NINTH REPORT

STANDING COMMITTEE ON FINANCE (1994-95)

(TENTH LOK SABHA)

MINISTRY OF FINANCE—BANKING DIVISION
WORKING OF THE PUBLIC SECTOR BANKS

Action taken on 4th Report (Tenth Lok Sabha)

सत्यमेव जयते

Presented to Lok Sabha on 15 DEC 1994
Laid in Rajya Sabha on 14 DEC 1994

LOK SABHA SECRETARIAT
NEW DELHI

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CORRIGENDA

PAGE NO.	LINE	FOR	READ
4	4 from bottom	'for'	'far'
5	15 from bottom	'or'	'of'
6	6 from bottom	Delete 'crore'	
7	18	'Statue'	'statute'
8	21	'Circulting'	'Circulating'
26	6	'not'	'note'
26	6	'frauds the irregularities	'frauds and irregularities'
30	3 from bottom	'not'	'note'
32	2	'up'	'upto'

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CORRIGENDA

COMPOSITION OF THE STANDING COMMITTEE ON FINANCE (1994-95)

Dr. Debiprosad Pal — *Chairman*

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44. Shri Gurudas Das Gupta

*45. Shri Narendra Pradhan

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2. Shri Satish Loomba — *Deputy Secretary*
3 Shri T.K. Mukherjee — *Assistant Director*

* Shri Narendra Pradhan, Member of Rajya Sabha nominated member of the Standing Committee on Finance w.e.f. 25.8.1994.

INTRODUCTION

. I, the Chairman of the Standing Committee on Finance having been authorised by the Committee to submit the Report on their behalf, present this Ninth Report on Action taken by Government on the recommendations/observations contained in their Fourth Report on the Ministry of Finance—Banking Division—Working of the Public Sector Banks.

2. The Fourth Report was presented to Lok Sabha on 23 December, 1993. The Government furnished their replies indicating action taken on the recommendations/observations contained in that Report, in June, 1994.

3. The Committee considered and adopted the draft Report at their sitting held on 19 September, 1994. Minutes of the sitting form Part II of the Report.

4. For facility of reference and convenience, the recommendations of the Committee have been printed in thick type in the body of the Report.

NEW DELHI;
23 September, 1994
1 Asvina, 1916 (Saka)

DR. DEBIPROSAD PAL,
Chairman,
Standing Committee on Finance.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by the Government on the recommendations contained in the Fourth Report (Tenth Lok Sabha) of the Standing Committee on Finance (1993-94) on 'Working of the Public Sector Banks' which was presented to Lok Sabha on 23 December, 1993.

2. Action Taken notes have been received from the Government in respect of all the 28 recommendations contained in the Report. These have been categorised as follows:

(i) Recommendations/observations which have been accepted by the Government:
Sl. Nos. 4, 7, 9, 11, 15, 16, 18, 19, 21, 23, 26-28 (Chapter II - Total 13)

(ii) Recommendations/observations which the Committee do not desire to pursue in view of the Government replies:
Sl. Nos. 3, 6, 8 and 12 (Chapter III - Total 4)

(iii) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee:
Sl. Nos. 1, 2, 10, 17, 22, 24 and 25 (Chapter IV - Total 7)

(iv) Recommendations/observations in respect of which final replies of the Government are still awaited:
Sl. Nos 5, 13, 14, 20 (Chapter V - Total 4)

It would be observed from the above that out of 28 recommendations made in the Report, 13 recommendations *i.e.*, 46.42 per cent have been accepted by the Government and the Committee do not desire to pursue 4 recommendations *i.e.* 14.29 per cent in view of Government replies. Replies have not been accepted in respect of 7 recommendations *i.e.* 25 per cent. Final replies of Government in respect of 4 recommendations *i.e.* 14.29 per cent are still awaited.

3. The Committee desire that the final replies in respect of the recommendations for which only interim replies have been given by the Government, should be furnished to the Committee expeditiously.

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

A. Audit of Accounts of Banks
(Recommendation Sl. No. 1, Para No. 1.8)

5. The Committee had noted with concern the frauds and irregularities that had taken place in the banking system in the recent past. There appeared to be a total failure of audit in banks. The Committee had felt that the audit of accounts in banks should be improved so as to avoid system failures and financial scandals. The Committee had, therefore, recommended that the frenquency of audit of banks should be increased from the present once in three years to at least once in two years and efforts should be made to cover maximum number of branches.

6. In their reply, the Government have stated that at present all branches of public sector banks having outstanding advances of Rs. 1 crore and above are compulsorily audited every year. Of the remaining branches, 25% are selected at random every year. In this process, all branches of public sector banks are audited at least once in 4 years. In addition to the Statutory Central Audit and Branch Audit, RBI have introduced a system of concurrent audit in all scheduled commercial banks. Detailed instructions covering the concept of concurrent audit, scope of such audit, coverage of business/branches, types of activities to be covered during the audit and reporting system have been laid down by RBI. Banks have also been advised by RBI that while framing the concurrent audit system they may clearly spell out the linkages between different forms of internal audit already in existence.

7. **While the Committee appreciate the introduction of the system of concurrent audit in all scheduled commercial banks, they are not satisfied with the present process of audit in covering all branches of public sector banks once in four years only. The Committee, therefore, reiterate their recommendation that the frequency of audit of all branches of the banks should be increased from once in four years as at present to at least once in two years.**

B. Audit of Banks by the Comptroller and Auditor General of India (Recommendation Sl. No. 2, Para No. 1.9)

8. The Committee had noted that the entire nationalised banking sector alongwith financial institutions like IFC, IDBI, ICICI and the LIC were not being covered by C & AG Audit though these institutions accounted for a major portion of the country's economic and financial infrasturcture and were important agencies to carry out Government policies for development and public welfare. The Committee did not find any merit in the Ministry's argument that the banking sector should not be brought under C & AG Audit because C & AG Audit was primarily rule-bound and banking activity necessarily involved a measure of descretion. There was also no weight in the argument, that the nationalised banks and financial institutions would be discriminated against, *vis-a-vis* the foreign banks, since the later would be outside the purview of C&AG Audit. The Committee had, therefore, recommended that the audit of the nationalised banks and other financial institutions which are government owned or government controlled should be brought under the control of C&AG who should select and appoint Statutory Auditors and carry out a supplementary audit through its own officers just as is done in case of Government Companies and other public sector undertakings.

9. In their reply, the Government have stated that the audit of public sector banks is conducted by outside statutory auditors who are appointed by the banks concerned with the approval of RBI. The selection of central statutory auditors is made by a Committee *viz.* Standing Committee on Bank Audit (SAC) which has

been functioning for several years. The members of SAC include representatives of RBI, Ministry of Finance, C&AG and NABARD. SAC identifies the list of chartered accountants from a panel obtained from C&AG.

Reserve Bank of India in consultation with Government have introduced certain changes in the audit system of various banks for improving the same, like continuity of auditors for four years, direct reporting to RBI on serious irregularities which require immediate attention and introduction of concurrent audit in the major branches of all the commercial banks.

In addition to these changes, the Board for Financial Supervision proposed to be set up by the RBI will function with the assistance of the Department of Supervision dealing with banks, financial institutions, non-banking financial companies and resources management services. It would also determine the criteria for appointment of auditors, appoint statutory and special auditors and assess external audit performance.

The RBI has also taken necessary steps for setting up of an Audit Committee of the Board of Director (ACB) of all commercial banks for overseeing the internal audit function in banks. This apex audit Committee will look into different types of audit conducted within the bank, their periodicity as well as quality and follow up action on the reports regarding performance of unsatisfactory branches.

Government have considered the present status of audit in banks and are of the view that with the Board for Financial Supervision having audit follow up as one of its functions, there is no need for C&AG audit of public sector banks and financial institutions.

10. The Committee are unable to accept the viewpoint that with the setting up of the Board for Financial Supervision having audit follow up as one of its functions, there is no need for C&AG audit of public sector banks and financial institutions. The Committee, therefore, reiterate their recommendations and urge that the audit of the banks and other financial institutions which are government owned or government controlled should be brought under the control of C&AG who should have powers to carry out a supplementary audit through its own officers just as is done in the case of government companies and other public sector undertakings.

C. Top level appointments
(Recommendation Sl. No. 10, Para 4.11)

11. The Committee were distressed to note that out of the twenty nationalised banks, three banks were without full-fledged Managing Director/Chairman. The post of Chairman and Managing Director of Andhra Bank was vacant for more than one year. The Committee had further noted that posts of Executive Director were lying vacant in four nationalised banks for periods ranging from one and a half year to one month. The Committee had considered that situation as most

unfortunate and deplored the lackadaisical manner in which government had handled the matter. The Committee were of the view that for effective functioning of any organisation and particularly nationalised banks, which cater to the needs of people at large, there ought not be any vacuum in top management, since the delay in appointments to such high posts not only hampers the smooth fuctioning of banks, but also has a cascading negative effect on corporate goals and implementation of financial policies.

12. In reply, the Government have stated that they have agreed with the Committee that there should be no delay in appointments to the posts of Chairman and Executive Director in the nationalised banks. Generally, where the vacancy of whole-time directors is expected in the normal course, the search for the successor commences about three months before the vacancy actually arises. In most of the cases, the recommendations of the Appointments Board constituted under the Chairmanship of Governor, Reserve Bank of India are obtained before the vacancy actually arises. However, in cases of resignation or termination, it is not possible to anticipate the vacancy well in time. Further, delays do take place on certain occasions on account of time taken for completion of various formalities including obtaining of vigilance clearance etc.

The Government have further stated that as on date (17.6.94) the post of Chairman and Managing Director is vacant in Andhra Bank w.e.f. 1.7.92 and the posts of Executive Directors in Central Bank of India, Vijaya Bank, Dena Bank and Oriental Bank of Commerce are lying vacant w.e.f. 5.2.1992, 22.6.1992, 29.12.1993 and 9.4.1994 respectively. The process of filling up of these vacancies have already been initiated and expected to be completed shortly.

13. The Committee regret to note that the Government have not yet been able to fill up the posts of Chairman and Managing Director in Andhra Bank and that of the Executive Directors in Central Bank of India and Vijaya Bank which are lying vacant since 1992. The Committee consider this situation as most unfortunate. The Committee reiterate that steps should be taken by Government to ensure that these top posts in the banks do not remain vacant for long.

D. Recommendations of Goiporia Committee (Recommendation Sl. No. 17, Para 5.12)

14. The Committee noted that Goiporia Committee made 97 useful recommendations and these have been categorised into four groups for the purpose of implementation. Inspite of clear cut instructions to implement recommendations under Group 'A' straightway, the progress made by the banks in implementing these recommendations was for from satisfactory. The Committee had desired that the process of implementation of the recommendations of Goiporia Committee should be expedited and the Committee be kept informed about the stage of each recommendation implemented by each nationalised bank.

15. In their reply, the Govt. have stated that it is not true that the progress made in implementation of various recommendations including the recommendations under Group 'A' of the Goiporia Committee is not satisfactory. Bank-wise information of the recommendations implemented in each of the four groups has also been furnishd (Annexure I). They have further stated that a few recommendations on which banks have expressed certain difficulties are being examined in regard to their implementation.

16. The Committee regret to observe that the reply furnished by the Ministry is unsatisfactory. They view with concern the slow pace of the implementation of the recommendations of the Goiporia Committee. An analysis of the bank-wise information of the recommendations implemented in each of the four groups furnished by the Government show that inspite of categorisation and directives of RBI for implementation of 66 recommendations straightway under Group 'A', none of the banks has been able to implement all these recommendations and only 14 out of 27 banks had been able to implement 60-64 of those recommendations. Similarly, out of 32 recommendations under Group 'B', which were agreed to be examined by RBI, decision has been taken only in respect of 22 recommendations. Only 10 out of 27 banks have been able to implement 50 per cent of those recommendations. Even in case of recommendations in Group 'C' and 'D', the progress of implementation is extremely tardy. The Committee, therefore, desire that all out efforts should be made to expedite the implementation of the recommendations of the Goiporia Committee.

E. Arrears in the reconciliation of inter-branch accounts of banks (Recommendation Sl. No. 22, Para 6.7)

17. On the aspect of unreconciled amounts in Inter-Branch Suspense Accounts, drafts paid without advice; and interest accrued and payable etc., the Committee were constrained to note that many banks have huge amount or reconciliation to be carried out and satisfactory progress in this regard was not being made. The Committee were at a loss to understand how financial statements could be expected to present a true and fair picture if huge amounts were pending for reconciliation.

As these were major fraud-prone areas, the Committee had recommended the accomplishment of this task at the earliest.

18. In reply, the Government have stated that arrears in the reconciliaton of inter-branch accounts of banks has been a matter of concern both to Government of India and Reserve Bank of India (RBI). Keeping this in view, RBI had set-up a Working Group in March, 1992 for making recommendations to quicken the process of reconciliation and adjustment of outstanding entries. The recommendations of the Working Group, as accepted by RBI with certain modifications, have been advised to banks in April, 1993. The banks have been specifically advised to pay due attention to adjust all high value entries within a

period of two months, effectively tackle the rigidities, if any, in the way of computerisation of Central/Local Main Offices, decentralise the clearing process; reconcile entries at frequent intervals, but at least monthly and take punitve action against staff of recalcitrant branches which habitually delay submission of daily statemens of a branch. As recommended by the Working Group, a time bound programme has also been prescribed for clearing all pending entries in the inter-branch reconciliation accounts.

As per RBI's circular from 1993-94 onwards, no bank is expected to keep entries unadjusted for more than six months. Responsibility has been fixed on the Chief Executives of banks for adhering to this time frame. Boards of banks are required to review progress in this regard at half yearly or even shorter intervals.

Progress made by banks in this regard is also being monitored by Regional offices of RBI on a quarterly basis.

Based on the quarterly progress reports received from banks for the quarter ended 31 March, 1993, the position of entries outstanding in inter-branch reconciliation accounts as on 31 March, 1993 covering the entries upto 31 March, 1992 has also been furnished. It would be observed there from that State Bank of India and its Associate Banks have cleared all their entries upto 31.12.1987. It would be further observed that of the total outstanding entries 88.43% pertain to the period Ist April, 1990 to 31 March, 1992 whereas 11.57% entries pertain to the period upto 31 March, 1990.

In terms of the action plan mentioned above, the position has been reviewed by RBI as at the end of June, 1993. The review reveals that out of 27 Public Sector Banks, 7 banks have been able to clear entries pertaining to 1989-90 and earlier years. RBI are vigorously pursuing the matter with remaining banks for clearance of outstanding entries.

19. The Committee view with concern that despite the time bound programme and other directives prescribed for clearing the arrears in inter-branch reconciliation accounts, the progress reports received from banks show that as on 31 March, 1993, SBI and its associate banks had outstanding entries of 19.58 lakh involving Rs. 60,097.64 crore in respect of entries upto 31 March, 1992. The nationalised banks had also outstanding entries of 115.26 lakh involving Rs. 2,74,838.35 crore. Thus the total outstanding entries of SBI, its associate banks and other nationalised banks were 134.84 lakh involving Rs. 334935.99 crore. As per action plan of RBI, the entries pertaining to 1989-90 and earlier years, were to be reconciled by the banks by the end of June, 1993. However, only 7 out of 27 public sector banks have been able to clear entries upto 1989-90 crore. The action plan provided for reconciliation of entries upto 1992-93 by 31 March, 1994. However, the up-to-date figures regarding this important item of outstanding work were available neither in the action taken notes submitted to the Committee by the Govt. nor in the consolidated report on the working of the Public Sector Banks laid in the Parliament in August, 1994. Though the latest RBI directive

stipulates that no entry between inter-branch accounts should remain unreconciled for more than 6 months for the year 1993-94 onwards, the adherence to this norm by the public sector banks could not be verified. The Committee, therefore, urge upon the Government to look into the whole affair for quickening the process of reconciliation and adjustment of outstandng entries as per the action plan. The Committee also desire that the progress made by the banks in this regard should be monitored by RBI and regularly reported to Parliament every year.

F. Defaulting borrowers and secrecy laws
(Recommendation Sl. Nos. 24 and 25, Paras 6.9 & 6.10)

20. Wnile examining the capital adequacy norms and other related matters, the Committee noted that a sum as large as Rs. 5700 crore had been provided for capital adequacy in 1993-94 for various banks. This steady erosion of equity had not taken place over-night but over the years due to poor accountability of those in charge. In this regard, it was pertinent to point out that major losses had been due to mounting bad debts. The Committee had addressed itself to this problem and in fact called for the names of top defaulting parties and industrial houses. In reply, the Govt. stated that in accordance with the statue and practice customary among the banks, these names could not be disclosed, as also the quantum of bad debts and doubtful debts incurred cumulatively.

21. In this context, the Committee had recommended that banks should evolve a methodology of working whereby there is a relationship between the number of good decisions taken by a manager and the assessment of his performance, The Committee also noted that precious resources of the State have been frittered away in the nature of bad debts in the form of ventures which were either unviable or fradulent. The Committee, therefore, recommended that Government should also examine the total elimination of secracy laws, so far as these prohibit the disclosure of the names of defaulters in refund of bank loans.

22. In their reply, the Govt. have stated that Reserve Bank of India have since decided that they will circulate among banks lists of defaulting borrowers with outstanding balances exceeding Rs. 1 crore. RBI also proposes to publish the list of suit filed accounts above Rs.1 crore. The bad debts declared by various nationalised banks during the last 3 financial years ending March 1993 as reported by Reserve Bank of India are Rs. 407.14 crore, Rs. 547.94 crore and Rs. 971.24 crore respectively.

23. Regarding evolving a methodology for assessment of the performance of Managers, the Govt. have stated that they agree with the Committee's recommendations as regards the need for banks to evolve a reporting system wherby managers consistently making good decisions are rewarded and those making bad decisions do not progress in their career. A modified confidential reporting proforma has been introduced by banks with effect from 1992-93 and this contains, *inter-alia*, an analysis of the quality of assets at the time of taking

over and handing over as well as comments of the appraiser in relation to whether or not the official has frequently exceeded the discreticnary powers, whether any malafides in sanctioning advances by the officer have come to light, and an overall comment on his competence in sanction and conduct of advances. It is expected that appraisal of this aspect of work would improve the accountability of decision making.

24. Regarding the total elimination of Secrecy Laws, the Government have stated that they have examined this issue but are unable to agree with the view-point of the Committee that the secrecy laws should be totally eliminated. It is well recognised that maintaining confidentiality of the banking transactions is an established principle and the right of secrecy is enforceable by law. It is only in exceptional circumstances that banks are permitted to disclose information to enforcement agencies, Tax Departments etc. The confidentiality of customers accounts is a concept which is generally accepted in banking practice throughout the world and this concept of confidentiality is not unique to the banking sector but also applies in professions such as legal accountancy and medicine.

The Govt. have referred to the Finance Minister's Budget Speech of 1994 wherein he has stated *inter-alia* as follows:-

> "To alert banks and financial institutions and put them on guard against borrowers who have defaulted in their dues to other lending institutions, the Reserve Bank of India is putting in place arrangements for circulting among banks and finncial institutions names of the defaulting borrowers above a threshold limit. The Reserve Bank will also publish a list of defaulting borrowers in cases where suits have been filed by banks and financial institutions. Both these measures will encourage greater discipline among the borrowers".

Accordingly, the Reserve Bank of India *vide* its circular of April 23, 1994 have prepared a scheme to collect and disseminate information on the defaulters and suit filed account.

25. The Committee appreciate the decision of the RBI to circulate among banks lists of defaulting borrowers with outstanding balances exceeding Rs. 1 crore and to publish the list of suits filed accounts above Rs. 1 crore. They also take note of the introduction of the modified confidential reporting programme to improve the accountability of decision making, the Committee, however, regret to note that Government have not accepted the recommendation of the Committee regarding elimination of secrecy laws so far as these prohibit the disclosure of the names of the defaulters in refund of bank loans. The Committee are not convinced of the concept of confidentiality of customers' accounts so far as the defaulting borrowers are concerned. The Committee are concerned with the increasing bad debts and sticky loans of nationalised banks. The Committee, therefore, reiterate their earlier recommendation that the Government should reconsider the elimination of secrecy laws in regard to disclosure of defaulters in refund of bank loans.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation

The Committee also recommends that the Ministry of Finance should frame certain rules governing the re-employment of retired senior executives in the private companies. The rules should prescribe penal action in case of violation as it has been seen that senior executives are very liberal in granting loans to the private companies when they are on the verge of retirement after which they manipulate their re-employment in these companies. The Committee recommends that the provision of no employment within 2 years of retirement should be strictly followed.

The Committee further recommends that the preventive vigilance should also be encouraged in the banks. For this the help of Staff Unions and the Customers' Committees, etc. should be taken.

[Sl. No. 4-Para 2.10]

Action Taken

As per the terms and conditions of appointment of wholetime directors on the Boards of public sector banks and financial institutions issued by the Government, they are required to obtain prior permission of the Government before accepting any commercial employment, including directorship of companies, within two years of demitting office on superannuation, expiry of tenure, resignation, or any other reasons. On receipt of request from the ex-wholetime directors of public sector banks and financial institutions, seeking Government's permission for accepting commercial employment, information is obtained from the concerned bank(s) as to whether the company or any of the associates/subsidiaries/group companies had enjoyed credit facilities from the bank during the tenure of the ex-whole time director in the bank. In case where no such credit facilities were extended by the bank, permission is generally granted by the Government for acceptance of commercial employment. In cases where the banks reported to have extended credit facilities to such companies, Government's permission for acceptance of commercial employment in such companies is declined.

In regard to other senior executives in terms of "Acceptance of Job in Private Concerns after Retirement Regulations", adopted by the Nationalised Banks, it has already been provided that no officer employee shall without the previous sanction of the Board take up employment in a private concern within two years from the date of his retirement from the bank's service. The State Bank of India has also provided in its Pension Rules that previous sanction of the Executive Committee is required if an employee of the Bank wishes to take commercial employment within two years from the date of retirement. To make these regulations more effective, it has been decided to make a provision in the Pension Regulations of bank officer employees and workman staff of the Nationalised Banks as well as subsidiaries of SBI on the following lines:

> "If a pensioner takes up any commercial employment without the prior permission of the bank or commits a breach of any conditions subject to which permission to take up any commercial employment has been granted it shall be competent for the bank to declare by order in writing and for reasons to be recorded therein that he shall not be entitled to whole or such part of the pension and for such period as may be specified in the order, provided that no order shall be made without giving the employee an opportunity of showing cause against such declaration."

The RBI Committee which looked into various aspects of frauds and malpractices in banks had made several recommendations including preventive measures to curb occurrence of frauds in banks and RBI is monitoring the implementation of these recmmendations by public sector banks.

[Ministry of Finance, Banking Division, F.1/1/P/Bkg/94]

Recommendation

The Committee also express their resentment over the fact that rural banks are operating only as agencies of commercial banks to collect funds from rural people and siphon them off to the cities. The Committee, therefore, feels that some C.D. ratio should be fixed for these banks to ensure that funds collected from the rural people are available to them for the economic development of that area.

[Sl. No. 7 Para 3.9]

Action Taken

As at March, 1993 the total deposits with all RRBs were Rs. 6909 crore and the amount of loans and advances outstanding stood at Rs. 4611 crore; the C.D. ratio was therefore about 66% which is satisfactory.

[Ministry of Finance, Banking Division, F.1/1/P/Bkg/94]

Recommendation

The Committee was informed by the Government that out of 196 RRBs there are 173 RRBs which are loss making and 23 RRBs which are making profit. In this connection the Committee feels that the factors contributing to the success of some RRBs should be identified so that the working of loss making RRBs could also be improved.

[Sl. No. 9-Para 3.11]

Action Taken

National Bank for Agriculture and Rural Development (NABARD) has analysed the factors contributing to the success of some of the RRBs and the following are the important factors contributing to the profitability of the profit making RRBs.

(i) These banks have mobilised substantial deposits.

(ii) Some of the banks in this group also have substantial and diversified loan portfolio.

(iii) The loan portfolio of most of profit making banks indicate a higher proportion of Short-Term (SAO) loans.

(iv) Due to comfortable resource position, the banks are able to invest in instruments of longer maturity with higher interest realization.

(v) The break up of deposits of these banks indicate a marginally higher percentage of saving deposits and current deposits.

(vi) These banks have optimally utilized the business development opportunities made available, e.g., financing of tractors, small road transport operators, etc., and

(vii) The productivity measured in terms of deposits and advances per staff is significantly higher in respect of these banks.

[Ministry of Finance, Banking Division, F.1/1/P/Bkg/94]

Recommendation

The Committee is informed that non-official Directors represent the interests of varied fields, such as of staff and non-workmen staff, depositors, farmers, workers, artisans, small-scale industries, etc. The Committee further observe that in none of the nationalised banks, the vacancies of non-official Directors, as stipulated in the statute, have been filled up. The Committee are perturbed to note that the tenures of these Directors have already expired and they are continuing in their positions pending appointment of their successors. Even in the RBI, which is the nodal bank and is the Banker of banks, there exist a large number of vacancies both at Central and Local Boards. The Committee is at a complete loss to understand the manner in which the interest of artisans, farmers, depositors, whose interest these non-official Directors represent, would be served, in the absence of their representatives on the Board of Directors. The Committee desires that the Government should explain to it the reasons for not filling up the vacancies of non-official directors on the Board of Directors of the Banks.

[Sl. No.11-Para 4.12]

Action Taken

The Central Board and Local Boards of Reserve Bank of India have already been reconstituted by the notification issued by the Central Government on 28th March, 1994.

As far as the nationalised banks are concerned, it is true that non-official directors appointed in 1989 have completed their tenure of three years in September/October, 1992 and are continuing in position pending appointments of their successors. Names have been identified for existing vacancies as well as for replacement of existing directors. The process is in an advanced stage. It is expected that these appointments would also be notified early.

As regards reasons for delay in filling up of these vacancies, it is submitted that selection and appointment of non-official directors is a long drawn process and entails various steps including identifying suitable persons with necessary experience/competence, ascertaining their willingness for accepting the post, etc. Further, in the light of the accepted recommendations of the Estimates Committee, the antecedents of the persons concerned have also to be verified from angles such as Income tax, Excise, Customs and FERA.

[Ministry of Finance, Banking Division, F.1/1/P/Bkg/94]

Recommendation

The Committee also observe that there is a shortage of manpower in banking sector as the banking career has not remained that attractive as it once used to be. There are frequent instances of people leaving Bank Service to join the All India Civil Services. The Committee, therefore, recommends that immediate steps be taken to make the banking career more attractive and purposeful. The Government should also examine the possibility of introducing an All India Banking Service on the lines of other All India Civil Services to attract the best talent for the banking sector.

[Sl. No.15-Para 4.16]

Action Taken

In overall terms, there is no shortage of manpower in the banking sector. However, taking into account the quantitative and qualitative changes taking place in the financial systems, we would need to devise more effective arrangements for treming and for attracting requisite talent for top level appointments. Inspite of banks offering a remuneration package which is very competitive, the banking service is not perceived to be as attractive as some of the alternatives including the All India Services. The creation of an All India Banking Service was considered but was not agreed to as on efficiency considerations it was desirable for each bank to have its own cadre of officers. The Reserve Bank of India have appointed a Committee under the Chairmanship of Deputy Governor to go into the entire question of recruitment and manpower development. This Committee would also consider the above suggestions of making the banking service more attractive than hitherto.

[Ministry of Finance, Banking Division, F.1/1/P/Bkg/94]

Recommendation

The Committee note that inspite of constitution of several Committees such as Customer Service Committee functioning at branch level, Customer Service Centres in State Capitals and major cities etc., the grievances of customers are yet to be satisfactorily redressed. Though banks have made several improvements in customer service, the requirements and demands of customers have also witnessed a steep rise.

[Sl.No.16-Para 5.11]

Action Taken

In spite of various measures taken by the Government/ Reserve Bank of India (RBI) during the past few years for improvement of customer service in banks, it has been revealed by surveys undertaken in this regard that the level of customer satisfaction is low. In view of this, a Committee under the Chairmanship of Shri M.N. Goiporia, the then Chairman, State Bank of India was constituted in September, 1990 to study the current state of customer service in banks and to suggest measures to improve the same. The Committee had made wide ranging recommendations covering-(i) improvement of customer service by enlarging the scope of teller services, extending banking hours for non-cash transactions, devising appropriate procedures to render uninterrupted service during business hours; (ii) opening of specialised branches focussing on international banking, industrial finance, small scale industries; (iii) technology upgradation and continuous review of systems and procedures in tune with the changing needs of customers; and (iv) compensating customers for delay in collection of cheques, payment by mail transfer, telegraphic transfer, etc. RBI have issued instructions to the banks for implementation of the accepted recommendations of the Committee.

[Ministry of Finance, Banking Division, F.1/1/P/Bkg/94]

Recommendation

As after nationalisation most of the branch expansion has occured in the rural and semi-urban areas, the Committee recommends that special cells be created in each bank to oversee the provision of Customer Services in branches in those areas. Even though the Customer Services have improved in cities in some respects there has not been any appreciable improvement in rural areas. As the literacy rates in those areas are low, they are not able to make use of various fora available to oversee the Customer Services. Hence, it should be made the responsibility of Branch Manager to oversee the availability of various Customer Services in his branch. He should encourage the formation and working of Customer Service Committees, under his Chairmanship consisting of account holders in his branch. The norms for frequency of those meetings should also be prescribed and quarterly reports with controlling office should be filed. It should be examined whether the auditor can be entrusted to specifically oversee the provision of Customer Services in rural and semi-urban areas. Special Surveys be made in these areas on the lines of the surveys done by Indian Banks' Association and the conclusion/outcome of these surveys should be implemented in a given time frame.

[Sl.No.18-Para 5.13]

Action Taken

Instructions issued by Reserve Bank of India/Government for improvement in Customer Service are equally applicable to the bank branches in rural areas. The cell created in every bank to look after customer service is meant for rural branches also.

The instruction regarding setting up of branch level Customer Service Committees was issued consequent upon recommendation of the Working Group on Customer Service in Banks (Talwar Committee). The Goiporia Committee in its report submitted in December, 1991 stressed the need for rejuvenation of the branch level Customer Service Committees. Banks have accordingly been advised to initiate action in the matter. Further, with a view to constantly upgrading the quality of customer satisfaction and also identifying more avenues for customer service and undertake periodic evaluation of the position in regard to extent of actual implementation at the grass root level (*i.e.* branch level) of various recommendations of the Goiporia Committee (The Committee on Customer Service in banks), Reserve Bank of India (RBI) has in consultation with Indian Banks' Association identified 25 core Customer Service areas on which branch managers are advised to evaluate and monitor Customer Service on an ongoing basis. Banks have further been advised in October, 1993 to instruct their branches to submit a report on quarterly basis to their controlling offices indicating the prevailing position on Customer Service. Regional Managers during their visits to branches are required to record their observations on branhces' Customer Service by using grading system. The controlling office consolidates these reports and forwards them to Head Offices on half-yearly basis. Banks are also required to send brief reviews of the reports to the RBI.

Regarding the suggestion that auditors' be entrusted with overseeing the provision of Customer Service, it is felt that this will be outside the scope of the functioning of auditors and it will be difficult to assign them this task.

To assess the improvements in Customer Service in all types of branches including those in rural areas, evaluation studies/surveys are done at frequent intervals. Banks are advised to rectify the shortcomings, if any, pointed out in the surveys on Customer Service.

[Ministry of Finance, Banking Division, F.1/1/P/Bkg/94]

Recommendation

With the rapid expasion of banking sector, the system is now finding it difficult to cope up with the load of servicing more branches manually. Keeping in view the need to improve Customer Service and house-keeping, the Committee recommend that banks should upgrade their technology to bring mechanism, automation and computerisation in their operations. The banks should introduce Advanced Ledger Posting Machines (ALPMs) at the branch level, mini computers at Zone/Regional Office level and mainframe computers at Central/Head Offices. However, the Committee feels that the introduction of these machines should not be indiscriminate but should be need based. A detailed programme should be chalked out by the Banking Division, Ministry of Finance and it should be implemented by all the banks in a given time. The Committee also finds that banks have made little efforts to dispel the fear of Staff Unions towards automation and computerisation of work in banks. This should be given top priority and cooperation of Staff Unions should be sought in matter. In some cases even after agreements with the staff, little progress has been made by the banks in automation and computerisation. The Committee, therefore, recommends that banks should earmark sufficient funds for computerisation etc. every year to meet the competition from private and foreign banks in providing best customer services.

[Sl.No. 19-Para 5.14]

Action Taken

Recognising the need to upgrade technology in banking and provide better service to customers, RBI set up a Committee in 1988 under the Chairmanship of Dr.C. Rangarajan, present Governor, RBI for drawing up a perspective plan of computerisation for banking industry over the 5 year period 1990-94. This Committee in its report submitted in 1989 had *inter alia* recommened full computerisation at branches having a daily voucher load of 750 and above, and computerisation of all Zonal, Regional and Head Offices of banks. The Committee's recommendations, however, could not be implemented within the prescribed time frame for want of appropriate agreements between the Indian Banks Association and employees' organisations of banks. IBA have recently concluded an agreement with the employees' organisations which provides for computerisation of all urban/metropolitan branches with a daily workload of 750 vouchers or more as also all specialised branches. Under the new agreement, about 4000 branches may become eligible for computerisation within the next 3 years.

As at the end of December, 1993, public sector banks had installed 7847 Advanced Ledger Posting Machines at 2630 branches, 345 mini computer systems at Regional/Zonal Offices and 14 main frames at Head Office level. About 64000 staff members of banks have been imparted training in mechanisation/ computerisation. As on 31.12.93, public sector banks had fully computerised 41 branches.

[Ministry of Finance, Banking Division, F.1/1/P/Bkg/94]

Recommendation

This Committee observes that though the objective of the new norms was laudable, monitoring by RBI, of the actual application of these norms by the banks was poor in as much as the accounts of various banks as audited and published disclosed continuance of varying accounting practices adopted by individual banks to suit their needs. It seems that in their anxiety to show higher profits or lower losses certain banks not only flouted the Reserve Bank of India's Circulars but also adopted accounting policies which were devoid of financial prudence. The Punjab National Bank accounted for a large income on scam hit securities, the ownership of which is not known. Financial conservatism and propriety demanded that no uncertain income be booked on this account till the issue of ownership was settled. Similarly, some banks treated interest suspense as a provision and reduced the requirement of current year's provisions substantially. Varying treatment has also been given in respect of provisioning for loans below Rs. 25,000/- and the Reserve Bank of India stipulation for an additional 2.5% provision has not been strictly adhered to by all banks. This has resulted in substantial under-provisioning.

What is surprising is that RBI/Ministry nominees on the Boards of various Banks allowed the flouting of RBI's Circulars without raising their voice when they should have forcefully dissented on such matters. It is thus clear that the application of new RBI norms is not yet uniform and consistent and the Committee strongly recommends continuous and active supervision by the RBI in this regard.

[Sl.No.21-Para 6.6)

Action Taken

Reserve Bank of India have been issuing clarificatory circulars from time to time covering various aspects of the prudential norms prescribed by them for banks. The very purpose of such circulars has been to ensure that the norms are followed uniformly by all the banks both in letter and spirit. In case any bank is found to be interpreting the norms differently, RBI examines the issue and corrective action is advised to the bank concerned. The nominee Directors of RBI and Government have been discussing the various issues with the banks concerned regarding the finalisation of the accounts. As and when any deviation is noticed by them the same is immediately brought to the notice of the bank for corrective action.

[Ministry of Finance, Banking Division, F.1/1/P/Bkg/94]

Recommendation

The Committee is also constrained to note that many bank managements in their enthusiasm, to show higher deposits and advances have been window-dressing their results. This has been achieved by:-

(a) Putting in certain entries in bank reconciliation.

(b) Purchasing certain cheques sent in collection on last date and shown as advances and deposits. No discounting charges are levied in such cases;

(c) Under-provisioning of employees expenses though advances have been taken by employees for travelling; LTA, medical etc.; and

(d) Under-provisioning of interest payment of large number of fixed deposits on the plea that the same have matured. In certain cases FDR's held as margins against guarantees, etc., have been overdue for a number of years. Neither these have been transferred to overdue fixed deposits nor any interest is provided thereon. Prudence demands that a provision be created for interest in such cases.

In addition to the above methods, the banks used several methods, technical in nature, to show exaggerated performance. The Committee suggest that RBI should do a strict monitoring to check such malpractices.

[Sl. No.23-Para6.8]

Action Taken

Reserve Bank of India have been urging upon bank repeatedly to desist from the tendency to inflate their deposits as on the date of finalisation of the balance sheets. RBI have issued circulars in this regard in February, 1989 and October, 1991, specifically advising all scheduled commercial banks to refrain from the practice of year-end window-dressing through inflating deposits by adopting undesirable methods. The banks were also advised to study the comparative position of deposit growth as on each Friday of March and April and identify branches where steep falls are observed in April. The bank's inspection staff is to be subsequently deputed to such identified branches to ascertain the extent of window-dressing, methods adopted and the reasons for this practice. Banks are also required to place the report on window-dressing before their Board of Directors and forward a copy of the note along with the Board's comments to

RBI. The banks have also been impressed upon to take disciplinary action against branch managers who resort to window-dressing of deposits.

[Ministry of Finance, Banking Division, F.1/1/P/Bkg/94]

Recommendation

The Committee is of the view that the real problem in priority sector lending is the lack of availability of timely credit. All out efforts should be made to ensure timely availability of credit by strengthening the resources position of the banks in rural areas. The Committee is of the view that the question of Statutory Liquidity Ratio (SLR) and Cash Reserve Ratios (CRR) should be thoroughly gone into to enable the banks to plough more funds in the priority sectors. The Committee also feels that overhead costs in running the rural branches should be checked so that more funds are available for lending purposes. The Committee feels that deregulation of rate of interest should be undertaken in a phased manner and the lending rates for tiny sector should not be changed. The rate of interest for tiny sector borrowings upto Rs. 25,000 in rural areas used to be 5 to 6 per cent. which has been increased to 12 per cent recently. The Committee recommends that tiny sector borrowings should continue to get some preferential treatment as before. The bank should also give high priority to the recovery of loans and overdues. Lending to the priority sector does not mean that assets should not be well performing. The banking system should be able to identify good quality small scale industries that have potential for profit. For this the banks can tie up with the District Industries Centres in their area of operation and publicise schemes for which they can provide credit to the people in rural areas. The Committee further recommends that the norms of 40% lending to the priority sectors should be strictly adhered to and the banks should deposit the shortfall in the prescribed percentage with NABARD. All these steps, the Committee feels, would go a long way in generating adequate funds for priority sector lending.

[Sl. No.26, Para 7.5]

Action Taken

It is not the lack of resources, but effective delivery including utilisation and recovery, which has resulted in banks being more careful in lending to the priority sector. Under the interest rate policy of the Reserve Bank of India, small loans upto Rs.25,000 have an interest rate of 12% as against 15% or above for bigger loans.

The Reserve Bank of India have emphasized to all the commercial banks that they have to achieve their target of priority sector lending by identifying programmes of good quality. The general instructions of the Reserve Bank of India provide that all loan applications upto Rs.25,000 should be decided within a fortnight. The Reserve Bank of India, in its credit policy statement of May 14, 1994 have reiterated that banks should adhere to the priority sector targets and sub-targets and effective steps should be taken to correct any shortfalls. Reduction of SLR and CRR is a policy which enables banks to have more lendable resources for all purposes, including the priority sector.

Reserve Bank of India have advised all domestic banks that their failure to achieve the priority sector target of 40% by March, 1994 could invite banks specific policy measures which could include raising of reserve requirements or withdrawal of the refinance facilities and/or such other measures deemed necessary. For the present, Reserve Bank of India have not imposed a condition as regards depositing the shortfall with NABARD. This could be considered later if banks are unable to achieve their stipulated targets.

[Ministry of Finance, Banking Division, F.1/1/P/Bkg/94]

Recommendation

The Committee notes from the information submitted and the evidence rendered by RBI that there are big variations in CD ratio of the banks in the various States. The Committee desires that effective steps be undertaken at the State-level to rectify persistence of low level of CD ratios. The Committee feels that lack of productive opportunities has led to the existence of low levels of CD ratios in certain States and regions. The Committee also stresses that the Banking Sector should identify more productive opportunities in the States. The Committee also feels that there is a need to strengthen the existing banks in the semi-urban and rural areas.

[Sl.No.27, Para7.8]

Action Taken

The low level of Credit-Deposit Ratio (CDR) in various States has become a matter of great concern for Government of India and RBI. In order to identify the causes for the low level of CDR and to suggest remedial measures, Task Forces had been constituted by RBI in Bihar, Uttar Pradesh, West Bengal, Rajasthan, Kerala and Pondicherry. Task Forces for Bihar, Uttar Pradesh, West Bengal and Rajasthan have since submitted their reports. The reports in respect of Kerala & Pondicherry are in the process of finalisation. Broadly speaking, the Task Forces have identified the reasons for low level of CDR in the respective States and have suggested various remedial measures to improve the same. The reports covered a wide specturm of recommendations such as improvement in infrastructural facilities, stimulation of industrial activity, irrigation facilities, increased farm mechanisation, land development, diary development, investment in fields like acquaculture and floriculture, etc. Special meetings of State Level Bankers Committees (SLBCs) were held to discuss the recommendations of the Task Forces and the same are being implemented.

In the case of States/UTs where Task Forces were not constituted but CDR is low, RBI has advised the convenors of the respective SLBCs to convene special meetings to go into the question of low CDR and evolve a time bound action programme in consultation with the concerned State Governments.

The Banks have been given freedom to rationalise their existing branch net work by re-locating branches, opening and closing of branches, spinning off of business setting up of controlling offices/administrative units, opening of extension counter etc. Though, the initiative to open additional branches rests largely with the banks themselves, banks are not permitted to open new branches (other than specialised branches) or upgrade their existing extension counter into fulfledged branches on their own till such time they attain the revised capital adequacy norms and prudential accounting standards. Public Sector Banks have been given freedom by RBI to close down their unviable and loss making branches or to convert them into a sattelite offices. While closure of loss making branches of rural centres having a single commercial bank branch is not considered desirable, at centres served by two commercial bank branches (excluding Regional Rural Branches), the decision for closure of one of the branches was left to the discretion of the banks through the process of a mutual consultation. The Bank's proposal for closing of loss making branches located at well banked urban/Metropolitan centres will be considered and permitted by RBI.

[Ministry of Finance, Banking Division, F.1/1/P/Bkg/94]

Recommendation

Reserve Bank of India have stated during evidence that it may not be possible to have a target CD ratio as a mandate for all banks to follow. However, the Committee recommends that earnest efforts be made to ensure the achieving of the uniform all India average of CD ratio. The regional imbalances and variations in State-wise CD ratios should be removed in the interest of balanced growth and development of the economy of the country.

[Sl.No.28, Para7.9]

Action Taken

Achieving a uniform all India average in Credit Deposit Ratio (CDR) for the banks may not be immediately feasible because of the variations in infrastructural facilities and credit absorption capacity in the various States/regions. However, banks have been exhorted to work towards this ideal situation so that regional imbalances are removed as early as possible. Moreover, with a view to removing regional imbalancs in economic development by so arranging their lending portfolios that more credit would be deployed in the backward states and districts in the country, banks were advised by Reserve Bank in June, 1980 that they should achieve a CDR of 60 per cent in respect of their rural and semi-urban branches separately on an all India basis.

[Ministry of Finance, Banking Division, F.1/1/P/Bkg/94]

CHAPTER III

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

Recommendation

The Committee, therefore, recommends that there should be a separate independent authority for Vigilance in Banks, the staff for which should be from outside the banks. The Chief Vigilance Officers should be appointed by RBI or CVC from outside, having a separate channel of promotion.The CVO should send regular reports on quarterly basis to Central Vigilance Commission and to the Department of Banking, Ministry of Finance. The Reports should name the delinquent officers. The Ministry should ensure proper follow up action on vigilance reports within the prescribed time frame.

[Sl.No.3, Para 2.9]

Action Taken

At present Chief Vigilance Officers in public sector banks are being nominated from outside the bank and in all the public sector banks outsider CVOs are in position. Regarding posting of more staff in Vigilance Departments of banks from outside the banks, this issue was discussed with the CVOs public sector banks and the general consensus was that there is no need to take outsider staff either from the police or CBI or from any other organisation as it was felt that inducting staff from such organisations may hamper smooth functioning of the Vigilance Departments of the banks.

Regarding setting up of a separate independent authority for vigilance in banks, this issue has been examined in consultation with CVC and CVC is not in favour of creation of a separate cadre for the following reasons:

(i) creation of a separate cadre for the vigilance functionaries in Banks would dilute their objectivity and effectiveness;

(ii) the setting up of a separate cadre would remove the element of field experience so necessary for a CVO to be able to take a balanced view of the cases which come up;

(iii) a permanent cadre is likely to result in the CVOs and other vigilance functionaries developing vested interests to the detriment of their objectivity; and

(iv) it will remove the element of flexibility in selecting the most suitable officers to work as CVOs in the banks.

Chief Vigilance Officers are already sending quarterly reports on Vigilance cases to CVC. CVOs will be advised to send more detailed reports to CVC. In this connection a format is being devised in consultation with CVC.

The Ghosh Committee which was set up by RBI at the instance of Government to enquire into various aspects of frauds and malpractices in banks had, *inter alia*, recommended that:

(1) The CVO of the bank should directly refer cases having a vigilance angle involving CMD of the Bank to the Central Vigilance Commission. The recommendation has been accepted by the Govt. and forwarded to the banks for implementation;

(2) There should be an annual review of the working of the vigilance machinery of each bank jointly by RBI, CVC and Department of Banking.

The recommendation stands implemented as annual meetings of RBI, CVC and Banking Division are being held regularly.

Further Govt. have issued instructions to the public sector banks that the Committee consisting of CMD and nominee Directors of Govt. and RBI dealing with promotions at senior levels meets on a quarterly basis to review vigilance disciplinary cases and departmental enquiries. The observations of the Committee are to be put up in the note to the Board of Directors for the half yearly review of vigilance activities of the bank.

Vigilance activities in banks are also reviewed in Banking Division with the individual CVOs on regular basis. A close watch is kept on vigilance cases pending in public sector banks through quarterly reports of Action Plan on Anti-corruption measures.

Thus it may be seen that there is adequate and independent machinery for vigilance in banks.

[Ministry of Finance, Banking Divison F.1/1/P/Bkg/94.]

Recommendation

The Committee note with concern that the cases of defaults in RRBs are on the high side though their performance in achieving the objectives of providing credit to economically weaker sections and channelising their savings is laudable. In the matter of deposits, the rural banks are placed on better footing than the nationalised banks.

The Committee express their unhappiness over the sad plight of RRBs. The financial position of these banks is deteriorating and the Government appears to be complacent in improving viability of these banks. The Committee recommends that Government should examine the question of reducing the number of RRBs by way of merger etc. to make them viable. More facilities should be extended to those banks like drawal of refinance from NABARD. The relaxation in eligibility criteria for refinance allowed to RRBs in North Eastern region should be extended to RRBs in other States also. RRBs can also consider lending funds to industries being setup in backwards areas.

[Sl. No.6, Para 3.8]

Action Taken

Various measures have been introduced by the Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) to improve the position of RRBs. These include increased interest rate on deposits of RRBs with sponsor banks, permitting them to lend to non-target group borrowers to the extent of 60% of their fresh lending, freeing RRBs whose lending operations were below Rs. 2 crore during 1992-93 from their service area obligations and permitting them to relocate loses making branches in places like Mandis, Taluks/Districts headquarters, agricultural produce centres, etc. and to open extension counters at premises of institutions for which the RRB is the principal banker. The RRBs have also been permitted to increase their non-fund business and to install safe deposit lockers. RRBs have also been allowed to draw cent-per cent refinance upto Rs. 10 lakh for loan for small and tiny industrial units with outlay not exceeding Rs. 15 lakh. Cent per cent refinance is also available to the RRBs for financing of small road transport operators.

RRB are already allowed to lend to industries set up in their areas within the 60% non target group lending. The refinance allowed for RRB in the North Eastern is on account of the special thrust to that areas development; elsewhere RRB are also not constrained on account of non availability of refinance from NABARD.

[Ministry of Finance, Banking Divison F1/1/P/Bkg/94]

Recommendation

The main objective of the Rural Banks is to meet credit needs of the Weaker Sections of society in rural areas. The Committee, therefore, recommend that a 'National Rural Bank of India' should be set up and all RRBs should be brought under its control. The steps would go a long way in improving the viability of Rural Banks. The Government should allocate sufficient capital to it to ensure its expansion and development. The National Bank should guide RRBs and monitor their activities. The Government may consider whether the National Rural Bank of India should be a single Central Bank or there should be several Zonal Rural Banks with independent headquarters and functioning.

[Sl.No.8, Para 3.10]

Action Taken

The Question of restructuring of RRBs has been under consideration of the Government for the the last few years. The matter was examined in detail by the Reserve Bank of India, NABARD and the Government and different models including the one for the establishment of a National Rural Bank by merging all the RRBs were examined. Consultations with the RRB Employees Associations and Hon'ble Member of Parliament were also held. After examining the matter from all possible angles a decision has been taken to revamp the RRBs by cleaning up of their balance sheets on a 'Stand Alone' basis. This emerged as the best solution for maintaining the rural character and improving the financial position of the RRBs. The Hon'ble Finance Minister has accordingly announced this decision in his Budget Speech on 28th February, 1994 to take up 50 of the 196 RRBs all over the country in the course of 1994-95 for undertaking comprehensive restructuring including cleaning up of their Balance Sheets and infusion of fresh capital. The experience with these 50 RRBs will guide the approach in later years to the other RRBs.

[Ministry of Finance, Banking Divison, F1/1/P/Bkg/94]

Recommendation

The Committee, therefore, recommends that in future, no vacancy should remain unfilled for any length of time including the post of both Chariman-cum-Managing Director and Executive Director. Under no circumstances should both these posts remain vacant simultaneously. The Government should do some advance planning in the matter of filling up the vacancies on the Boards of Directors of various banks. The Appointment Board should prepare bank-wise, a list of Directors, official as well as non-official, who are due to retire in the calander year and should take immediate steps to fill up those vacancies. The Committee desires that the Government should ensure with certainty that non-official directors automatically cease to be in office after the date of expiry of their term and not remain in office till the appointment of new directors. The Committee recommends that quarterly reports be sent to this Committee regarding vacancy position on the Board of Directors and the action taken by the Government to fill up those vacancies.

[Sl. No. 12-Para 4.13]

Action Taken

Government share the concern of the Committee that the posts of Chairman-cum-Managing Director and Executive Director should not remain vacant simultaneously. At present in no bank are the two posts vacant simultaneously.

As indicated in reply to recommendation in para 4.11, Government initiate the search for a successor to a whole-time director three months before the vacancy arises. In most such cases, recommendations of the Appointments Board are obtained before the vacancy actually arises.

In so far as the recommendation of the Committee that the non-official directors should automatically cease to be in office after expiry of their term and not remain in office till the appointment of new directors is concerned, it may be stated that at present non-official directors are appointed for a term of three years in terms of the Nationalisation Schemes. These schemes further provide that such directors shall continue in office till their successors are appointed provided that no such director shall hold office continuosusly for a period exceeding six years. Even before the expiry of the three year tenure of the non-official directors, action is initiated to identify their successors. However, due to various factors it is always not possible to complete the entire exercise before the expiry of the three year tenure. Keeping this fact in view and to ensure that the Boards of Nationalised Banks are not deprived of the benefit of the presence of non-offical directors, the provision for continuation beyond three years has been stipulated in the schemes. In this background, Government are not in favour of accepting this part of the recommendation.

[Ministry of Finance, Banking Divison, F1/1/P/Bkg/94]

CHAPTER IV

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

Recommendation

The Committee not with concern the frauds the irregularities that have taken place in the banking system in the recent past. There appears to be a total failure of audit in banks. The Committee feels that the audit of accounts in Banks needs to be improved so as to avoid system failures and financial scandals. The Committee, therefore, recommends that the frequency of audit of banks should be increased from the present once in three years to atleast once in two years. It should be ensured that efforts are made to cover maximum number of branches. The norm regarding annual audit of large branches should be followed scrupulously. The RBI should take initiative to see that audit reports are properly scrutinised and are complied with by the bank management. The system of follow up and corrective action on these reports should be strengthened. A time limit should be fixed for compliance of audit objections. In the context of rising frauds and irregularities, the Committee is of the view that a detailed audit which operates simultaneously with the transactions will be very useful. The Committee, therefore, recommend that the concurrent audit of large branches should be introduced immediately. The Committee further recommends that Standing Advisory Committee of RBI should also evalute the performance of audit firms and any acts of ommission and commissions on their part should be strictly dealt with.

[Sl. No.1, Para No. 1.8]

Action Taken

At present all branches of public sector banks having outstanding advances of Rs. 1 crore and above are compulsorily audited every year. Of the remaining branches 25% are selected at random every year. In this process all branches of public sector banks are audited at least once in 4 years. In addition to the Statutory Central Audit and Branch Audit, RBI have introduced a system of concurrent audit in all scheduled commercial banks. Detailed instructions covering the concept of concurrent audit, scope of such audit, coverage of business/branches, types of activities to be covered during the audit and reporting system have been laid by RBI. Banks have also been advised by RBI that while framing the concurrent audit system they may clearly spell out the linkages between different forms of internal audit already in existence.

In so far as the performance of audit firms is concerned, RBI calls for a performance report from each public sector bank in respect of Statutory/Branch auditors. These performance report are scrutinised and appropriate action, including resting of audit firms is initiated by RBI.

To ensure timely compliance with audit objections, Reserve Bank of India has recently asked public sector banks to set up Audit Committees of the Board of Directors to review compliance with audit objections. Audit Committee of the Board of Directors will provide direction to the internal audit/inspection of the banks and enforce accountability for delay in compliance with audit objections.

[Ministry of Finance, Banking Division, F 1/1/P/Bkg/94]

Recommendation

The Committee strongly recommends that Parliamentary accountability of Banks should be enforced through audit of Banks by Comptroller & Auditor General of India for which the modalities should be worked out at the earliest. In this context, the Committee are at a loss to understand as to why the entire banking and financial sector of the economy has been kept outside the purview of C&AG audit. The Committee is not happy to note that the entire nationalised banking sector alongwith financial institutions, like IFC, IDBI, ICICI and the LIC are not a present covered by CAG audit though these institutions account for a major portion of the country's economic and financial infrastructure and are importanct agencies to carry out Government policies for development and public welfare. This Committee does not feel that there is any merit in the Ministry's argument that the banking sector should not be brought under CAG audit because CAG audit was primarily rule bound and banking activity necessarily involved a measure of discretion. There is also no weight in the argument that the nationalised banks and financial institutions would be discriminated against vis-a-vis the foreign banks, since the later would be outside the purview of CAG audit. This Committee, therefore, recommends that the audit of the nationalised banks and other financial institutions which are Government owned or Government controlled should be brought under the control of C&AG who should select and appoint Statutory Auditors and carry out a supplementary audit through its own officers just as is done in the case of Government companies and other public secotor undertakings. Bringing the banks under the CAG audit would ensure that a vital component of the economy is not left outside the purview of CAG's jurisdiction. This would also go a long way in restoring public confidence and credibility of the banks and other financial institutions.

[Sl. No. 2, Para No 1.9]

Action Taken

The audit of public sector banks is conducted by outside statutory auditors who are appointed by the banks concerned with the approval of RBI. The selection of central statutory auditors is made by a Committee *viz.* Standing Committee on Bank Audit, which has been functioning for several years. The members of SAC include representatives of RBI, Ministry of Finance, C&AG and NABARD. SAC identifies the list of chartered accountant from a panel obtained from C&AG.

Reserve Bank of India in consultation with Government have made the following change in the audit system of various banks for improving the same:—

(i) It has been decided that the auditors will ordinarily continue for a period of four years and even though their formal appointment shall be on an annual basis, it would be understood that subject to the audit firm performing its function satisfactorily, its appointment would automatically continue upto a maximum period of four years.

(ii) The statutory auditors, as a part of their functions, would now be required to verify compliance of SLR norms under Section 24 of Banking Regulation Act on 12 odd days indifferent months spread over the entire year. In addition, auditors are required to report directly to RBI on serious irregularities which require immediate attention.

(iii) RBI have introduced the system of Concurrent audit in the measure branches of all the commercial banks.

(iv) The Institute of Chartered Accountants of India have, in March, 1994, brought out a set of working guidelines and principles to be followed by bank auditors and these guidelines cover the scope of audit.

2. In addition to the above measures which have already been introduced, the Board for Financial Supervision proposed to be set up by the RBI will function with the assistance of the Department of Supervision dealing with banks, financial institutions, non-banking financial companies and resource management services. It would also determine the criteria for appointment of auditors, appoint statutory and special auditors and assess external audit performance.

3. The RBI has also taken necessary steps for setting up of an Audit Committee of the Board of Director (ACB) of all commercial banks for overseeing the internal audit function in banks. This apex audit committee will look into different types of audit conducted within the bank, their periodicity as well as quality and follow up action on the reports regarding performance of unsatisfactory branches.

4. Government have considered the present status of audit in banks and are of the view that with the Board for Financial Supervision having audit follow up as one of its functions, there is no need for CAG audit of public sector banks and financial institutions.

[Ministry of Finance, Banking Division, F 1/1/P/Bkg/94]

Recommendation

The Committee is distressed to note that out of twenty nationalised banks, three banks are without full fledged Manging Director/Chairman. It is surprising to note that the post of Chairman and Managing Director of Andhra Bank is vacant for more than one year. The Committee further notes that posts of

Executive Director are lying vacant in four nationalised banks, ranging from one and half year to one month. The Committee considers this situation as most unfortunate and cannot but deplore the lackadisical manner in which Government have handled the matter. The Committee is of the view that for effective functioning of any organisation and particularly nationalised banks, which cater to the needs of people at large, there ought not to be any vaccum in top management. The delay in appointments to such high posts not only hampers the smooth functioning of banks, but also has a cascading negative effect on corporate goals and implementation of financial policies. The Committee also finds that in terms of Nationalised Bank (Miscellaneous Provisions) Scheme, 1970-1980, while the Government has assumed unbridled powers to appoint or remove at will both whole time and other Directors, the non-appointment of Chairman/Managing Director and Executive Directors leads to the irresistible conclusion of usurping power of the Board of Directors by the Ministry through over-centralisation.

[Sl. No. 10, Para No. 4.11]

Action Taken

Government agree with the Committee that there should be no delay in appointment to the posts of Chairman and Executive Director in the nationalised banks. Generally, where the vacancy of whole-time director is expected in the normal course, the search for the successor commences about three months before the vacancy actually arises. In most of the cases, the recommendations of the Appointments Board constituted under the chairmanship of Govèrnor, Reserve Bank of India are obtained before the vacancy actually arises. However, in cases or resignation or termination it is not possible to anticipate the vacancy well in time. Further, delays do take place on certain occasions on account of time taken for completion of various formalities including obtaining of vigilance Clearance, etc.

2. As on date, the post of Chairman and Managing Director is vacant only in Andhra Bank w.e.f. 1.7.1992. As regards the posts of Exective Directors, it is vacant as per the details given below:—

Sl. No.	Detail of the vacancy	Date from which vacant
1.	Executive Director, Central Bank of India	5.2.1992
2.	Executive Director, Vijaya Bank	22.6.1992
3.	Executive Director, Dena Bank	29.12.1993
4.	Executive Director, Oriental Bank of Commerce	9.4.1994

The process filling up of these vacancies has already been initiated and expected to be completed shortly.

[Ministry of Finance, Banking Division, F 1/1/P/Bkg/94]

Recommendation

The Committee further notes that Goiporia Committee made 97 useful recommendations and these have been categorised into four groups for the purpose of implementation. The Committee is distressed to note that inspite of clear cut instructions to implement recommendations under Group 'A' straightway, the progress made by the banks in implementing these recommendations is far from satisfactory. This Committee desires that the process of implementation of the recommendations of Goiporia Committee should be expedited and the Committee may be kept informed about the stage of each recommendation implemented by each nationalised bank.

(Sl. No. 17, Para No. 5.12)

Action Taken

It is not true that the progress made in implementation of various recommendations including the recommendation under Group 'A' of the Goiporia Committee is not satisfactory. Bank-wise information regarding No. of recommendation implemented in each of the four groups is given in the *Annexure I.* A few recommendations on which banks have expressed certain difficulties are being examined in regard to their implementation.

(Ministry of Finance, Banking Division, F1/1/P/Bkg/94)

Recommendation

On the aspect of unreconciled amounts in

- Inter Branch Suspence Accounts
- Drafts Paid without advice; and
- Interest accrued and payable etc.

The Committee is constrained to note that many banks have huge amount of reconciliation to be carried out and satisfactory progress in this regard is not being made. The Committee are at a loss to understand how financial statements can be expected to present a true and fair picture if huge amounts are pending for reconciliation. As these are major fraud prone areas, this Committee recommend the accomplishment of this task at the earliest. The Committee not that some banks are giving due priority to these areas of work but regret to note that what has been touched is only the tip of the ice-berg and much more progresss remain to be made. The Committee was not able to get all the information regarding unreconciled amounts for many banks and concluded that the position was absolutely unsatisfactory.

(Sl. No. 22, Para No. 6.7)

Action Taken

Arrears in the reconciliation of inter-branch accounts of banks has been a matter of concern both to Government of India and Reserve Bank of India (RBI). Keeping this in view RBI had set up a Working Group in March, 1992, for making recommendations to quicken the process of reconciliation and adjustment of outstanding entries. The recommendations of the Working Group, as accepted by RBI with certain modifications, have been advised to banks in April 1993. The banks have been specifically advised to pay due attention to the following:—

(1) To adjust all high value entries within a period of two months.

(2) Effectively tackle the rigidities, if any, in the way of computerisation of Central/Local Main Offices.

(3) Decentralise the clearing process.

(4) Reconcile entries at frequent intervals, but at least monthly.

(5) Take punitive action against staff of recalcitrant branches which habitually delay submission of daily statements of a branch.

As recommended by the Working Group, the following time bound programme has also been prescribed for clearing all pending entries in the inter-branch reconciliation accounts:—

Entries	To be reconciled by
1989-90 and earlier years	30th June, 1993
1990-91	30th September, 1993
1991-92	31st December, 1993
1992-93	31st March, 1994

As per RBI's circular, from 1993-94 onwards no bank is expected to keep entries unadjusted for more than six months. Responsibility has been fixed on the Chief Executives of banks for adhering to this time frame. Boards of banks are required to review progress in this regard at half yearly or even shorter intervals.

Progress made by banks in this regard is also being monitored by Regional Offices of RBI on a quarterly basis.

Based on the quarterly progress reports received from banks for the quarter ended 31st March, 1993, the position of entries outstanding in inter-branch reconciliation accounts as on 31st March 1993 covering the entries upto 31st March, 1992 is given in the Annexure II. It would be observed thereform that

State Bank of India and its Associate Banks have cleared all their entries up 31.12.1987. It would be further observed that of the total outstanding entries 88.43% pertain to the period Ist April, 1990 to 31st March, 1992. whereas 11.57% entries pertain to the period upto 31st March, 1990.

In terms of the action plan metioned above the position has been reviewd by RBI as at the end of June, 1993. The review reveals that out of 27 public sector banks, 7 banks have been able to clear entries pertaining to 1989-90 and earlier years. RBI are vigorously pursuing the matter with remaining banks for clearance of outstanding entries.

(Minsitry of Finance, Banking Division, F1/1/P/Bkg/94)

Recommendation

The Committee notes that a sum as large as Rs. 5700 crores has been provided for capital adequacy in 1993-94 for various banks. This steady erosion of Equity has not taken place over-night but over the years due to poor accountability of those in-charge. In this regard, it is pertinent to point out that major losses have been due to mounting bad debts. The Committee addressed itself to this problem and in fact called for the names of top defaulting parties and industrial houses. In reply, however, the Government stated that in accordance with the statutes and practices customary among the banks, these names could not be disclosed, as also the quantum of bad debt and doubtful debts incurred cumulatively.

(Sl. No. 24, Para No. 6.9)

Action Taken

Reserve Bank of India have since decided that they will circulate among banks lists of defaulting borrowers with outstanding balances exceeding Rs. 1 crore. RBI also proposes to publish the list of suit filed account above Rs. 1 crore.

The bad debts declared by various nationalised banks during the last 3 financial years as reported by Reserve Bank of India are as under :—

(Rs. in crores)

Year	Amount
March, 1991	407.14
March, 1992	547.94
March, 1993	971.24

(Ministry of Finance, Banking Division F 1/1/P/Bkg/94)

Recommendation

This Committee appreciates fully the inherent risk in the nature of lending by banks. However, it cannot but observe that while the judgement and discretion of the bank authorities cannot be questioned the results of this evaluation should certainly be reflected in the assessment of individuals. In other words, a bad judgement should be visited by some loss for the person who made the judgement. The Committee feels that over the years, banking business, especially lending, has been carried out in such a flippant and casual manner that today it is the entire nation which is bearing the loss in the form of compensation by Government towards eroded capital bases of banks. In this regard, the Committee recommends that banks evolve a methodology of working whereby there is a relationship between the number of good decisions taken by a Manager and the assessment of his performance. The Committee cannot but note with regret that precious resources of the State have been frittered away in the nature of bad debts in the forms of ventures which were either unviable or fraudulent. The Committee recommends that Government should also examine the total elimination of secrecy laws, so far as these prohibit the disclosure of the names of defaulters in refund of bank loans.

(Sl. No. 25, Para No. 6.10)

Action Taken

Government agree with the Committee's recommendations as regards the need for banks to evolve a reporting system whereby managers consistenly making good decisions are rewarded and those making bad decisions do not progress in their career. A modified confidential reporting proforma has been introduced by banks with effect from 1992-93 and this contains, *inter-alia*, an analysis of the quality of assets at the time of taking over and handing over, as well as comments of the appraiser in relation to whether or not the official has frequently exceeded the discretionary powers, whether any *malafides* in sanctioning advances by the officer have come to light, and an overall comment on his competence in sanction and conduct of advances. It is expected that appraisal of this aspect of work would improve the accountability of decision making.

2. As regards secrecy laws, Government have examined this issue but are unable to agree with the view-point of the Committee that the secrecy laws should be totally eliminated. It is well recognised that maintaining confidentiality of the banking transactions is an established principle and the right of secrecy is enforceable by law. It is only in exceptional circumstances that banks are permitted to disclose information to enforcement agencies, tax departments, etc. The confidentiality of customers accounts is a concept which is generally accepted in banking practice throughout the world and this concept of confidentiality is not unique to the banking sector but also applies in professions such as legal accountancy and medicine.

3. The Finance Minister, in his Budget Speech of 1994, has already stated that "To alert banks and financial institutions and put them on guard against borrowers who have defaulted in their dues to other lending institutions, the Reserve Bank of India is putting in place arrangements for circulating among

banks and financial institutions names of the defaulting borrow above a threshold limit. The Reserve Bank will also publish a list of defaulting borrowers in cases where suits have been filled by banks and financial institutions. Both these measures will encourage greater discipline among the borrowers''. Accordingly, the Reserve Bank of India *vide* its circular of April 23, 1994 have prepared a scheme to collect and disseminate information on the defaulters and suit filed accounts. The salient features of the scheme are:

(i) The banks and financial institutions will be required to submit to the Reserve Bank of India by 15th of April and October every year the details of the borrowal accounts which have been classified as Doubtful, Loss, and Suit filed with outstanding (both under funded and non-funded) aggregating Rs. 1 crore and above.

(ii) The Reserve Bank of India will circulate to the banks and financial institutions the information on the defaulters (*i.e.* advances classifed as Doubtful and Loss). The banks and financial institutions may make use of the information while considering on merits the requests for new or additional credit limit by existing and new constituents.

(iii) Based on the information so collected, Reserve Bank of India will be publishing every year in a booklet form the list of suit filed accounts and also an update of the list half yearly.

(iv) The first statement by banks and financial institutions containing the information would relate to the position as on 31st March, 1994 and should reach the Reserve Bank of India before the end fo May, 1994 (thereafter by 15th April and 15th October of each year)

(Ministry of Finance, Banking Division, F 1/1/P/Bkg/94)

CHAPTER V

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

Recommendation

With regard to the Security aspect of the banks the Committee notes with concern the prevailing Security environment in various States affecting the banking operations and the money which the Government have to spend on the protection of the bank properties as well as bank employees. The Committee recommends that State Government should be entrusted with the responsibility of beefing up security for the banks.

The question of providing suitable type of weapons to the bank security guards should be taken up in the Ministry of Home Affairs and examined in the light of prevailing security environment in each State.

[Sl.No.5, Para No.2.11]

Action Taken

Ministry of Finance, Banking Division in consultation with Ministry of Home Affairs has decided to replace 12 bore gun with a pump action shot gun which is a better weapon. Total requirements by public sector banks has been obtained and submitted to Ministry of Defence.

Regarding entrusting the responsibility of security with State Government the matter is being examined in consultation with Ministry of Home Affairs.

[Ministry of Finance, Banking Division, F1/1/P/Bkg/94]

Recommendation

The Committee further recommends that the Appointment Board should also be restructured to include a group of eminent persons such as retired Governors of RBI, Judges of Supreme Court and High Courts, former C&AG and other widely-respected persons in the financial field. The Board should also be empowered to make recommendations regarding removal of Directors from the Boards of Banks.

The Committee also note that there is limited availability of persons for filling up the posts of Chairman-cum-Managing Directors and the Executive Directors. The Committee recommends that the area of consideration for such posts should be further enlarged by including persons from the private sector and the universities, non-banking financial institutions and state financial institutions etc. so that the wider choice is available.

[Sl. Nos. 13 and 14, Paras 4.14 & 4.15]

Action Taken

At present, recommendations regarding appointments of wholetime directors in public sector banks and financial institutions are made by the Appointments Board constituted under the chiarmanship of Governor, Reserve Bank of India. The other Members of the Board are Finance Secretary, Deputy Governor, Reserve Bank of India, Chairman, State Bank of India, Chairman, Industrial Development Bank of India (whenever matters relating to financial institutions are taken up) and Special Secretary (Banking) as Member Secretary. Recently, the matter regarding changes in the composition of the Appointments Board and widening the area of selection has been considered by the Appointments Board and certain recommendations have been made to the Government. These recommendation are under consideration and the Committee would be apprised of the final decision of the Government in due course.

[Ministry of Finance, Banking Division, F 1/1/P/Bkg/94]

Recommendation

The Committee notes that in spite of Constitution of several Committees, the grievances redressal machanism is not yet satisfactory. The customers still have to move Civil Courts for settlement of their claims. There is thus a need to overhaul the grievance redressal machinery. The Committee, therefore, recommends the institutions of Lok Pal on the pattern of Bank Ombudsman of United Kingdom for each nationalised bank. The Bank's Lok Pal should be a person of repute, preferably a retired Supreme/High Court Judge or a retired Comptroller and Auditor General of India with a fixed tenure to deal with complaint and matters and pertaining to deficiency of service by the banks. He should also be authorised to grant relief to bank customers including monetary relief wherever he thinks it necessary. The decision of the Lok Pal should be binding on the banks.

[Sl.No.20, Para No.5.15]

Action Taken

The need for setting up of Ombudsman type of authority to deal with customer grievances in banks has been recognised by the Government. The pattern of functioning of Ombudsman in the United Kingdom has been studied in depth by the Reserve Bank of India and the Indian Banks' Association. The RBI have also consulted a few large banks in the matter. The modalities for creation of an institution of Ombudsman or Lok Pal in the banking system on a territorial basis have been examined by the RBI and a decision is likely to be taken shortly.

[Ministry of Finance, Banking Division, F 1/1/P/Bkg/94]

NEW DELHI;
23 September, 1994
1 Asvina, 1916 (Saka)

DR. DEBIPROSAD PAL,
Chairman,
Standing Committee on Finance.

ANNEXURE I

BANK-WISE STATISTICAL INFORMATION REGARDING IMPLEMENTATION OF RECOMMENDATIONS OF GOIPORIA COMMITTEE (AS REPORTED BY RBI)

S.No.	Name of the bank	No.of recommendations implemented in Group.			
		(A)	(B)	(C)	(D)
1.	State Bank of India	55	9	-	-
2.	State Bank of Bikaner & Jaipur	44	9	9	4
3.	State Bank of Hyderabad	62	13	1	2
4.	State Bank of Indore	43	7	1	2
5.	State Bank of Mysore	64	10	2	2
6.	State Bank of Patiala	60	14	4	4
7.	State Bank of Saurashtra	53	10	2	2
8.	State Bank of Travancore	63	10	1	4
9.	Allahabad Bank	50	-	1	2
10.	Bank of Baroda	55	16	1	8
11.	Bank of India	63	7	1	4
12.	Bank of Maharashtra	62	5	-	1
13.	Canara Bank	64	17	1	7
14.	Central Bank of India	59	10	1	2
15.	Dena Bank	62	7	1	2
16.	Indian Bank	58	6	1	5
17.	Indian Overseas Bank	61	13	2	6
18.	Punjab National Bank	62	16	1	7
19.	Syndicate Bank	59	8	1	7
20.	Union Bank of India	62	11	1	7
21.	United Bank of India	50	10	1	4
22.	UCO Bank	35	8	-	2
23.	Andhra Bank	58	13	2	4
24.	Corporation Bank	61	7	1	9
25.	Oriental Bank of Commerce	62	7	1	6
26.	Punjab and Sind Bank	59	12	1	7
27.	Vijaya Bank	62	12	1	8

Note: Total No. of recommendations in each of the four groups is given below:

Group	No. of recommendations	Remarks
A	66	Some recommendations figure in more than one group.
B	32	
C	10	
D	9	

ANNEXURE II

POSITION OF OUTSTANDING ENTRIES IN INTER-BRANCH RECONCILIATION FOR 28 PUBLIC SECTOR BANKS AS ON 31 MARCH 1993.

(Entries in lakhs)
(Amount in crores of rupees)

Period	Debit		Credit		Total	
	No. of entries	Amount	No. of entries	Amount	No. of entries	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(I) Upto 31.12.1987						
SBI Group	Nil	Nil	Nil	Nil	Nil	Nil
Other Nationalised Banks	1.68	1863.87	2.16	1108.72	3.84 (3.33)	2972.59 (1.08)
Total	1.68	1863.87	2.16	1108.72	3.84 (2.85)	2972.59 (0.89)
(II) 01.01.88 to 31.03.89						
SBI Group	0.23	76.86	0.39	172.44	0.02 (3.17)	249.30 (0.41)
Other Nationalised Banks	1.00	2022.21	1.43	2677.05	2.43 (2.11)	4699.26 (1.71)
Total	1.23	2099.07	1.82	2849.49	3.05 (2.26)	4948.56 (1.48)
(III) 01.04.89 to 31.03.90						
SBI Group	0.96	1030.57	1.25	1152.47	2.21 (11.29)	2183.54 (3.63)
Other Nationalised Banks	2.03	6749.64	4.47	5909.70	6.50 (5.64)	12659.34 (4.61)
Total	2.99	7780.21	5.72	7062.67	8.71 (6.46)	14842.88 (4.43)
(IV) 01.04.90 to 31.03.91						
SBI Group	2.94	4445.00	4.36	7432.56	7.30 (37.28)	11877.56 (19.76)
	7.62	13684.58	11.28	18059.98	18.90 (16.40)	31744.56 (11.55)
Total	10.56	18129.58	15.64	25492.54	26.20 (19.43)	43622.12 (13.02)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
(V) 01.04.91 to 31.03.92						
SBI Group	4.10	20541.11	5.35	25246.13	9.45 (48.26)	45787.24 (76.20)
Other Nationalised Banks	30.62	107627.98	52.97	115134.62	83.59 (72.52)	222762.60 (81.05)
Total	34.72	128169.09	58.32	140380.75	93.04 (69.00)	268549.84 (80.18)
Grand Total (I to V)						
SBI Group	8.23	26093.54	11.35	34004.10	19.58 (100.00)	60097.64 (100.00)
Other Nationalised Banks	42.95	131948.28	72.31	142890.07	115.26 (100.00)	274838.35 (100.00)
All Public Sector Banks	51.18	158041.82	83.66	176894.17	134.84 (100.00)	334935.99 (100.00)

(figures in bracket indicate percentage to total)

PART II

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON FINANCE HELD ON 19 SEPTEMBER, 1994

The Committee sat from 1500 hrs. to 1645 hrs. in Committee Room 'E', Parliament House Annexe.

PRESENT

Dr. Debiprosad Pal — *Chairman*

MEMBERS

Lok Sabha

2. Prof. K.V. Thomas
3. Dr. K.V.R. Chowdary
4. Shri Prithviraj D. Chavan
5. Shri S.B. Sidnal
6. Smt. Maragatham Chandrasekhar
7. Shri Sushil Chandra Varma
8. Shri Jeewan Sharma
9. Shri Chetan P.S. Chauhan
10. Shri Dileepbhai Sanghani
11. Shri Harin Pathak
12. Shri Nirmal Kanti Chatterjee
13. Shri Bhogendra Jha

Rajya Sabha

14. Shri Satish Chandra Agarwal
15. Shri Triloki Nath Chaturvedi
16. Shri Sanjay Dalmia
17. Shri Mahendra Prasad
18. Shri Chimanbhai Mehta
19. Shri Rajubhai A. Parmar

SECRETARIAT

1. Shri S.C. Gupta — *Joint Secretary*
2. Shri Satish Loomba — *Deputy Secretary*
3. Shri T.K. Mukherjee — *Assistant Director*

The Committee considered the draft Report on the action taken by Government on the recommendations contained in the Fourth Report of the Standing Committee on Finance (Tenth Lok Sabha) on the Working of the Public Sector Banks and adopted the same with certain amendments/modifications indicated in Appendix.

The Committee authorised the Chairman to finalise and present the Report to both the Houses of Parliament.

The Committee decided to hold their next sittings on 6 & 7 October, 1994 to take evidence of the officials of the C.B.D.T. in regard to its working.

The Committee then adjourned.

APPENDIX

Amendments/Modifications Made by the Standing Committee on Finance in the Draft Action taken Report on the Fourth Report (Tenth Lok Sabha) Relating to working of The Public Sector Banks.

Page	Para	Line	Amendments/Modifications
1	2	3	Serial Nos. 1,10 and 17 to be deleted from sub-para (i) and to be categorised undersub-para (iii).
11	19	9	Insert the following after the word 'crore': 'Thus the total outstanding entries of SBI, its associate banks and other nationalised banks were 134.84 lakh involving Rs. 334935.99 crore'.
12	19	27	Insert the following after the word 'RBI': 'and regularly reported to Parliament every year'.