations of coins in the three mints. The Committee desired to know the reasons for the same. The Ministry of Finance (DEA) stated in a note:

"The cost of production of coins depend upon the process adopted, percentage of metals used, percentage of virgin metals used and overhead cost of the Mints. Further the manufacturing cost consisting of direct labour cost, indirect labour cost, material cost, apportionment of the service charges etc. are hardly uniform in all the 3 Mints. Hence the variation in cost."

108. On being asked about the steps taken to improve utilisation of capacity of each machine to reduce cost of production and losses. The Ministry of Finance (DEA) have replied in a note as under:

"The machines are being used to the maximum possible extent. Working hours have been extended from 48 hours a week to 54 hours a week and the incentive scheme is also in operation."

109. In reply to a pertinent query of the Committee as to how could the Mint ensure utilisation of the machinery to the maximum possible extent in the absence of any data on availability and utilisation of machine hours etc. the Ministry of Finance (DEA) stated in a note:

"It has to be pointed out here that about 50 per cent of the machinery has outlived its economic life and should have been discarded long back. The machines are utilised to the maximum extent possible in the sense that they are coaxed to yield one more hour output from the previous period, and by introducing the incentive scheme, the workers are motivated to produce as much as possible from the existing aged machines. As it is, this utilisation itself is taxing the machines, leading to breakdowns now and then.

As far as new machines are concerned, norms are being fixed according to experience and the capacity of the machines. On the basis of the new machines and the existing old machines, the overall production which we are maintaining under incentive indicates that the utilisation is maximum."

110. The Committee pointed out that the cost of production per piece of coin has been more than their face value in case of 5 and 10 paise denominations and enquire about the intrinsic value in respect of these coins. The Ministry of Finance (DEA) have intimated as follows:

"The intrinsic value of 5p and 10p coins manufactured in the Bombay Mint is as under:

Denomination	Intrinsic value/ Metal value
5 paise	3·66 paise
10 paise	4·27 paise

111. In reply to Starred question No. 161 (Lok Sabha) regarding the extent to which the Indian coins manufactured in foreign coun-

tries were found to be cost beneficient. The Minister of State in the Ministry of Finance stated as follows:

"The cost benefit per piece is 16 paise for one rupee coin, 13.5 paise for 50 paise coin and 10 paise for 25 paise coin.

112. The Committee desired to know the reasons for lower cost in foreign mintage as compared to the cost of production in Indian Mints. The Ministry of Finance (DEA) explained the position as follows:

"The comparison of the costs of the coins quoted by the foreign firms with the costs of coins minted in the Mints show that (i) the metal costs are higher as compared to the foreign suppliers. The major reasons for this is that the metal used by this Mint is priced after taking into account custom duty charged on it. The metal cost can be reduced by not charging the custom duty on the import of coinage metal.

(ii) the manufacturing costs as compared to the foreign Mints are higher here because of the low productivity per worker in the mint due to usage of old and absolete equipment, more wastages in the processes due to inaccurate equipment. It can be stated here that most of the foreign mints are equipped on modern process flow system using highly sophisticated, automatic or semi-automatic machines whereas we are still carrying out the manufacture section wise and with some times counter flow processes due to space constraint. Further our working is mostly labour oriented. The streamlining of the methods and process flows and provision of modern equipment of good quality will definitely help in reducing the manufacturing costs at this Mint."

113. The Audit Para points out that no norms have been fixed for arising of wasters and rejections in any of the coining processes and that the percentage of operational loss in melting process in respect of aluminium-magnesium has exceeded the prescribed norm during the years 1979-80, 1982-83 and 1983-84. According to Ministry of Finance, norms for wasters/rejections in coining processes in Rolling Section to Coining Section can be fixed only when slabs of uniform quality are received from Melting Section. The Committee are also informed that the Bombay Mint has 'recently introduced continuous casting with the help of sophisticated machinery and the

operational rejection in casting bars have now been eliminated to a very great extent'. The Committee, however, note that the remaining two Mints still have oil fired tilting furnaces in operation in the melting sections.

114. The Committee find from Paragraph 61 of the Report of C&AG of India for the year 1982-83, Union Government (Civil) regarding India Government Mint, Hyderabad that there had been a sudden increase in the fuel oil consumption in Melting Section of Hyderabad Mint from the year 1977-78 onwards. According to the information furnished by the Ministry, the reasons for this increase in fuel oil consumption in melting process were attributable to the reduced working hours and the time gap of about 9 hours between the closure of the shifts and its commencement on next day resulting in considerable heat loss in the furnaces. The Committee regret to note that no timely action was taken for readjustment of the shifts in Melting Section with a view to economically utilising the furnaces in operation in Hyderabad Mint. The system of continuing the present casting techniques in Calcutta and Hyderabad Mints requires an assessment of cost-benefit ratio as the continued use of primitive casting techniques have not only resulted in abnormal operational losses but have also affected the performance of the Mint.

115. Huge stock of rejections/wasters and uncurrent coins has been accumulating in Bombay Mint year after year from 1979-80 onwards. According to the information furnished to the Committee, the value of rejections/wasters and the uncurrent coins lying in Bombay Mint as on 31-3-1985 is Rs. 3,28,36,459 and Rs. 7,18,412 respectively. While the aluminium magnesium coins were made from ready made extrusions procured from outside, the rejections arising out of these extrusions along-with the uncurrent coins could not be melted 'within the restricted capacity'. Even the extant casting system 'with the help of sophisticated machinery' adopted in Bombay Mint has failed to meet the necessary diversion of melting capacity from one alloy to another with the result that the Mint has been exploring the possibility of getting the rejection processed through outside agencies. The Committee fail to understand the logic behind the belated decision of the Government to get the rejections melted from outside agencies. It is imperative that the Ministry of Finance realised the necessity for taking concrete steps for augmenting the melting capacity of the Mints through modern techniques so as to effect all possible economies consistent with the requirements of the Mints.

116. The Committee note that the working in the existing Mints is labour oriented and section-wise manufacturing is undertaken in the coining process. According to Ministry of Finance, the Mints sometimes have to carry with the 'counter flow processes due to space constraint'. Most of the machines in operation in the various production sections have outlived its normal span of life, and in spite of the failure of the existing Mints in meeting country's coinage requirement fully, no concrete steps have yet been taken by the Government for replacement of the old machinery except recent installation of 22 imported coining presses either as additions or in replacement of the old ones in the existing Mints. M/s. MECON appointed as Engineering Consultants to conduct a study on the modernisation of the Mints, are yet to start their study due to the impending decision of the Government on the coinage alloy to be used in future. The fact however remains that the Government has displayed apathetic attitude towards updating the production technology in the Mints with the result that the conditions in the production sections of the Mints are far from satisfactory. The fact that the Indian coins manufactured in foreign mints are cost beneficient further strengthens Committee's view that the Government has not worked out the economics of production in the existing Mints. In the absence of such an exercise, the Committee are unable to understand how the Government can ensure optimum and economic production of coins in the best financial interest of the Government. The Committee desire that Government, after taking into consideration the future coinage alloy, should expeditiously take appropriate steps for providing the latest technology in the existing mints so as to effect utmost economy in the cost of production of coins. The Committee would also like to be apprised of the steps taken in this regard.

117. The Committee note that the Mints at Bombay and Calcutta are not maintaining machine-wise data with a view to ascertaining the extent of utilisation of each machine vis-a-vis the available machine hours. Although the Hyderabad Mint has been maintaining such records in all production departments, the experience of Hyderabad is stated to have been not followed in Bombay Mint because of the 'sheer volume of work involved and large number of machineries in use'. The Committee however, find from Paragraph 61 of the Report of the C&AG of India for the year 1982-83, Union Government (Civil) regarding India Government Mint, Hyderabad that 34 and 38 per cent of the available hours were lost due to break-down of machines in the years 1979-80 and 1980-81 respectively in the coining presses in Hyderabad. According to this Audit

Para, an analysis of the machine-wise break-down during 1980-81 revealed that one-third of the machines in coining departments were under repairs continuously for over nine months. The Committee feel that this is a disturbing feature especially when 'the workers are motivated to produce as much as possible from the existing aged machines' leading to break downs now and then. The Committee need hardly emphasise that complete records of the plants and equipments showing the number of break-downs, total number of man/machines hours lost and the losses suffered as a result thereof should be properly maintained so that the precise reasons of break downs etc. could be identified for conclusive action to avert their recurrence.

118. It is disquieting to note that the Bombay Mint has no system of recording machine-wise/year-wise details of expenditure incurred on repairs and maintenance. According to the information furnished by the Ministry of Finance, 'in the absence of the machine-wise data, the expenditure commonly booked were located and absorbed on machines on the basis of capital cost of the machines'. In the absence of these details it would be well nigh impossible for the Government to review the performance of machine with a view to seeing whether these have outlived their utility and in many cases it may even be advisable to go in for new machines incorporating latest technology which may be economical and efficient leading to optimum utilisation. The present piece-meal approach and faulty and indecisive planning is the main cause for this sad state of affairs in the Mints. The matter needs urgent attention so that obsolete and defective machines are replaced. Capacity has to be increased by expanding or by establishing new machines. The Committee need hardly point out that extant system of allocation of expenditure is unscientific and inadequate to render useful information to the management on actual repairs and maintenance of machinery. The Committee would urge the Government to introduce a scientific system intended to monitor and check effectively the actual repairs/maintenance expenditure on the machines in different production sections of the Mint.

Working Results

119. The Audit have furnished a comparative statement (reproduced below) of net profit/loss in all three Mints:

NET PROFIT (+) */LOSS*(—)

(*Rs. in lakhs*)

Year	B	C	H
1976-77	(+) 562·13	(+) 1040·66	(+)171 00
1977-78	(+) 47·30	(+) 282·78	(+) 36·26
1978-79	(+) 261·91	(+) 176·62	(—) 26·71
1979-80	(+) 126·01	(+) 139·18	(—) 49·51
1980-81	NA	(+) 83·13	(—) 40·17
1981-82	@	@	(—) 81 64
1982-83	@	@	(—) 13 137
1983-84		@	@

@Proforma Accounts have not been compiled.

120. From the above, it is observed that there was fall in the net profit in 1978-79 to 1980-81 as compared to that in 1976-77/1977-78 in Calcutta and Bombay Mints in addition to losses in Hyderabad Mint from 1978-79 onwards. The Committee enquired about the reasons for the same. The Ministry of Finance (DEA) explained the position in a note as follows:

> "The cost of production of coin is directly dependent upon factors like cost of metal and cost of labour. As the cost of both have gone up between 1977-78 and 1980-81 and the credit for the face value of the coins delivered to the RBI remaining the same, the increase in cost of production has had its impact on the net profit. Hence the reduction in net profit. Another reason for the fall in net profit is due to reduced output on account of reduced hours of work.
>
> Hyderabad Mint was manufacturing only low denomination coins 5p and 10p in the earlier years. As the cost of production of these coins is considerably higher than their face value, loss was being incurred every year. From 1983-84 onwards, as the Mint is manufacturing higher denomination coins of 20p., this Mint is also making some profit."

121. The Committee wanted to know the net profit of the Hyderabad Mint in 1983-84 and 1984-85. The Ministry of Finance (DEA) stated:

> "The profit for Hyderabad Mint for 1983-84 is about Rs. 33 lakhs (subject to certification by audit).
>
> The ammounts for 1984-85 are under preparation and a preliminary estimates shows a loss of about Rs. 16 lakhs."

Delay in compilation of proforma accounts

122. According to Audit para, there was delay in compilation of proforma accounts of the Mint. The Committee pointed out that as delays in compilation of proforma accounts render managerial control including cost control ineffective, what measures, both short term and long term are being adopted to clear the outstanding and timely submission of these in future. The Ministry of Finance (DEA) in their reply explained the position as follows:

"Bombay Mint

> The Director of Commercial Audit, Bombay is holding up certification of the accounts for 1981-82 and 1982-83 for the reason that the concurrence of C&AG has not been obtained for the amalgamation of the proforma accounts of the Assay Department with that of the Mint. The Accounts for 1983-84 will be furnished to Audit soon after the accounts for the immediately preceeding two years are certified by the Audit.

Calcutta Mint

> Accounts for 1981-82 have since been completed and Audit has been intimated. 1982-83 Accounts are in its final stage awaiting reconciliation of Stores Accounts. 1983-84 accounts is also progressing simultaneously. A time bound programme has been chalked out to bring up arrears Proforma Accounts till 1984-85 during 1986-87 itself.
>
> The present system of converting Government Accounts to commercial accounts and then as cost of production accounts is elaborate and time consuming process. An integrated financial and cost Accounting system will ensure prompt and periodic reporting in addition to timely compilation of proforma and production cost account."

Introduction of integrated cost and financial control system

123. It is seen from Audit Para that the Ministry of Finance in September 1973 made certain proposals with a view to evolving a uniform system of costing for adoption by all the three mints so as to enable proper comparison of cost of production of the coins of each denomination. The system has not been introduced so far. The Mint stated (February 1984) that:

> "The study group for introduction of the integrated cost and financial control system in the Mint is still awaited."

The Committee desired to know as to why the uniform system of costing for adoption by all the three Mints has not been introduced. The Ministry of Finance (DEA) stated in a note:

> "Uniform system of costing had not been introduced in the Mints mainly because each Mint followed its own established method. No attempt has yet been made to introduce integrated cost and financial control. Although the proposal for conducting a study for the introduction of integrated cost and financial control system was considered in late 1970s it was not followed up. However, a decision has recently been taken for appointment of a suitable agency for conducting the study. Steps are being taken to appoint the agency."

124. On being asked as to when the agency for conducting the said study is likely to be appointed, the Ministry of Finance (DEA) stated in a note:

> ".....quotations have already been invited from Consultancy Firms, and they are yet to be evaluated. After evaluation of the quotations, a decision will be taken for appointing, a Management Consultancy Firm to undertake the study."

Sundry Debtors

125. According to Audit Para, the debts amounting to Rs. 101.38 lakhs were outstanding as on 31st March, 1983. The Mint is not having partywise details of the amount of Rs. 72.58 lakhs outstanding for the years 1959-60 to 1975-76.

126. In reply to a question about the latest position regarding realisation of outstanding debts for the post-departmentalisation period, the Ministry of Finance (DEA) stated in a note as follows:

> "As regards the outstanding claims pertaining to post-departmentalisation period, most of the claims have been realised

and the parties against whom the amounts are outstanding reminded regularly to liquidate the outstanding claims."

127. The Ministry of Finance (DEA) further stated in a note:

"Further to eliminate such debts in future the Mint has since restored to billing the parties in advance and only after realisation of the amount due, the materials are supplied."

Inventory Control

128. The Audit Para points out that the physical verification of stores is required to be done at least once a year. The physical verification of the stores in the Bombay Mint for the year 1980-81 was not conducted and that for the year 1981-82 to 1983-84 was not complete. According to the Audit, the Mint stated (May 1983) as follows:

"The verification of stores for the year 1979-80 was started from February 1980 and concluded by December 1980. Hence, no further verification for 1980-81 was conducted. The physical verification for the year 1981-82 was carried from April 1981 to July 1981 but could be completed only partly due to sickness of staff. The verification for the year 1982-83 has already been conducted and the analysis is in process."

129. The Committee enquired whether the physical verification of the stores in all the three Mints carried out once a year and desired to know the dates of start and completion of such verification in all the three Mints during the period 1981-85. The Ministry of Finance (DEA) have explained the position as under:

"Bombay Mint

Physical verification of stores is being done every year. For the last 3 years the dates are as under:—

Year	Date of commencement of verification	Date of completion of verification
1982-83	15-12-82	31-3-83
1983-84	2-1-84	31-3-84
1984-85	7-1-85	23-3-85

Calcutta Mint

Physical verification of stores.

During 1981-82, physical verification of stores was conducted from 24-7-81 to 1-9-81. This was a partial verification of stores. During 1982-83, no verification was made as the adjustment in 1981-82 stores verification was not complete. During 1983-84, from 22-4-83 to 28-8-83, stores verification was conducted. However, due to non-posting of stores ledgers, pay scale variation was detected and re-verification and reconciliation of store was entrusted to the store staff during 1984-85. Fresh verification was again started from February, 1985. During 1985-86, the verification of store is being continued and it will be completed by middle of March 1986. Reconciliation of stores account will also expedite compilation of Proforma Accounts.

Hyderabad Mint

The physical verification of stores has been carried out as under:—

Year	Started	Ended
1981-82	29.11.82	
1982-83		
1983-84	1.2 84	
1984-85	10.4.85	
985-86	under verification	

130. The Audit para points out that the Mint has not fixed the maximum, minimum and ordering levels for the consumable stores. The Committee desired to know the reasons for the same. The Ministry of Finance (DEA) have in a note replied as follows:

"The maximum, minimum and ordering levels in all the consumable stores were fixed in 1982. However, due to introduction of the new incentive scheme these levels needed to be revised due to considerable change in the consumption level due to increase in production. The revision of this ordering level has been taken up and will be completed shortly."

131. It is also learn from Audit that the closing balance of the stock of store as on 31st March for the year 1979-80 to 1983-84 at three Mints were as under:

(figures Rupees in lakhs)

Year	Bombay	Calcutta	Hyderabad
1979-80	102·40	38 01	18.37
1980-81	95.11	50·48	16.72
1981-82	89·27	44·23	15·97
1982-83	79·54	@	..
1983-84	93·36	@	..

@ Figures not available.

132. Explaining the reasons for accumulation of inventory in each year in all the three Mints. The Ministry of Finance (DEA) stated as follows:

"*Bombay Mint*

The Mints are required to keep a stock of six months requirement of nickel, aluminium and other metal in order to ensure uninterrupted production. In addition, the Bombay Mint has to hold 1025 bars of 58 per cent Nickel steel in stock. This item had to be imported for converting existing 1250 working standard metres of pure nickel into 58 per cent nickel steel as per OIMIL specifications under the National Standard Rules of India. As the OIMIL rules still remain only in draft stage the inventory had to be carried forward.

The Director of Weights and Measures, Ministry of Commerce is being addressed to ascertain whether the Rules are being finalised or the stock can be disposed of as no longer required.

Hyderabad Mint

The main reason of accumulation of stores at Hyderabad Mint was due to change in the coinage alloy and stoppage of production of cupro-nickel coins due to pollution problems.

Calcutta Mint

Revamping of stores procedure and inventory controls is in hand and it is expected to take six months time to make a complete assessment. The Mint has been advised to complete the survey and report expeditiously."

133. At the instance of the Committee, the Ministry of Finance (DEA) have intimated the following information regarding the issue/balance of stores in stock ratio for the last three years.

"*Bombay Mint*

The issue/balance of stores in stock ratio of Bombay Mint for last three years is as under:

Year	Issue/Consumption		Balance
1982-83	1	:	97
1983-84	1	:	88
1984-85	1	:	97

The higher balance ratio compared to issue is mainly due to certain high value closing balances especially items like Nickel Steel Bar which is being carried forward from 1974—76 and imported crucibles. As these items cannot be procured at short notice, the carry over of such items becomes inevitable.

Hyderabad Mint

The issue/balance of stores in stock ratio in the Hyderabad Mint is

(a) 1982-83—11 consumption in stock

(b) 1983-84—10 months consumption in stock

Calcutta Mint

The Mint is engaged is streamlining of stores procedure and inventory controls, they have been advised to complete the work quickly and furnish the information".

134. The Committee wanted to know as to why the stores have not be analysed into surplus, slow-moving, non-moving and obsolete

items in Bombay Mint. The Ministry of Finance (DEA) stated as follows:

"Analysis of surplus, slow-moving, non-moving and obsolete store will be carried out shortly."

135. In reply to a question regarding the value of surplus stores lying in each of the Mints as on 31-3-1985, the Ministry of Finance (DEA) furnished the following information:

"Bombay Mint

The surplus stores lying in this Mint as on 31-3-1985 had a value of Rs. 10.94 lakhs.

Hyderabad Mint

The surplus stores lying in this Mint as on 31-3-85 had a value of Rs. 42,262.

Calcutta Mint

Revamping of stores procedure and inventory control is in hand and it is expected to take 6 months time to make a complete assessment."

136. As regards the steps taken to dispose of surplus stores lying in Hyderabad and Calcutta Mints, the Ministry of Finance (DEA) stated in a note:

"The surplus store items have been referred to the other 2 Mints to find out whether they need any of the items. If they do not need the items, they will be disposed of through local auction, tenders etc. as per procedure."

Departmental Manual:

137. According to Audit Para, the departmental manual outlining the organisational set up and procedure for financial and accounting arrangements and specifying the duties and responsibilities of each category of staff has not been prepared for Bombay Mint so far though the Internal Work Study Group of the Government has stressed the need for compilation of the same.

138. The Committee desired to know the reasons for not preparing the departmental manual for Bombay Mint. The Ministry of Finance (DEA) stated in reply as follows:

"Updating of the department manual which is more than 4 decades old is a whole time job and can be undertaken only by an officer who has an overall knowledge on the organisation."

139. Regarding the existence of Departmental manual in Hyderabad and Calcutta Mints, the Ministry of Finance (DEA) stated as follows:

Hyderabad Mint

"Department manuals do not exist at present in Hyderabad Mint."

Calcutta Mint

"There is no departmental manual for the Calcutta Mint. The available documental manual is "code of the Mint Rules-1893."

140. In reply to a question as to when the Departmental Manuals for all the three mints are likely to be prepared and introduced, the Ministry of Finance (DEA) stated in a note as follows:

"It is proposed to entrust the work of computation of a uniform manual for all the mints to consultants/Management Experts as it would contain both technical as well as accounting and administrative areas."

141. The Committee regret to observe that the Proforma Accounts of Bombay and Calcutta Mints from 1981-82 are still in arrears with the result that the extent of net profit/loss in the working of these mints could not be considered in details. The purpose of preparing these accounts is to judge whether the mints functioned with minimum financial outlay avoiding all unnecessary and extravagant expenditure and keeping in view the requirement of maximum physical output for minimum financial input. The delayed preparation of these accounts would totally defeat the purpose.

142. The Committee find that although the Ministry of Finance considered a proposal for conducting a study on the introduction of integrated cost and financial control system in late 1970s, the same was not followed up. According to the information furnished by the Ministry of Finance, the uniform system of costing had not been introduced in the Mints because each mint followed its own estab-

lished methods. The Committee have now been informed that the Government has recently taken a decision for appointment of an agency for conducting such study. The Committee deplore that no timely steps were taken by the Government for introduction of such a system earlier so as to effectively analyse the factors for the abnormal variations in the cost of production of different denominations of coins in the three Mints besides ensuring timely submission of Proforma Accounts. The Committee would like the Ministry to take appropriate steps for early introduction of integrated cost and financial control system in the three mints. The Committee would also like to be apprised of the progress made by Bombay and Calcutta mints in clearing the outstanding proforma accounts.

143. It is disquieting to find that while the physical verification of stores is required to be conducted at least once every year, such verification has not been properly conducted in most of the cases in all the three mints during the preceeding six years. The Committee also observe that the stores verifications in Calcutta Mint during the years 1982-83 and 1983-84 could not be completed either due to incomplete stores adjustments in the previous year or due to non-posting of stores ledgers etc. This is clearly indicative of lack of control with regard to accountal of stores and against canons of financial propriety. The Committee would like the Ministry of fix responsibility for the lapses in not undertaking the complete and timely annual physical verification of stores in all the three Mints from 1979-80 onwards. The Committee would also like the Ministry to issue instructions for proper annual verification of the stores in the existing Mints, fixing norms for permissible shortages, enforcing accountability of officer for not conducting timely physical verification and fixing responsibility in cases involving heavy shortages.

144. The Committee find that Bombay Mint has not yet fixed maximum, minimum and ordering levels for the consumable stores nor analysed the stores into surplus, slow-moving and obsolete items. The ratio of issue of stores to the balance held in stock has been very high in Bombay Mint, it being 1:97 in 1984-85. According to the information furnished by the Ministry, the Bombay Mint had purchased 1025 bars of nickel for utilisation under National Standard Rules of India but this inventory had to be carried forward as the said Rules remained only in draft stage. The Committee feel concerned about these bars lying unutilised and would like to know the total value of such stock and the period for its remaining unuti-

lised. The Committee would also like the Ministry of Finance to appoint a group of technical officers to examine the aspect of stores management so as to evolve an appropriate mechanism to rationalise the inventories with a view to ensuring that these are not burndened by acquisition of stores far in excess of inventory level thereby blocking capital. The Committee may be apprised of the action taken in this regard.

145. Another disquieting feature noticed by the Committee is that there is no departmental manual in Calcutta and Hyderabad Mints and the departmental manual for Bombay Mint is more than four decades old and has not been updated from time to time. The Committee fail to understand as to how the Mints functioned in the absence of departmental manual which not only lays down the procedure for financial and accounting arrangements but also specifies the duties and responsibilities of each category of staff. The Internal Work Study Group of the Government of India had also laid emphasis on the need for maintenance of such a manual in the Mint. This clearly indicates that the management have failed on this count. According to the Ministry of Finance, it is proposed to entrust the work of compilation of a uniform manual for all the Mints to consultants/management experts 'as it would contain both technical as well as accounting and administrative areas'. The Committee hope that urgent steps would be taken to prepare the departmental manual incorporating latest decisions for being introduced in the Mints without any further loss of time. The Committee would like to be apprised of the action taken in this direction.

146. The observation of the Committee aforesaid leads the Committee to inevitable conclusion that there has been a dismal failure of the Ministry of Finance in managing the affairs of the Mint. Due to lackadaisical approach to the problems of the Mint, the Government Mints which have been in production for over a century, have almost become obsolete. Lack of replacement and rehabilitation programme has led to the continuance of overaged and obsolete machines which have a poor out-turn as compared to the new machines. Had this part of the issue received proper attention in time, perhaps, the need for import of coins from abroad would not have arisen at all. The system of forecast for the requirement of the coins, its production and circulation requires to be thoroughly overhauled and reoriented so as to ensure that the shortcomings pointed out by the Committee do not recur. There has been total absence of the system of costing in the Mint, with the result that there is no cost control and, therefore, economics of the production cannot be judged. The Committee recommends that the system of cost accounting and

cost control, as is suitable for any manufacturing unit, should be instituted forthwith to ensure that the cost of production remains under control and the output is economical. The Committee would specifically urge the Government to arrange a review of the existing over aged machines engaged in the production of coins on a priority basis so as to examine whether these need replacement, keeping in view that the expenditure on their upkeep and maintenance is on the high side and may justify purchase of new machines incorporating latest technology which may result in better out-turn.'

NEW DELHI;
April 24, 1987
Vaisakha 4, 1909 (*Saka*)

E. AYYAPU REDDY,
Chairman,
Public Accounts Committee

APPENDIX I

(*Vide* Para-I)

MINISTRY OF FINANCE

(Department of Economic Affairs)

57. India Government Mint, Bombay

Overview

— The capacity of the Mint for minting the coins has not been determined (Part 57.2.01).

— The targets of production of coins as intimated by the Government of India were reduced from 4300 lakh pieces in 1977-78 to 3350 lakh pieces in 1981-82 (Para 57.2.02).

— The Mint did not achieve even the reduced target of production for any denomination of coin except 50 paise in 1983-84, 25 paise and 10 paise during 1977-78, 1982-83 and 1983-84 (25 paise only) and 5 paise during 1977-78. Actual production decreased from 34.13 crore coins in 1977-78 to 17.18 crore coins in 1980-81 but increased to 44.66 crore pieces in 1983-84 (Para 57.2.02).

- Shortage of coins, since early part of 1983, was attributed to reduction in working hours in the Mint in April 1977 and in May 1978 due to reduced demand of coins and failure of Reserve Bank of India to lift even the reduced quantum of coins produced in the Mints (Para 57.2.03).

— In the melting process the overall percentage of yield of good bars ranged from 85.2 to 91.1 and 94.1 to 98.1 in the case of Aluminium-Magnesium alloy and Cupro-Nickel [Para 57.2.04 (a)].

— No norms have been fixed for arisings of rejections and wasters for any of the coining processes except melting process. There were wide variations in actual arisings of wasters from year to year in different sections [Para 57.2.04 (b-f)].

— Stock of rejections|wasters have been increasing every year during 1979-80 to 1981-82 and there was steep increase during 1982-83 and 1983-84 resulting in blocking of money/ storage space (Para 57.2.05).

— The Mint has not maintained machine-wise log sheets and it has not worked out available machine hours used for production, idle hours etc. The Mint has also not fixed any norms of production by each machine and has no system of keeping (machine-wise|year-wise) details of expenditure incurred on repairs and maintenance (Para 57.3).

— Cost of production of coins has shown an increasing trend in respect of all the denominations from 1977-78 to 1981-82. Cost of production per coin has been more than the face value in the case of 5 and 10 paise denominations (Para 57.4.1).

— Net profit decreased from Rs. 562.13 lakhs in 1977-78 to Rs. 126.01 lakhs in 1980-81. The percentage of total return to mean capital has also decreased from 30.90 in 1977-78 to 10.40 in 1980-81 (Para 57.5.1).

— There has been abnormal delay in the compilation of Proforma Accounts. Proforma Accounts for 1982-83 and 1983-84 are yet to be compiled (Para 57.5.2).

— The Mint has not fixed the maximum, minimum and ordering levels for consumable stores. While the physical verification of stores for 1980-81 was not conducted, that for 1981-82 to 1983-84 was not complete. The closing stock of stores every year was more than one year's consumption. Stores were also not analysed into surplus, slow-moving, non-moving and obsolete items (Paras 57.6.1 and 57.6.2).

— No manual has been prepared outlining the organisational set up, financial and accunting procedures, duties and responsibilities of each category of staff etc. (Para 57.7).

— The departmental canteen has been incurring losses continuously from 1976-77 onwards (Para 57.8).

— The draft review was issued to the Ministry in December 1983 but their replies are still (December 1984) awaited (Para 57.9).

The above deficiencies have been discussed in detail in following paragraphs:

57.1 *Introduction*.—The Mint at Bombay produces coins of various denominations. The Mint also undertakes minting of coins for/foreign Governments, commemorative coins etc. and manufacture of medals, standard weights and measures etc.

Gold and Silver Refineries are attached to the Mint for refining raw gold and silver respectively received from various sources. There is also an Assay Department in the Mint to check the quality of coins manufactured.

The Mint is a departmentally managed Government Undertaking under the Ministry of Finance. The overall administrative and functional control vests with the General Manager.

The results of review of operations of the Mint for the period of seven years from 1977-78 to 1983-84 are given in the following paragraphs:

57.2 *Production performance*

57.2.01 *Determination of Capacity*.—The installed capacity, labour hours utilised etc. The Consultants been determined and, therefore, the actual utilisation of capacity could not be assessed.

The Government of India appointed M|s. Kirloskar Consultants to study the various aspects regarding installed capacity, achievable capacity labour hours utilised etc. The Consultants submitted their report. The Mint stated (August 1981) that the report was rejected by the recognised unions as non-practicable but a final decision on the report was yet to be taken.

Regarding fixation of capacity the Mint stated (January 1985) as under:

> "The installed|operating capacity of each equipment|plant depends upon various production factors such as input metals, thickness of blanks, denomination of coins, operating conditions etc...... It is necessary to have an Industrial Engineering Cell to do justice to this job which is being done to the extent possible. The Department of Personnel and Administrative Reforms (D.P.A.R.) has recommended installation of a cell."

57.2.02 *Targets of Production and achievements.*—The Mint has been manufacturing coins of 2, 5, 10, 20, and 50 paise and 1 and 2 Rupees denominations. Production of 2 paise coins was stopped with effect from 1979-80 in view of comfortable stock position and high cost of manufacture.

The targets of production of coins are fixed for each year by the Ministry of Finance on the basis of available stock balances and requirements of the Reserve Bank of India. Indents for the production of various denominations of coins are placed from time to time on the Mint by the Ministry of Finance for despatch of coins to the Reserve Bank of India.

The table below indicates details of production targets and actual produc-

(In lakhs pieces)

Year	Rs. 2		Re. 1		50P.		25P.	
	Target	Production	Target	Production	Target	Production	Target	Production
1977-78	...	...	1250	1068·17	1100	274.44	200	445·20
1978-79	...	...	1000	741.10	500	...	250	156.80
1979-80	...	...	1000	895.45	...	...	750	42.80
1980-81	...	...	1250	848·22	...	...	650	123·27
1981-82	...	...	1500	870·70	...	...	...	48.86
1982-83	500	238·83	1400	1144·71	1500	136.76	500	789·20
1983-84	1850	606.48	...	1361.99	800	808·78	840	1010·92

tion of coins, denominationwise, forseven years ending 1983-84:—

20 P.		10P.		5 P.		2 P.		Total	
Target	Production	Target	Production	Target	Production	Target	Production	Target	Production
...	...	250	252	500	520·55	1000	852·45	4300	3412.81
...	...	500	424·67	750	350·67	600	288·40	3600	1961.64
...	...	1000	591·64	900	685·40	...	...	3650	2215·29
...	...	1200	612.19	1000	134·55	...	...	4100	1718·23
...	...	1500	818·20	350	65·65	...	...	3350	1803.51
...	...	500	617·63	...	44·09	...	...	4400	2971·22
700	610.48	150	66·85	...	...	...	...	4340	4465·50

It will be seen from the above table that:

— the targets of production of coins, *i.e.* indents placed by Government were reduced from 4300 lakh pieces in 1977-78 to 3350 lakh pieces in 1981-82.

— the Mint generally did not achieve even the reduced targets of production of any of the denomination of coins except 50 paise in 1983-84, 25 paise and 10 paise in 1977-78, 1982-83 and 1983-84 (25 paise only) and 5 paise during 1977-78.

— the actual production of coins decreased from 34.13 crore pieces in 1977-78 to 17.18 crore pieces in 1980-81 but increased to 44.66 crore pieces in 1983-84.

The reduction in actual production from 1978-79 to 1981-82 was attributable to reduction in working hours and overtime and discontinuation of an incentive scheme from May 1978.

57.2.03 *Shortage of coins*

57.2.03.1 Since the early Part of 1983 shortage of coins, particularly those of smaller denominations affected almost all commercial towns and centres in the country. The genesis of the problem of shortage of coins and steps that could be taken in order to meet the coins shortage were discussed by the General Managers of all the three Mints at Delhi in May 1983 and a comprehensive note indicating the background of coin shortage, prepared after detailed discussion on the question, was sent by the Ministry of Finance to the Governor of the Reserve Bank of India (RBI). The note brought out the following factors which led to shortage of coins:

(i) All the three Mints used to work 60 hours a week till March 1977 and owing to fall in the demand by RBI the working hours were reduced to 54 hours a week from April, 1977 and further reduced to 48 hours a week from May 1978. As the prescribed hours of duty in the Mints are only 37½ hours a week, the reduction in working hours led to considerable reduction in over-time working which effected the production of coins.

(ii) Notwithstanding the fall in production as compared to targets which were fixed on the basis of demand, RBI failed to lift even the coins produced in the Mints, which resulted in accumulation of stock of coins in Calcutta Mint and also a decision in 1980 to close Hyderabad Mint on the ground that "normal demand for coins per year is less than what the three Mints at Bombay, Calcutta and Hyderabad can produce". The above proposal was approved by Cabinet in 1980. However, in 1982, after further assessment of total available minting capacity, the Ministry came to the conclusion that even after allowing for a substantial increase in production of coins, the estimated output was likely to be below anticipated demand. A reversal of above decision was accordingly sought for by the Ministry which was approved by the Cabinet in February, 1982.

In response to a suggestion made by the General Managers of the Mints in the coinage programme meeting held in April, 1982 RBI made a forecast in March 1983 about requirement of around 2000 million pieces of coins for 1983-84 and 3200 million pieces by 1992-93. The planned programme of minting of coins during 1983-84 was, however 925 million pieces. For increasing production of coins, certain short and long term measures were decided upon in the meeting of General Managers of Mints held in March 1983. The short-term measures, *viz.* introduction of 54 hours a week plus incentive scheme in Bombay and Hyderabad Mints; addition of certain required number of majdoors, working of the Mint on certain holidays and introduction of Group Incentive Scheme in Calcutta Mint, were expected to yield an additional output of 150 million pieces. Thus, total coins to be minted in 1983-84 were 1075 million pieces only.

The long term measures envisaged introduction of a second shift in Calcutta Mint, installation of more coining presses and replacement of very old models of coining presses by new ones in Bombay and Hyderabad Mints. A period of 18 months was needed for procuring these machines and putting them into operation.

57.2.04 *Minting operations.*—The coins are manufactured from various alloy namely, Aluminium-Magnesium, Cupro-Nickel and quarternary alloy. The various processes of production and their performance are discussed below:—

(a) *Melting Section.*—In this process, the metallic alloys are melted and cast into bars. The following table indicates the quantity of alloys melted, bars obtained and percentage of rejection, wasters and loss each year during the period from 1977-78 to 1983-84:—

Year	Input	Output	Rejection, wasters	Loss	Output	Input	Output	Rejection, wasters	Loss	Output
	Aluminium-Magnesium					Cupro-Nickel				
	(In tonnes)		(In percentage)			(In tonnes)		(In percentage)		
1977-78	905	785	6·5	6 8	86·7	2425	2346	1 4	1 9	96·7
1978-79	578	516	4·3	6·4	89·3	1536	1446	4·2	1·7	94·1
1979-80	519	460	2·1	9·3	88·6	1612	1544	2·6	1·6	95·8
1980-81	195	170	6·9	6.1	87·0	1844	1809	0 6	1·3	98·1
1981-82	701	639	1 0	7·9	91·1	1599	1561	0.5	1.9	97.6
1982-83	163	139	3·7	11 1	85·2	3434	3311	1.0	2 6	96·4
1983-84	203	183	0·6	9·1	90·3	3735	3657	0·2	1·9	97·9

It will be seen from the above table that the overall percentage of yield of good bars ranged from 85.2 to 91.1 in the case of aluminium-magnesium alloy against a norm of 91 per cent and from 94.1 to 98.1 in the case of cupro-nickel alloy against the norm of 97.25 per cent. While no norms have been fixed for wasters, the percentage of operational loss in melting process in respect of aluminium-magnesium has exceeded the prescribed norm of 9 per cent during 1979-80, 1982-83 and 1983-84. A review of records has further revealed that in following cases the actual operational loss was abnormal as compared to the norms in the case of aluminium-magnesium and cupro-nickel:—

Period (Quarter)	Percentage of actual loss
Aluminium-Magnesium	
October 1979 to December 1979	12·6
January 1980 to March 1980	13·7
April 1980 to June 1980	9·2
October 1980 to December 1980	12·0
January 1981 to March 1981	10·7
April 1981 to June 1981	9·7
July 1981 to September 1981	11.4
April 1982 to June 1982	12·5
January 1984 to March 1984	10·6
Cupro-nickel	
July 1982 to September 1982	3·68

The total impact of these abnormal losses was Rs. 6.13 lakhs:.

(b) *Rolling Section*.—The bars obtained from the Melting Section are rolled into strips. The following table indicates the performance of this process during the period 1977-78 to 1983-84:—

	Aluminium-Magnesium					Cupro-Nickel				
	Input	Output	Output	Rejections, Wasters	Loss	Input	Output	Output	Rejection, waster	Loss
	(In tonnes)		(In percentage)			(In tonnes)			(In percentage)	
1977-78	596	488	81·8	18·7	(—)0 5	2114	1879	88·9	11·4	(—)0·3
1978-79	422	330	78·2	21·9	(—)0·1	1443	1293	89 5	10·5	...
1979-80	470	382	81·1	19·1	(—)0 2	1640	1449	88·3	11·7	...
1980-81	399	332	83·3	16 6	0·1	1534	1326	86.5	13 5	...
1981-82	573	467	81·5	18·2	0·3	1705	1488	87.3	12 4	0 3
1982-83	259	219	84·6	14·9	0·5	3264	2777	85·0	14·7	0 3
1983-84	452	412	91·2	8·5	0·4	3793	3172	83 6	16·1	0 3

It will be seen from the above table that the percentage of yield ranged from 78.2 to 91.2 in the case of Aluminium-Magnesium alloy and from 83.6 to 89.5 in the case of cupro-nickel combination.

No norms have been fixed for rejections. The actual percentage of scrap arising during 1977-78 to 1983-84 ranged between 8.5 to 21.9 in case of aluminium-magnesium and 10.5 to 16.1 in respect of cupro-nickel.

In respect of variations in efficiency in melting and rolling processes the Mint has stated (July 1983) as under:—

> "The efficiency at each stage of production depends on various factors of production including input quality of metals. If inputs during a period contains more of oily wasters scraps, sweeping etc. instead of virgin metal the quality and quantity of output product will fall, which cannot be avoided."

(c) *Cutting Section*.—The strips obtained from the rolling process are cut into discs or blanks. The left over material (scissel) is remelted. The percentage of output in this process during the period 1977-78 to 1983-84 varied as shown below:—

Denomination	Minimum	Maximum
5p.	58·5	60·3
10p.	50·7	59·5
20p.	59·8 (1983-84)	
25p.	62·2	66·0
50p.	61·9	62·2
Re. 1	63·6	64·7
Rs. 2	64·3	65.6

No norms have been fixed for scissels and wasters. The actual arising of scissels and wasters during the period 1977-78 to 1983-84 were, however, as follows:—

Denomination of coins	Percentage of rejections, wasters (Scissel)
5 Paise	Between 39·7 to 41 5
10 Paise	Between 40·5 to 49·3
20 Paise	40 2
25 Paise	Between 34 0 to 37·8
50 Paise	Between 34.2 to 37·9
1 Rupee	Between 35·3 to 36.4
2 Rupees	Between 34·4 to 35·7

The reasons for wide variations in efficiency and arisings of scissel have not been analysed by the Management.

(d) *Annealing Section*.—The blanks received from the cutting section are annealed and before they are passed on for stamping are examined visually to weed out blanks not properly cut. No norms have been fixed for the rejections|wasters. The percentage of wasters during seven years ending 1983-84 ranged between 6.8 and 14.7; 5.5 and 17.5; 9.9; 8.7 and 18.2; 12.7 and 25.5; 12.9 and

20.2; 15.1 and 15.4 in the case of coins of 5, 10, 20, 25, 50 paise and Rupee 1 and 2 respectively.

(e) *Coining Section*.—The annealed blanks are struck into coins in the coining presses. No norms have been fixed for the rejections/ wasters in this process. The percentage of output in this process during the period 1977-78 to 1983-84 varied between 94.4 and 97.5; 93.3 and 97.4; 94.3; 98.3 and 99.8; 97.5 and 99.1; 97.3 and 99.0; 96.4 and 97.7 in respect of 5, 10, 20, 25, 50 paise and Rupee 1 and 2 coins respectively.

(f) *Examining Section*.—The coins examined and sorted out into good and defective coins. The percentage of good coins obtained out of the coins examined during the period 1977-78 to 1983-84 varied as shown below:—

Denomination	Minimum	Maximum
5p.	93·6	98·1
10p.	95·0	97.0
20p.	93·7 (1983-84)	
25p.	98·5	99·4
50p.	98·9	99·2
Re. 1	98·7	99·2
Rs. 2	98·1	98·2

57.2.05 *Accumulation of rejections, wasters*.—Normally, the rejections|wasters are remelted and used in the production of coins. However, the stock of rejections|wasters have been increasing every year from 1979-80 and have increased steeply during 1982-83 and 1983-84 as shown below:—

Year ending 31st March	Quantity (Kg.)	Value (Rs. In lakh:)
1980	91,621	23·86
1981	1,14,275	26·53
1982	1,31,851	45·03
1983	10,27,817	358·67
1984	7,29,781	334·40

Similarly, there is accumulation of stock of uncurrent coins received from the treasuries and banks as detailed below:—

As on	Quantity (Kg.)	Value (Rs. in lakhs)
31-3-1980	1,30,806	24·56
31-3-1981	2,15,573	42·22
31-3-1982	2,99,231	56·91
31-3-1983	1,78,736	12·07
31-3-1984	1,94,772	12·89

The Mint stated (January 1985) as under:

> "We are exploring the possibility of getting rejections melted and converted into good bars|strips by alternative methods due to constraints on our melting capacity."

The accumulation of stocks have resulted in blocking of money and storage space.

57.3 *Utilisation of Machinery*.—The Mint has not maintained machine-wise log sheets and it has not worked out available machine hours, hours used for production, idle hours etc. in respect of each machine. In the absence of these records, it is not possible to check the idle hours and the extent of utilisation of machinery. The Mint has also not fixed any norms for production by each machine. The Mint has *inter alia* stated (February 1983) that the problem of measurement of capacity of the machines is influenced by many variable factors *viz*., maintenance time for each machinery, recovery factor of each alloy and ranges therefore, sizes, thickness, weight of the production and input materials for product, time lost in change over from one department to another, working time, labour force available, etc.

The Mint further stated (January 1985) as under:

> "In the absence of adequate qualified staff at the shop floor level, for the purpose, it is difficult to maintain the voluminus data for each machine|plant. Proposals have already been made to the Government for installing an Industrial Engineering Cell. As soon as adequate manpower is sanctioned the system will be extended to all the plants".

The Mint has no system of recording machine-wise|year-wise details of expenditure incurred on repairs and maintenance.

57.4 *Costing*

57.4.1 The Mint has adopted the system of process costing for coining and job costing for other jobs. The cost of production of each denomination of coins is worked out quarterly and reported to Government.

The denomination-wise cost of production of coins for the period from 1977-78 to 1983-84 is given below:—

(Figures in paise)

	5p.	10p.	25p.	Re. 1
1977-78	7·35	9·60	15·17	44·62
1978-79	8.63	10.57	16.52	48.67
1979-80	10·05	13·55	16·95	55·12
1980-81	13·90	16·97	22·63	62·45
1981-82	12.70	18·20	24·95	66·67
1982-83	10·86	15·43	21·00	55·82
1983-84	...	11·02	21·61	54·99

It will be seen from the above table that:—

— the cost of production has shown an increasing trend in respect of all the denominations upto the year 1981-82.

— the cost of production per piece of coin has been more than their face value in the case of 5 and 10 paise denominations.

57.4.2 *Introduction of integrated cost and financial control system.*—With a view to evolve a uniform system of costing for adoption by all the three Mints so as to enable proper comparison of cost of production of the coin of each denomination certain proposals were made by the Ministry of Finance in September 1973. The system has not, however, been introduced so far (September 1984).

The Mint stated (February 1984) that:

"the study group for introduction of the integrated cost and financial control system in the Mint is still awaited".

57.5 *Working Results*

57.5.1. The coins manufactured in the Mint are delivered to the Reserve Bank of India at the face value of the coins. The working results of the Mint for the four years ending 1980-81, for which proforma accounts were available are given below:—

(Rs. in lakhs)

	1977-78	1978-79	1979-80	1980-81
(a) Mean capital	253.999	3078.96	2990.22	2933.23
(b) Value of coins delivered to RBI at face value	1251.46	980.18	1141.77	1479.28
(c) *Less*. Cost of production of coins delivered	698.33	932.89	879.86	1353.27
(d) Net profit	562.13	47.30	261.91	126.01
(c) Interest on capital	222.69	172 58	175.53	178.93
(f) Total return	784.82	219.87	437.44	304.94
(g) Percentage of total return to mean capital [(f) to (a)]	30.90	7.14	14.63	10.40
(h) Percentage of net profit to value of coins delivered to RBI [(d) to (b)]	44.92	4.83	22.94	8.52
(i) Percentage of cost of production to value of coins delivered to RBI [[(c) to (b)] . . .	55.08	95.17	77.06	91.48

NOTE : Simplified Proforma accounts for the year 1980-81 are given in Appendix IX.

It would be seen from the above that:—

(i) Net profit decreased from Rs. 562.13 lakhs in 1977-78 to Rs. 47.30 lakhs and Rs. 126.01 lakhs in 1978-79 and 1980-81 respectively. The percentage of total return to mean capital has also decreased from 30.90 in 1977-78 to 10.40 in 1980-81.

(ii) The percentage of cost of production to value of coins supplied to RBI increased from 55.08 in 1977-78 to 95.17 and 91.48 in 1978-79 and 1980-81 respectively.

(iii) The percentage of net profit to value of coins delivered to RBI declined from 44.92 in 1977-78 to 4.83 and 8.52 in 1978-79 and 1980-81 respectively.

57.5.2 *Delay in compilation of proforma accounts.*—There was delay in compilation of *Profroma* Accounts of the Mint as shown below:

Year of Accounts	rate on which prepared
1977-78	15th Aprii, 1980
1978-79	12th January, 1981
1979-80	12th October, 1981
1980-81	6th September, 1982
1981-82	16th July, 1983 (Under audit
1982-83	Not compiled.
1983-84	Do.

The Mint stated in April 1983 that the delay in finalising the proforma accounts was due to:

(a) late receipt of details of the debits for the expenses of Bullion Verification Squad each year from the Ministry.

(b) Inter dependence of Proforma Accounts of Assay Department and the Mint.

57.5.3 *Sundry Debtors.*—As on 31st March 1983, debts amounting to Rs. 101.38 lakhs were outstanding. The Mint is not having party-wise details of the amount of Rs. 12.58 lakhs outstanding for the years upto 1975-76. The year-wise details of the amount outstanding are given below:—

Year	Amount
	(Rs. in iakhs)
1959-60 to 1975-76	12.5
1976-77	0 29
1977-78	1.92
1978-79	26.36
1979-80	1.13
1980-81	2.02
1981-82	6.75
1982-83	18.41
Amount due from Government of Pakistan	31.92
	101.38

The Mint stated (February 1984) as under:—

"The amounts are outstanding mainly because bills|vouchers prior to departmentalisation of accounts *i.e.* October 1976 were adjusted by Accountant General's office. In some cases parties had pleaded helplessness to settle the claim on the grounds that previous correspondence is missing| destroyed. As regards payments from the Pakistan Government, action is awaited at Ministry level who is being regularly reminded".

57.5.4 *Sale of uncirculated coins and proof sets*.—The India Government Mint, Bombay is undertaking jobs of manufacturing uncirculated development oriented coins and proof sets as per the orders received from outside parties.

Details regarding cost of each such set|coin, is not available in the Mint. In the absence of cost of each set|coin, the profit earned or loss incurred in the manufacture and sale of these sets|coins could not be ascertained. The Mint has also not furnished the total number of each set/coin manufactured and the balance available as on 31st March, 1984.

57.6 Inventory Control

57.6.1 *System deficiencies*.—Besides the fact of delay in compilation of proforma accounts to ascertain the working result, the following deficiencies deserve mention:—

(i) The Mint has not fixed the maximum, minimum and ordering levels for the consumable stores.

(ii) As per prescribed procedure, the physical verification of stores is required to be done at least once a year. The physical verification of the stores for the year 1980-81 was not conducted and that for the years 1981-82 to 1983-84 was not complete.

The Mint stated (May 1983) as follows:—

"The verification of stores for the year 1979-80 was started from February 1980 and concluded by December 1980. Hence, no further verification for 1980-81 was conducted. The physical verification for the year 1981-82 was carried out from April 1981 to July 1981 but could be completed only partly due to sickness of staff. The verification for the year, cosumption during the year and closing balance as on 31st March for the years 1979-80 to 1983-84 are given below:

The Mint further stated in February 1984 that verification for the year 1983-84 was in progress.

57.6.2. *Surplus, slow moving, non-moving and absolete stores.*—The stock of stores at the commencement of the year, receipt during the year, consumption during the year and closing balance as on 31st March for the years 1979-80 to 1983-84 are given below:

(Rs. in iakhs)

	1979-80	1980-81	1981-82	1982-83	1983-84
Opening Balance	102.96	102.40	95 11	89 27	79 54
Purchases . . .	46 47	38 37	57 42	42 93	96.99
Consumption . . .	47.03	45.66	63.26	52 66	83.17
Closing Balance . . .	102.40	95.11	89 27	79 54	93 36

It may be seen from the above table that the Mint was having large closing balances every year which represented more than one year's consumption. The analysis of stores into surplus stores, slow moving, non-moving and obsolete stores has not been made.

57.7. *Departmental manual.*—The departmental manual outlining the organisational set up and procedure for financial and accounting arrangements and specifying the duties and responsibilities of each category of staff has not been prepared so far though the Internal Work Study Group of the Government of India has stressed the need for compilation of manual.

The Mint stated (May 1983) that the manual has not yet been prepared but its preparation will be taken up in due course.

57.8. *Other Topics of Interest: Losses in departmental canteen.*— The Mint is running a departmental canteen for the benefit of the workers. As stated in Government of India's letters dated 7th November, 1973 and dated 20th August 1979, departmental canteens are to be run on a "No Profit No Loss" basis. However, the departmental canteen of the Mint is incurring losses from the year 1976-77 onwards as detailed below:—

Year	Loss
	(Rs.)
1976-77	594
1977-78	85,063
1978-79	86,217
1979-80	1,22,834
1980-81	2,24,417
1981-82	2,85,386
1982-83	2,69,923
1983-84	1,97,524
TOTAL	12,71,958

According to the Management the losses are due to the difference in the cost price of the items prepared and low selling prices fixed as the prices of raw materials like food grains, vegetables, sugar, oils were increasing but selling prices of the items could not be revised after 1977-78 due to resistance from the workers.

The proposal of the Mint to write off the loss in the working of the departmental canteen for the period April 1975 to March 1978 has not been accepted by the Government so far (October 1984).

The Mint Mint stated (February 1984) as under:—

> "The new price structure adopted from October 1983 for sale of Canteen items is likely to bring down the losses and the Canteen is likely to run on 'No Profit No Loss' basis in due course of time".

57.9 The draft review was issued to the Ministry of Finance (Department of Economic Affairs) in December 1983 but their replies are still awaited (December 1984).

(*Vide paragraph 57·51*)

INDIA GOVERNMENT MINT, BOMBAY

Summarised Balance Sheet as at 31st March, 1981

Liabilities	31-3-1980	31-3-1981	Assets	31-3-1980	31-3-1981
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
Government Capital Account	14,96,23,003	14,85,09,466	Government Current Account	34,16,47,854	37,38,87,943
Accumulated Profit . .	51,09,71,272	52,35,72,426	Fixed assets less depreciation	4,59,27,298	4,43,30,219
Liability for metal held on others accounts	59,43,64,487	51,58,03,538	Work-in-progress	41,33,649	44,42,178
			Security and other deposits	93,530	97,990
Liabilities for coin sets—uncirculated held on others account .	99,500	...	Metal held on other account	59,43,64,487	51,58,03,538
			Coin sets—uncirculated held on others account	99,500	..
Security and other deposits .	1,82,403	1,83,532			
Current liabilities . . .	60,51,422	47,99,192	Current Assets	26,88,05,002	25,12,04,752
Other liabilities . . .	42,01,999	37,31,215	Loans and Advances	44,86,251	35,36,472
			Miscellaneous assets	59,36,515	32,96,277
	1,26,54,94,086	1,19,65,99,369		1,26,54,94,086	1,19,65,99,369

INDIA GOVERNMENT MINT, BOMBAY

Trading and Profit and Loss Account for the year ending 31st March, 1981

Particulars	1979-80	1980-81	Particulars	1979-80	1980-81
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
To			By		
Stock of coins and others . .	10,79,64,525	9,39,74,720	Value of coins delivered to RBI at face value	11,41,76,650	14,79,28,310
Cost of work done transferred from production account (including cost of work done for outside parties) . . .	6,11,96,255	6,20,71,500	Gold and Silver melting and refining fees	38,19,708	36,77,221
			Recoveries from employees for rent, electricity, water, etc.	87,979	1,68,920
Salaries, Wages, Allowances and Pensionary Charges . .	23,31,911	24,82,517			
Rent, rates and taxes; printing and stationery: Books and publications.	46,157	51,686	Recoveries from outsiders	58,39,374	48,14,357
			Miscellaneous receipts	25,32,281	16,30,009
			Stock of coins and other items	9,39,74,720	4,04,98,219
Advertising and publicity, postage and Telegram etc. . .	94,168	1,07,574			

Electricity, gas and water charges	3,63,756	5,76,633
Commission, law charges .	6,975	8,811
Audit fees	11,775	11,775
Police escort charges . .	5,98,792	6,80,867
Interest on capital . .	1,75,52,589	1,78,92,718
Repairs and maintenance, depreciation	1,02,958	1,69,924
Loss on withdrawals and destruction of UNC-coins .	33,96,233	74,60,740
Loss in running of canteen. .	1,22,834	2,44,417
Gold melting allowance . .	30,817	41,109
Miscellaneous expenses charges for physical verification of bullion/metal	4,17,237	3,40,790
Adjustment pertaining to previous years	3,112	...
Net profit	2,61,90,618	1,26,01,154
	22,04,30,712	19,87,17,074

22,04,30,712	19,87,17,074

APPENDIX-II

(*Vide* Para 107)

COST OF PRODUCTION

(Figures in paise per piece)

Year	5p B	5p C	5p H	10p B	10p C	10p H	25p B	25p C	25p H	Re. 1 B	Re. 1 C
1976-77 .	N.A.	N.A.	5.01	N.A.	N.A.	...	N.A.	N.A.	13·80	N.A.	N.A.
1977-78 . . .	7·35	N.A.	7.54	9·60	N.A.	...	15·17	N.A.	16·68	44.62	N.A.
1978-79 . . .	8·63	10.17	8·90	10.57	12·95	11.28	16.52	19·36	20.03	48.67	56·81
1979-80 . . .	10·05	11·34	9·88	13.55	14.66	14·86	16.95	21.53	22·37	55.12	63.72
1980-81 . . .	13.90	11.90	8.72	16·97	18·64	15·10	22·63	27·03	22·04	62·45	74·40
1981 82 . . .	12·70	14·13	12·68	18·20	17·67	...	24.95	25·00	22·43	66·67	73·63
1982-83 . . .	10·86	14·30	...	15.43	19.98	...	21·00	26.91	...	55.82	75·98
1983-84 . . .	...	12·05	...	11·02	14.25	...	21.61	23·49	...	54·99	61·93

APPENDIX III

Statement of observations and recommendations

Sl. No.	Para No.	Ministry/Deptt. concerned	Observation/Recommendation
1	2	3	4
1	17	Finance (Economic Affairs)	Coins constitute a small but necessary part of the total currency in circulation in the country. As distinct from the currency notes issued by the Reserve Bank of India (RBI), the rupee notes/coins and the subsidiary coins are issued by the Government of India and put into circulation through RBI. The Central Government is responsible for the minting of various denominations of coins which are presently produced in the three India Government Mints established at Bombay, Calcutta and Hyderabad. Although the production in these Mints has been continuously on the increase in each year from 1982-83, the existing Mints have failed to meet country's growing demand of coins in the recent years with the result that the Government has had to resourse to import of coins pending commissioning of a new Mint at NOIDA due by 1988-89.
	18	-Do-	The Committee are surprised to find that while the existing Mints have been functioning under the Department of Economic Affairs in the Ministry of Finance for a considerably long period

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			the installed/achieveable capacity of these Mints has not yet been determined. The Government appointed M/s Kirloskar as consultants to study the various aspects regarding installed and achievable capacity, labour hours utilised etc. in the Bombay Mint in the seventies. The Consultants' Report *inter-alia* recommended "fixation of scientific norms and enhanced productivity calculated on the basis of 48 hours working of the Mint". However, the Ministry of Finance could not pursue its implementation as the recognised Unions of the Mints resisted the Report mainly on account of the "proposed reduction in manpower and increase in the production norms to be achieved with the same old machinery". The Committee further note that the Department of Personnel and Administrative Reforms (DPAR) also recommended installation of an Industrial Engineering Cell in the Mints with a view to assessing installed/operating capacity of each equipment and plant. Although the Study Report of DPAR was submitted in May 1983, the specially constituted Empowered Committee accepted the recommendation of DPAR only in August 1985. The Committee have now been informed that the Government has in November 1985 appointed M/s. MECON as engineering consultants for the new Mint Project, NOIDA and the scope of their assignment also includes preparation of engineering reports for modernisation of the three existing Mints. While M/s. MECON are expected to submit their report within three months after the final clearance is given by the

			Government, the final clearance has not yet been given due to the impending decision on substituting the coinage alloy of some of the coins with stainless steel.
3	19	Finance (Economic Affairs)	The facts stated above would clearly indicate that the Ministry of Finance have been far too lackadaisical and indifferent towards the aspect of determination of capacity of the Mints with the result that the actual capacity utilisation of these Mints could not hitherto be assessed. Even if the Kirloskar Report could not be implemented because of its rejection by the Recognised Unions of the Mints for reasons explained in the proceeding paragraph, the Committee have no doubt that more practical and scientific approach could and should have been made for determining capacity of the Mints with due consideration for the existing manpower and the machinery in the interest of optimum economic results. The Committee are of the considered view that it is absolutely essential to have the capacity utilisation of these Mints assessed so that it is possible to analyse variation in the actual work and determine reasons for work slippage and other delays. The Committee deprecate that there has been delay of more than two years in accepting the recommendation of DPAR for setting up of Industrial Engineering Cell in the Mints with the result that the proposed cell still continues to be in a formative stage. What is more disquieting is the fact that even M/s MECON's engineering study has been held for want of clearance by the Ministry of Finance pending the decision on substituting the coinage alloy of some of the coins with ferrious steel. The Committee would like the issue of determination of capacity and its optimum utilisation to be settled without any delay so that

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			it is possible to effectively monitor the progress of the working of mints and to take prompt remedial measures in regard to work slippages.
4	61	Finance (Economic Affairs)	The Committee have been informed that the annual indents for various denominations of coins are placed on Government by the Reserve Bank of India (RBI) after assessing the demand of coins made in the light of the previous years utilisation patterns and the stock of unissued coins held by the offices of RBI. Based on such indents, the mint-wise target of production of coins are fixed by the Ministry of Finance on year to year basis after taking into consideration the production achieved by the three Mints during the preceeding few years and the availability of man/machine power for processing different coinage alloys. These targets of production of coins are arrived at the basis of the stock of coins available with both RBI and the Mints.
5	62	Do.	The Committee note that during the year 1978-79 the closing balances of coins at RBI's offices and the Mints was 1595 million pieces and 929 million pieces respectively. Owing to these large balances of unissued coins with its offices, RBI lowered its annual indents for coins from 1450 million pieces for 1978-79 to 750 million pieces for each of the years 1979-80 and 1980-81. The targets of

production of coins during these years, as prescribed by the Ministry of Finance, were 1000 million pieces and 1100 million pieces but the actual production of coins was only 551.94 and 551.91 million pieces in the respective years. As the annual absorption of coins during these years was high, the coins' stocks both at RBI and the Mints were reduced significantly at the end of 1980-81. RBI, accordingly, increased its annual indents for coins to 1000 million pieces for 1981-82 and 1500 million pieces for 1982-83. The Ministry of Finance however, prescribed lower targets of production of 750 million pieces of coins for 1981-82 and 900 million coins for 1982-83 but the Mints failed to achieve even these reduced targets of production with the result that the coins' stock with the Mints and RBI declined steeply during these years. According to the information furnished by the Ministry of Finance, the shortfall in the production of coins was attributable to the reduction in the working hours of the Mints and the withdrawal of the incentive schemes which resulted in loss in the earnings of the workers causing psychological set-backs and discontentment among them. The Committee have also been informed that the working hours of the Mints were reduced from 60 hours a week to 54 hours from 1-4-1977 and again to 48 hours from 10-5-1978 on the ground of accumulation of stocks in the Mints owing to fall in demand of coins. The Committee, however, note that although an incentive scheme aimed at increasing the production of coins in the Bombay Mint was introduced from 28-12-1981, the Mint could not achieve the prescribed targets of production during the years 1981-82 and 1982-83.

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6	63	Finance (Economic Affairs)	It is disquieting to note that the targets of production of coins for the years 1979-80 to 1982-83 were not in conformity with the procedure stated to have been adopted by the Ministry of Finance while fixing such targets. During 1979-80 and 1980-81 when RBI lowered its indents for coins due to heavy stocks of coins with its offices and the Mints, the Ministry of Finance had persisted with high targets of production. On the contrary in 1981-82 and 1982-83 when the stock position of coins with RBI and the Mints was dwindling and the RBI's indents were rising due to increase in demand of coins, the Ministry had prescribed lower targets of production. It is difficult to comprehend as to how the dwindling stock position of coins at RBI and the Mints was overlooked by the Ministry of Finance while fixing targets of production for the years 1981-82 and 1982-83. What surprises the Committee most is the fact that the 'Committee of officers', appointed by the Ministry of Finance in July, 1983 to look into the problem of shortage of coins had observed that "there was a possibility that the demand estimates of RBI might be on the high side." The Committee, on the contrary, feel that had the indents of RBI been met during 1981-82 and 1982-83, there would not have been any shortage of coins. Evidently, there was a total failure on the part of the Ministry of Finance in prescribing realistic targets of production and initiating timely measures with a view to augmenting the production of coins. In the opinion of

			the Committee, this failure had resulted in tapering down of production and consequential shortage of coins.
7	64	Do	The Committee have also been informed that the genesis of the problem and the steps that could be taken to meet the shortage of coins were discussed by the General Managers of the three Mints at Delhi in May 1983 and a comprehensive note on the subject was sent by the Ministry of Finance to the Governor of RBI. The note *inter-alia* brought out that notwithstanding the fall in production as compared to the targets fixed on the basis of demand, RBI had failed to lift even the coins produced in the Mints. In a subsequent note to the Committee, the Ministry of Finance reiterated that it was only during the years from 1978-79 to 1980-81 that RBI was not in a position to lift the entire production together with the unlifted stocks at the Mints as the Reserve Bank along with the agency banks was carrying heavy unissued coins stocks. The Committee, however, find from the statistics furnished by the Ministry that RBI was lifting more coins than the mintage in each of the years during 1978-79 to 1983-84 and the lifting during 1979-80 and 1980-81 exceeded even the indents of the Bank.
8	65	Do.	The Committee consider that the system adopted by the Ministry of Finance for prescribing targets of production of coins had certain deficiencies insofar as it failed to take into consideration the adjustments necessitated on account of shortfall in the production of coins in the previous years. Another factor responsible for the situation was that the Ministry of Finance had failed to take into

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			consideration the typical tariff rates and the price structure in the market while fixing targets of production of smaller denominations' coins with the result that the targets of production of 10p. and 5p. coins were considerably lowered despite RBI's high indents for the same. The entire process of assessment of demand of coins by RBI and the fixation of volume of production and its monitoring by the Ministry of Finance is so interlinked that both RBI and the Ministry of Finance should interact with a view to assessing and meeting the coinage requirement of the country. The Committee therefore, recommend that the Ministry of Finance should not only devise a scientific mechanism for assessing requirement and production of coins but should also coordinate with RBI with a view to analysing the coinage requirement from time to time so that the shortage of coins is avoided.
9	66	Finance (Economic Affairs)	The Committee find that the percentage of small coins to total currency had gone down from 3 in 1971- to 1.4 in 1986. Similarly, the percentage of one rupee notes/coins had also declined from 5.7 in 1971 to 1.9 in 1986. This is presumably due to the declining value of rupee. Small coins are no longer in demand as they used to be except in retail shops. The demand for small coins is likely to be reduced and those for coins of 50 paise may go up. It

			is considered desirable that the Ministry of Finance take into account all relevant consideration for fixing a proper percentage of the coins to the total currency so that the targets for the production of coins in the Mints are fixed realistically. It is imperative that the psychology of shortage should remove.
10	67	Do.	The Committee note that RBI in March 1983 had given the estimated requirements of coins to the tune of 2050 million pieces in 1983-84, 2250 million pieces in 1984-85 and 3200 million pieces in 1991-92. As against this, the production of coins in the Mints was however, only 1063 million pieces and 1356 million pieces during the years 1983-84 and 1984-85 respectively. The Committee have been informed that with a view to meeting the shortfall in production and the growing demand of coins in future years, the Ministry has initiated certain short and long term measures *viz.*, (i) introduction of an incentive scheme and increase in the weekly working hours in the three Mints; (ii) introduction of second shift in Calcutta Mint from 25-2-1985; (iii) import of 22 new coining presses which have been installed or are in the process of installation either as replacement or addition in the three Mints and (iv) setting up of a new Mint at NOIDA, U.P. which is likely to start production from 1988-89. The Committee however, find that despite the augmented production of coins in the country during the years 1983-84 and 1984-85, the existing mints have failed to meet the entire coinage requirement with the result that Government has placed orders for import of 4000 million pieces of coins from the foreign mints. The Committee are unhappy to point out that these import

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			orders have not only costed the country valuable foreign exchange but have also exposed the poor co-ordination and planning in the Ministry of Finance. The Committee would like to be apprised of the amount of foreign exchange spent in the import of coins during the aforesaid years. Keeping in view the fact that the forecast for requirement of coins generated for the decade would entail a growth rate of about 10.6 per cent for circulation of small coins and 9.23 per cent for Rs. 2 and Re. 1 coins, the Committee would urge upon the Government to take measures to plan the future mintage capacity in the country directly in proportion to the rate of demand growth so as to obviate any possibility of imbalance. The Committee would urge the Government to take adequate steps in advance so as to ensure that it is not necessary to import coins. It must be remembered that the history of Indian Mints shows that at one time foreign countries used to get their coins minted in India.
	89	Finance (Economic Affairs)	The Committee note that RBI's Issue Officers issue coins over their counters and also through small coin depots/currency chests established with the branches of SBI, nationalised banks, treasuries etc. The Committee also note that there are constraints in expansion of the network of small coin depots due to "infrastructural deficiencies like rail/road link, inadequate security etc." The Secretary, Ministry of Finance, however, informed the Committee during

			evidence that Government had recently taken a decision to involve SBI and all the nationalised banks directly in the distribution of coins. The Committee would urge upon the Government to expeditiously take steps for revamping the distribution system by involving all branches of SBI and nationalised banks with a view to providing smooth notes/coins exchange facility in all parts of the country. The Committee note that the Government intends to examine the alternatives of modernising the mints on the availability of MECON Report. The Committee hope that while examining this question the Government would take into account the latest technological development in this field in advanced countries and also the fluctuating requirements of coins so that the production of coins in the mints is done efficiently and economically.
12	113	Do.	The Audit Para points out that no norms have been fixed for arising of wasters and rejections in any of the coining processes and that the percentage of operational loss in melting process in respect of aluminium-magnesium has exceeded the prescribed norm during the years 1979-80, 1982-83 and 1983-84. According to Ministry of Finance, norms for wasters/rejections in coining processes in Rolling Section to Coining Section can be fixed only when slabs of uniform quality are received from Melting Section. The Committee are also informed that the Bombay Mint has 'recently introduced continuous casting with the help of sophisticated machinery and the operational rejection in casting bars have now been eliminated to a very great extent'. The Committee however, note that

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			the remaining two Mints still have oil fired tilting furnaces in operation in the melting sections.
13	114	Do.	The Committee find from Paragraph 61 of the Report of C&AG of India for the year 1982-83, Union Government (Civil) regarding India Government Mint, Hyderabad that there had been a sudden increase in the fuel oil consumption in Melting Section of Hyderabad Mint from the year 1977-78 onwards. According to the information furnished by the Ministry, the reasons for this increase in fuel oil consumption in melting process were attributable to the reduced working hours and the time gap of about 9 hours between the closure of the shifts and its commencement on next day resulting in considerable heat loss in the furnaces. The Committee regret to note that no timely action was taken for readjustment of the shifts in Melting Section with a view to economically utilising the furnaces in operation in Hyderabad Mint. The system of continuing the present casting techniques in Calcutta and Hyderabad Mints requires an assessment of cost-benefit ratio as the continued use of primitive casting techniques have not only resulted in abnormal operational losses but have also affected the performance of the Mint.
14	115	Do.	Huge stock of rejections/wasters and uncurrent coins has been accumulating in Bombay Mint year after year from 1979-80 onwards. According to the information furnished to the Committee,

			the value of rejections/wasters and the uncurrent coins lying in Bombay Mint as on 31-3-1985 is Rs. 3,28,36,459 and Rs. 7,18,412 respectively. While the aluminium magnesium coins were made from ready made extrusions procured from outside, the rejections arising out of these extrusions along-with the uncurrent coins could not be melted 'within the restricted capacity'. Even the extent casting system 'with the help of sophisticated machinery' adopted in Bombay Mint has failed to meet the necessary diversion of melting capacity from one alloy to another with the result that the Mint has been exploring the possibility of getting the rejection processed through outside agencies. The Committee fail to understand the logic behind the belated decision of the Government to get the rejections melted from outside agencies. It is imperative that the Ministry of Finance realised the necessity for taking concrete steps for augmenting the melting capacity of the Mints through modern techniques so as to effect all possible economies consistent with the requirements of the Mints.
15	116	Do.	The Committee note that the working in the existing Mints is labour oriented and section-wise manufacturing is undertaken in the coining process. According to Ministry of Finance, the Mints sometimes have to carry with the 'counter flow processes due to space constraint'. Most of the machines in operation in the various production sections have outlived its normal span of life, and inspite of the failure of the existing Mints in meeting country's coinage requirement fully, no concrete steps have yet been taken by the Government for replacement of the old machinery except

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			recent installation of 22 imported coining presses either as additions or in replacement of the old ones in the existing Mints. M/s. MECON appointed as Engineering Consultants to conduct a study on the modernisation of the Mints, are yet to start their study due to the impending decision of the Government on the coinage alloy to be used in future. The fact however remains that the Government has displayed apathetic attitude towards updating the production technology in the Mints with the result that the conditions in the production sections of the Mints are far from satisfactory. The fact that the Indian coins manufactured in foreign mints are cost beneficient further strengthens Committee's view that the Government has not worked out the economics of production in the existing Mints. In the absence of such an exercise, the Committee are unable to understand how the Government can ensure optimum and economic production of coins in the best financial interest of the Government. The Committee desire that Government, after taking into consideration the future coinage alloy, should expeditiously take appropriate steps for providing the latest technology in the existing mints so as effect utmost economy in the cost of production of coins. The Committee would also like to be apprised of the steps taken in this regard.
16	117	Do.	The Committee note that the Mints at Bombay and Calcutta are not maintaining machine-wise data with a view to ascertaining the

			extent of utilisation of each machine *vis-a-vis* the available machine hours. Although the Hyderabad Mint has been maintaining such records in all production departments, the experience of Hyderabad is stated to have been not followed in Bombay Mint because of the 'sheer volume of work involved and large number of machineries in use'. The Committee however, find from Paragraph 61 of the Report of the C&AG of India for the year 1982-83, Union Government (Civil) regarding India Government Mint, Hyderabad that 34 and 38 per cent of the available hours were lost due to break-down of machines in the years 1979-80 and 1980-81 respectively in the coining presses in Hyderabad. According to this Audit Para, an analysis of the machine-wise break-down during 1980-81 revealed that one-third of the machines in coining departments were under repairs continuously for over nine months. The Committee feel that this is a disturbing feature especially when 'the workers are motivated to produce as much as possible from the existing aged machines' leading to break downs now and then. The Committee need hardly emphasise that complete records of the plants and equipments showing the number of break-downs, total number of man/machines hours lost and the losses suffered as a result thereof should be properly maintained so that the precise reasons of break downs etc. could be identified for conclusive action to avert their recurrence.
17	118	Do.	It is disquieting to note that the Bombay Mint has no system of recording machine-wise/year-wise details of expenditure incurred on repairs and maintenance. According to the information furnish-

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			ed by the Ministry of Finance, 'in the absence of the machine-wise data, the expenditure commonly booked were located and absorbed on machines on the basis of capital cost of the machines'. In the absence of these details it would be well nigh impossible for the Government to review the performance of machine with a view to seeing whether these have outlived their utility and in many cases it may even be advisable to go in for new machines incorporating latest technology which may be economical and efficient leading to optimum utilisation. The present piece-meal approach and faulty and indecisive planning is the main cause for this sad state of affairs in the Mints. The matter needs urgent attention so that obsolete and defective machines are replaced. Capacity has to be increased by expanding or by establishing new machines. The Committee need hardly point out that the extant system of allocation of expenditure is unscientific and inadequate to render useful information to the management on actual repairs and maintenance of machinery. The Committee would urge the Government to introduce a scientific system intended to monitor and check effectively the actual repairs/maintenance expenditure on the machines in different production sections of the Mint.
18	141	Do.	The Committee regret to observe that the Proforma Accounts of Bombay and Calcutta Mints from 1981-82 are still in arrears with the result that the extent of net profit/loss in the working of these

			mints could not be considered in details. The purpose of preparing these accounts is to judge whether the mints functioned with minimum financial outlay avoiding all unnecessary and extravagant expenditure and keeping in view the requirement of maximum physical output for minimum financial input. The delayed preparation of these accounts would totally defeat the purpose.
19	142	Do.	The Committee find that although the Ministry of Finance considered a proposal for conducting a study on the introduction of integrated cost and financial control system in late 1970s, the same was not followed up. According to the information furnished by the Ministry of Finance, the uniform system of costing had not been introduced in the Mints because each mint followed its own established methods. The Committee have now been informed that the Government has recently taken a decision for appointment of an agency for conducting such a study. The Committee deplore that no timely steps were taken by the Government for introduction of such a system earlier so as to effectively analyse the factors for the abnormal variations in the cost of production of different denominations of coins in the three Mints besides ensuring timely submission of Pro forma Accounts. The Committee would like the Ministry to take appropriate steps for early introduction of integrated cost and financial control system in the three mints. The Committee would also like to be apprised of the progress made by Bombay and Calcutta mints in clearing the outstanding proforma accounts.

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20	143	Do.	It is disquieting to find that while the physical verification of stores is requird to be conducted at least once every year, such verification has not been properly conducted in most of the cases in all the three mints during the preceeding six years. The Committee also observe that the stores verification in Calcutta Mint during the years 1982-83 and 1983-84 could not be completed either due to incomplete stores adjustments in the previous year or due to non-posting of stores ledgers etc. This is clearly indicative of lack of control with regard to accountal of stores and against canons of financial propriety. The Committee would like the Ministry to fix responsibility for the lapses in not undertaking the complete and timely annual physical verification of stores in all the three Mints from 1979-80 onwards. The Committee would also like the Ministry to issue instructions for proper annual verification of the stores in the existing Mints, fixing norms for permissible shortages, enforcing accountability of offices for not conducting timely physical verification and fixing responsibility in cases involving heavy shortages.
21	144	Do.	The Committee find that Bombay Mint has not yet fixed maximum, minimum and ordering levels for the consumable stores nor analysed the stores into surplus, slow-moving and obsolete items. The ratio of issue of stores to the balance held in stock has been very high in Bombay Mint, it being 1:97 in 1984-85. According to the information furnished by the Ministry, the Bombay Mint had purchased 1025 bars of nickel for utilisation under National Standard

			Rules of India but this inventory had to be carried forward as the said Rules remained only in draft stage. The Committee feel concerned about these bars lying unutilised and would like to know the total value of such stock and the period for its remaining unutilised. The Committee would also like the Ministry of Finance to appoint a group of technical officers to examine the aspect of stores management so as to evolve an appropriate mechanism to rationalise the inventories with a view to ensuring that these are not burdened by acquisition of stores far in excess of inventory level thereby blocking capital. The Committee may be apprised of the action taken in this regard.
22	145	Do.	Another disquieting feature noticed by the Committee is that there is no departmental manual in Calcutta and Hyderabad Mints and the departmental manual for Bombay Mint is more than four decades old and has not been updated from time to time. The Committee fail to understand as to how the Mints functioned in the absence of departmental manual which not only lays down the procedure for financial and accounting arrangements but also specifies the duties and responsibilities of each category to staff. The Internal Work Study Group of the Government of India had also laid emphasis on the need for maintenance of such a manual in the Mint. This clearly indicates that the management have failed on this count. According to the Ministry of Finance, it is proposed to entrust the work of compilation of a uniform manual for all the Mints to consultants/management experts 'as it would contain both technical as well as accounting and administrative areas'. The Com-

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			mittee hope that urgent steps would be taken to prepare the departmental manual incorporating latest decisions for being introduced in the Mints without any further loss of time. The Committee would like to be apprised of the action taken in this direction.
23	146	Do.	The observation of the Committee aforesaid leads the Committee to inevitable conclusion that there has been a dismal failure of the Ministry of Finance inmanaging the affairs of the Mint. Dut to lackadaisical approach to the problems of the Mint, the Government Mints which have been in production for over a century, have almost become obsolete. Lack of replacement and rehabilitation programme has led to the continuance of overaged and obsolete machines which have a poor out-turn as compared to the new machines. Had this part of the issue received proper attention in time, perhaps, the need for import of coins from abroad would not have arisen at all. The system of forecast for the requirement of the coins, its production and circulation requires to be thoroughly overhauled and reoriented so as to ensure that the shortcomings pointed out by the Committee do not recur. There has been total absence of the system of costing in the Mint, with the result that there is no cost control and, therefore, economics of the production cannot be judged. The Committee recommends that the system of cost accounting and cost control, as is suitable for any manufacturing unit, should be instituted forthwith to ensure that the cost of production remains under

control and the output is economical. The Committee would specifically urge the Government to arrange a review of the existing over aged machines engaged in the production of coins on a priority basis so as to examine whether these need replacement, keeping in view that the expenditure on their upkeep and maintenance is on the high side and may justify purchase of new machines incorporating latest technology which may result in better out-turn.

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