

THIRTEENTH REPORT
STANDING COMMITTEE ON FINANCE
(1995-96)

(TENTH LOK SABHA)

MINISTRY OF FINANCE
DEMANDS FOR GRANTS (1995-96)



Presented to Lok Sabha on 3 MAY 1995
Laid in Rajya Sabha on

LOK SABHA SECRETARIAT
NEW DELHI

April, 1995/Chaitra, 1916 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON FINANCE
(1995-96)

DR. Debiprosad Pal—*Chairman*

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5. Shri Chhitubhai Gamit
6. Shri Prithviraj D. Chavan
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SECRETARIAT

1. Shri S.N. Mishra — *Additional Secretary*
2. Shri G.C. Malhotra — *Joint Secretary*
3. Shri Satish Loomba — *Deputy Secretary*
4. Shri T.K. Mukherjee — *Assistant Director*

INTRODUCTION

1. the Chairman of the Standing Committee on Finance having been authorised by the Committee to submit the Report on its behalf present the 13th Report on the Demands for Grants (1995-96) of the Ministry of Finance.

2. The Demands for Grants of the Ministry of Finance were presented to the Parliament on 28 March, 1995. Rule 331 E of the Departmentally related Standing Committees Rules provides that the Standing Committees shall consider the Demands for Grants of the concerned Ministries/ Departments and make a Report on the same to the Houses. Therefore, the Demand for Grants of the Ministry of Finance were examined by the Standing Committee on Finance.


3. Owing to time constraints the Committee could not take the oral evidence of the representatives of the Ministry and finalised the Report on the basis of the written responses of the Ministry to the questionnaire sent by the Committee and further replies to the clarifications sought by the Members on the detailed Demands for Grants, Annual Report and other related documents of the Ministry.

4. The Committee considered and adopted this Report in its meeting held on 20 April, 1995.

5. The Committee expresses its thanks to the Ministry of Finance for furnishing the desired information to the Committee.

6. For facility of reference, recommendations/observations of the Committee have been printed in thick type.

NEW DELHI
20 April, 1995
30 Chaitra, 1916 (Saka)


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

REPORT

1. DEMAND NO. 24

Major Head : 2235

SOCIAL SECURITY & WELFARE

- (i) Personal Accident Insurance Social Security Schemes for Poor families (PASS).
- (ii) Hut Insurance for poor families in Rural Areas.
- (iii) Group Insurance Scheme for landless agricultural Labourers.

The Committee in its Fifth Report (1994-95) was of the view that both these schemes were continuing with an element of ad-hocism. The Committee was also of the view that the amount of Rs. 3000/- and Rs. 1500 (Rs. 1000 for Hut and Rs. 500/- for belongings) paid under the respective schemes were inadequate and should be suitably revised keeping in view the rate of inflation. Since the Ministry had admitted that the Committee on Reforms in the Insurance sector had submitted their report and the recommendations are under consideration of the Government, the Committee had recommended that a quick decision should be taken on those recommendations so that a long term view on those schemes could be taken.

The Ministry in their action taken note had stated that one of the recommendations made by the Committee on Reforms in the Insurance Sector was that the PASS and Hut Insurance Schemes did not involve any element of insurance and as such they should be transferred to the Government authorities concerned. Any amendment to the schemes including the amendments relating to upward revision in the compensation available under the schemes could be considered only after a view was taken by the Government on the recommendations made by the Committee on Reforms in the Insurance Sector. They had further stated that the matter regarding the transfer of these schemes to the Government authorities concerned was under examination in consultation with the concerned Ministries and it would take some time before a final view was taken.

In reply to a question on the latest position on the subject, the Ministry have stated that Malhotra Committee's recommendations are still under consideration of the Government and further informed that the Finance Minister in his Budget Speech for the year 1995-96 announced a new Group Life Insurance Scheme to cover the poor in rural areas and it was not considered necessary to augment the limits of comper

sation available under the existing PASS and Hut Schemes.

In reply to another question on the possibility of clubbing all the existing schemes (i.e. PASS & LALGI Schemes) including the proposed new Rural Population Group Insurance Scheme (RPGIS) into one comprehensive Life Insurance Scheme for the rural poor, the Ministry stated that the target groups are different under these three different schemes and the nature of the schemes also widely differ from each other. Therefore, it will not be possible to club all these three schemes into one scheme to be operated by the LIC.

The Committee regrets that there is delay on the part of the Government in taking a final view on the future of these schemes and these are therefore continuing with an element of ad-hocism.

While the Committee is aware of the new Group Life Insurance scheme of LIC announced in the budget and quite appreciate the concern shown towards the rural poor, the Committee, however, fear that the new scheme may not be able to answer the purpose, however, modest the premium may be, because of the existance of two almost similar such relief oriented social welfare schemes where no premium is payable by the insured. Since all these schemes aim at assisting the poor rural households, the Committee, is of the view that both the existing PASS and LALGI schemes be clubbed to the proposed new Rural Population Group Insurance Scheme (RPGIS) by introducing an element of accident insurance coverage in it.

The Committee also do not find adequate reasons for not augmenting the limit of compensation available under the Hut scheme. The Committee, therefore, desire that the amount payable under the Hut Scheme should be suitably revised keeping in view the general inflation and the income eligibility limit under the scheme should also be raised to the present poverty line limit.

2. DEMAND NO. 24**Major Head : 3475****Sub-Head : G3(8)****TRANSFER TO RESERVE FUNDS**

This Committee notes that the War Risks (Marine Hulls) Reinsurance Scheme was initiated so as to provide for insurance cover for marine hulls against the risks due to perils of war or warlike operations. The Committee understands that the entire premium collected by the insurance companies gets fully credited to the War Risks (Marine Hulls) Reinsurance Fund of the Government, and that all liabilities arising under the scheme are met out of this Fund including the administrative expenses of the Insurance Companies for operating the scheme.

The Committee desires that the Government should run this scheme on commercial principles which are in consonance with internationally accepted insurance norms and practices. It is evident from the reply of the Government that an amount of only Rs. 114 crores is available with them under the Minor Head 105 - 'General Insurance Fund' for payment under the five Emergency Risks Funds constituted for similar purposes. The Committee apprehends that this amount may be insufficient to cater to the claims in case they arise *en masse*. The Committee, therefore, suggests that the efficiency of these insurance schemes may be assessed thoroughly, including the performance of the insurance companies in operating these schemes *vis-a-vis* the administrative expenses incurred in running them.

3. DEMAND NO. 25

Major Head : 2046

Minor Head : A.3

SECURITY PAPER MILL, HOSHANGABAD

The Security Paper Mill, Hoshangabad manufactures currency and bank note papers and stamp papers required by Bank Note Press and Currency Note Press as well as India Security Press. The Mill was set up in collaboration with M/s. Portale of U.K. and commissioned in June 1967 and subsequently modernised in 1983. The Mill intended to make the country self dependent for its requirements of security papers. The installed capacity of the Mill is 6000 metric tonnes of paper per annum.

The Ministry furnished the following information in respect of the total demand, actual production and quantity of water marked papers imported for making currency notes during the last three years in response to written queries:

(Quantity in M.T.)

| Year | Total Demand | Production | Quantity Imported |
|------------------------|--------------|------------|-------------------|
| 1992-93 | 4204 | 3332.327 | 1440 |
| 1993-94 | 5470 | 3934.918 | 1685 |
| 1994-95 (upto 2/95) | 5446 | 3522.240 | 1328 |

A provision of Rs. 57 crores has been provided for import of bank Note Paper in BE 1995-96 by the Bank Note Press and Rs. 167.47 crore by Currency Note Press which also includes provisions for procurement of security inks and also for spare parts for existing note printing machines. A provision of Rs. 60 crores has also been provided for supplies and materials by India Security Press, Nasik, the detailed break up of which, however, could not be obtained.

In response to a written reply about the reasons for shortfall in the production of the currency paper and the steps taken to achieve the installed capacity of the Mill (6000 M.T.) the Ministry stated that the required additional manpower, revised incentive scheme for the modernised paper mill could be sanctioned only in October 1993. Further action for proper positioning of additional manpower was still on hand, after which the production of paper is expected to be increased to 4500 M.T. during 1995-96.

It is distressing to note that the Government took 10 long years in sanctioning the additional manpower required for the Security Paper Mill which was modernised in 1983.

What is more distressing is that the further action for proper positioning of additional manpower sanctioned in October 1993 is still on hand. It is strange that the installed capacity of the Mill remained under utilised for the last so many years due to want of additional manpower while scarce foreign exchange resources were being utilised for import of currency bank note papers. The Committee feels that this is a clear case of improper planning, lack of foresight and inordinate delay in taking decisions. The Committee, therefore, is of the view that it is of utmost importance that such delays are investigated and proper responsibilities fixed. The Committee also desires that the Government should, without any further loss of time, take necessary action for proper positioning of additional manpower required for full capacity utilisation of the Mill which would reduce expenditure of scarce foreign resources on import of bank note paper.

4. DEMAND NO. 25**Major Head : 2047****Sub-head : B.1(1)(3)****OTHER FISCAL SERVICES — INDIA SECURITY PRESS, NASIK**

The Ministry had furnished the following information on the expenditure incurred on account of payment of OTA to the industrial workers of India Security Press, Nasik in response to a written query:-

(figures Rs. in lakhs)

| Year | Budget Allocation | Actual Expenditure |
|---------|-------------------|--------------------|
| 1991-92 | 862.00 | 908.53 |
| 1992-93 | 1034.00 | 1144.46 |
| 1993-94 | 1200.00 | 1310.00 |

A Budgetary provision of Rs. 15 crore had been made for payment of overtime allowances to the workers in the India Security Press, Nasik, in 1994-95. The Ministry had informed the Committee that the increase in the demands was due to the nature of work which those Presses were doing. The nature of work was such that the whole Press was to be kept running to meet the demands. The Ministry had also informed that it was not feasible to grant compensatory leave to the workers since that would result in further loss of production.

The Committee had observed in its Fifth Report (1994-95) that though the reasons given by the Ministry appeared to be cogent, the Committee felt that there was an imperative need to keep a check on such an expenditure more so when the Ministry of Finance itself was asking other Departments/Ministries to control their non-plan expenditure. The Committee, therefore, had recommended that necessary effective steps in that direction should be taken urgently to minimise the expenditure.

The Ministry in their action taken reply had stated that in an effort to reduce the non-plan expenditure, the whole items of work presently undertaken by India Security Press, Nasik, were being reviewed in consultation with Department of Expenditure and the exercise was likely to be completed by 31 December, 1994.

When asked about the outcome of the review undertaken in order to reduce non-plan expenditure of the Press, the Ministry in a written reply has stated that in an effort to reduce the non plan expenditure.

the entire work was reviewed and against a provision of Rs. 15.00 crore in B.E 1994-95, the actual expenditure during 1994-95 has come down to Rs. 13.35 crore. A provision of Rs. 16.50 crore has been made in the Budget 1995-96 for payment of overtime allowance to the workers in the India Security Press, Nasik. When asked for the reasons for providing increased allocation during 1995-96, the Ministry in a written reply informed that the Press was providing and supplying all security documents required by the Central/State Governments. Most important of them were items like judicial/non-judicial stamps/stamp papers, passports and MICR cheques etc.

In order to meet the increased demand specially for passports, a decision was taken to put the press on extended hours of work i.e. 11 hours per shift instead of normal 8 hours of working. This had resulted in payment of 3 hours of OTA to each industrial worker in the Press. Besides OTA payment for industrial workers was not made as per a fixed rate. That was to be computed every month on the basis of hourly rate of emoluments drawn by them in a particular month as per the provisions of the Factories Act.

The production achievements of important items of the Press from 1991-92 to 1994-95 (upto December, 1994) were as follows:-

(Production in crores of pieces)

| Sl. No. | Item | 1991-92 | 1992-93 | 1993-94 | 1994-95 (12/94) |
|---------|-----------------------------------|---------|---------|---------|-----------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1. | Post Cards | 66.41 | 65.10 | 65.28 | 66.14 |
| 2. | Ordinary Envelops | 17.33 | 21.06 | 21.36 | 13.81 |
| 3. | Registered Envelops | 17.38 | 0.88 | 0.83 | 0.59 |
| 4. | Inland Letter Cards | 63.61 | 57.04 | 55.48 | 24.30 |
| 5. | Green Envelops and Forces Letters | 3.65 | 3.92 | 0.93 | 1.56 |
| 6. | Aerogrammes | 3.82 | 4.97 | 2.85 | 2.37 |
| 7. | Non-Judicial and allied Forms | 10.68 | 11.63 | 9.03 | 6.54 |
| 8. | MICR Cheques | 3.32 | 3.45 | 3.24 | 2.56 |

| 1 | 2 | 3 | 4 | 5 | 6 |
|-----|---|------|------|------|------|
| 9. | Cheques | 1.78 | 2.15 | 1.38 | 1.46 |
| 10. | Pass/Identity Cards | 2.20 | 0.03 | 0.49 | 0.10 |
| 11. | Misc. Security Forms | 8.48 | 5.83 | 4.10 | 5.39 |
| 12. | Public/Service/ Comm. Postage Stamps | 4.67 | 3.99 | 3.04 | 3.06 |
| 13. | Non-Postal Adhesive Stamps | 1.21 | 1.10 | 1.30 | 1.04 |
| 14. | Passport Booklets and visa-sheets | 0.21 | 0.32 | 0.33 | 0.16 |

The Committee note with concern that inspite of increase in expenditure on payment of overtime allowance from Rs. 908.53 lakhs in 1991-92 to Rs. 1335 lakhs in 1994-95, there has been no corresponding increase in production performance of the India Security Press, Nasik. There has been rather, a decline in its performance over these years. There has been a fall in production of the Press in 7 out of the 14 items during 1992-93, 11 items in 1993-94 and 12 items in 1994-95 (upto December, 1994) as compared to the production of such items in 1991-92. Moreover, the Security Printing Press at Hyderabad has also been supplementing the output of India Security Press, Nasik in respect of postal stationery, inland letter cards and match excise bandrolls.

The Committee is equally concerned to note that despite higher provisions made in the budgets for acquisition/replacement of machinery and equipments, there has been a constant under-utilisation of such provisions during the last three years thus depriving the Press from improving its efficiency. The above facts reveal a very unhappy state of affairs in the Press and cast a reflection on its efficiency

The Committee desires that the Government should conduct a comprehensive work study for ascertaining proper manpower requirement and efficient deployment of the existing manpower with a view to achieve optimal utilisation of its capacity and reducing non-plan expenditure. The Committee would also like the Ministry to monitor closely to ensure implementation of the aquisition/replacement proposals of the machinery and equipment of the Press for increasing its efficiency and for which budgetary provisions are made.

5. DEMAND NO. 25**Major Head : 2047****Sub-head : B.3(2)(3)****OTHER FISCAL SERVICES - CENTRAL STAMP STORE**

The following are the details of provisions made in the Budget and actual expenditure incurred in connection with the salaries, wages and overtime allowance in the case of Central Stamp Store, Nasik:-

(Figures Rs. in lakhs)

| Year | Budget allocation for | | | Actual expenditure | | |
|---------|-----------------------|-----------|------------|--------------------|-------|--------|
| | Salaries | Wages | OTA | Salaries | Wages | OTA |
| 1992-93 | 50.50(RE) | 60.50(RE) | 64.00(RE) | 49.68 | 70.43 | 84.33 |
| 1993-94 | 62.50(RE) | 65.50(RE) | 90.00(RE) | 54.51 | 63.42 | 74.68 |
| 1994-95 | 67.66(RE) | 75.50(RE) | 100.00(RE) | 60.00 | 75.00 | 100.00 |
| 1995-96 | 72.50(BE) | 82.50(BE) | 110.11(RE) | - | - | - |

In response to a written reply, the Ministry informed that the Central Stamps store attached to the India Security Press deals with the supply of finished products of India Security Press, Nasik to the indentors. To meet the increased demands of judicial/non-judicial stamps/Stamps papers, passport and MICR cheques etc., the India Security Press is working on extended Over Time hours in two shifts of 11 hours each. As the Central Stamps Store despatches the finished products of India Security Press, the workers of Central Stamp Store, Nasik also put on extended over time hours. The Over Time Allowance rate for workers is computed as per provision of the Factories Act. The Ministry further stated that in an effort to reducing the expenditure, the whole item of work presently undertaken by Central Stamps Store, Nasik is being reviewed.

The Committee noted with surprise that the workers of the Central Stamp Store, Nasik were put on extended overtime hours just to despatch the finished products of the India Security Press, thereby incurring huge expenditure on account of overtime allowance year after year. The Committee fails to understand why the work of despatches could not be disposed off during the normal working hours. The Committee does not regard the existing arrangement as satisfactory and cannot but hold the Department/ Management fully responsible for not effectively monitoring and curbing the tendency of late disposal of work and that too when

It is happening year after year. The Committee, therefore, recommend a thorough reorientation and streamlining of the administrative machinery alongwith a comprehensive review of the work presently undertaken by the Central Stamps Store with a view to improving the administrative efficiency and to minimise such expenditure, including, if necessary running of three shifts, each of eight hours and providing additional employment in the process, rather than the present heavy dependence on OTA.

6. DEMAND NO: 25**Major Head : 4046****Sub-head : A A1 (1) & AA1 (2)****CURRENCY NOTE PRESS, NASIK—BUILDING AND PLANT AND MACHINERY**

The following are the details of provisions made in the Budget and Actual Expenditure incurred in connection with the building and plant and machinery in the case of Currency Note Press, Nasik:-

(Figures Rs. in lakhs)

| Year | Building | | Plant & Machinery | |
|---------|-----------|-------------|-------------------|-------------|
| | Budget | Actual | Budget | Actual |
| | Estimates | Expenditure | Estimates | Expenditure |
| 1989-90 | 225.00 | 68.00 | 1210.00 | 437.91 |
| 1990-91 | 180.00 | 16.06 | 1000.00 | 40.97 |
| 1991-92 | 200.00 | 12.20 | 600.00 | 1165.29 |
| 1992-93 | 199.89 | 6.30 | 600.00 | 17.50 |
| 1993-94 | 300.00 | 27.28 | 1001.00 | 104.77 |
| 1994-95 | 483.00 | 20.00 | 1800.00 | 147.00 |

A provision of Rs. 7.50 crore and Rs. 1.00 crore has been made in the Budget 1995-96 for buildings and plant and machinery respectively.

The Committee had noted with regret in their Fifth Report (1994-95) that no time bound programme had been drawn up by the Government to modernise the Currency Note Press, Nasik and that inspite of making Budget provisions for the last five years, no significant progress seemed to have been made in such an important work. The RBI which was supposed to procure the machines had also not taken any decision in that regard. All that had resulted in cost escalation and fall in production of the Press. The Committee, therefore had recommended that a time bound programme should be drawn up immediately for the modernisation of the Currency Note Press, Nasik and the same should be closely monitored so as to avoid cost and time overruns.

The Ministry in their action taken reply had stated that since the Reserve Bank of India was to procure the machines required for

modernisation of CNP, Nasik, RBI had been requested to finalise the procurement action latest by 31 December, 1994. The position would be reviewed by the Department of Economic Affairs.

When asked whether any decision has been taken on the procurement of the machines required for modernisation of Currency Note Press, Nasik, the Ministry in their reply has stated in affirmative. The Ministry has further stated that the modernisation project for the Currency Note Press was in hand. Phase I Modernisation of Currency Note Press has already been completed. Due to constraints of funds, the proposal of modernisation of Currency Note Press, had been delayed.

Now, at the moment the expenditure for procurement of machines for phase II, III and IV would be initially met out by the RBI and they would supply these machines to them in January, 1996 on lease basis. As the machines would be leased by RBI, there would be no expenditure for payment of cost of the machines but the expenditure would be involved in the infrastructure, training of the personnel abroad, pre-shipment and additional manpower. About the time bound programme drawn up for modernisation of the press, the Ministry further stated that the RBI had since entered into contract with M/s De Ha Rue Giori and those machines would be delivered to Currency Note Press from June 1996 till August 1997. These were the despatch dates from European Sea Port on FOB basis.

The Committee note with regret that the performance of the Government in implementation of the proposal for modernisation of CNP, Nasik which was mooted in 1989-90 has been most disappointing. The Committee is distressed to note that it took more than 5 years to persuade the RBI to procure the required machines and lease them to CNP. The Committee also noted with surprise that even the RBI failed to visualise the urgency and need of procuring such machines and took a long time in entering into a contract for the delivery of such machines when it was within its knowledge that the production capacity of the two note printing presses together could not meet its demand for fresh notes and it had been pumping into circulation reissuable soiled/torn notes.

The Committee further regrets to note that there was an understanding with RBI that the expenditure on account of civil construction and procurement of auxiliary machines indigenously would have to be met by CNP and it was with a view to meeting that requirement, the Press had been making Budget provisions but because of inordinate delay in finalising the contract for delivery of machines the projected provisions remained under-utilised for the last five years. Taking all these factors into con-

sideration, the Committee cannot but hold the Government/RBI responsible for this unfortunate state of affairs and disapproves of the delay in awarding the contract, which has resulted in cost escalation and fall in production of the Press. The Committee would like to emphasise that it is not only the formulation of the proposals or schemes but also their actual and timely implementation which really matters in the final analysis.

The Committee, therefore, recommend that a time bound programme for implementing the remaining phases of the integrated project proposal of the modernisation programme of the Currency Note Press, Nasik should be drawn up and the same should be closely monitored to avoid further cost and time over-run.

7. DEMAND NO. 25**MAJOR HEAD : 4046****MINOR HEAD : AA-6 - MINTS****INDIA GOVERNMENT MINTS**

There are four Mints at Bombay, Calcutta, Hyderabad and Noida. The main function of the Mints is minting of coins to meet domestic requirement. All the three mints at Bombay, Hyderabad and Calcutta are very old and most of the machines are obsolete and therefore, the Government had approved a project for modernisation of these three Mints in February, 1989 at an estimated cost of Rs. 118.29 crore with the target date of completion on March, 1992. Now the project cost has gone up from Rs. 118.29 crore to Rs. 348.80 crore due to time and cost overruns. The Public Investment Board has cleared the revised cost estimates of the project in June 1994 and it is expected to be completed by the end of November, 1996. When asked to state the reasons for the delay in completion of the project and responsibility fixed, if any, for non-completion of the project in time, the Ministry informed that "When the project was originally approved by Cabinet, it was a 'Plan' scheme since 1991-92, all schemes of Mints and Presses have been funded as 'non-plan' schemes by the Planning Commission. Only in October, 1992, it was decided to bring back the modernisation programme of Mints as a plan scheme. The uncertainty about getting the upward cost revision, *via* 'plan' route resulted in a time overrun of 17 months. The reason for delay being a compounding one and no single agency or a person could be personally held responsible. However, it has been assured to PIB by the project Authorities/Ministry that the project will be completed within the stipulated time (30 months from the date of approval of revised estimates by PIB) of completion *i.e.* November, 1996."

The Committee is distressed to note that the modernisation of the project of the three Government of India Mints at Bombay, Calcutta and Hyderabad which was approved by the Government in February, 1989 at a cost of Rs. 118.29 crore could not be completed within the target date of March, 1992. The Committee is surprised that the Government has not given any reasons for non-completion of the project within the original schedule fixed earlier as a result of which there was a cost escalation and the project cost now is Rs. 348.80 crore. What causes deep concern to the Committee is the fact that though the project was originally approved under the plan scheme yet the Government took almost two more years to give its approval to the revised cost estimates

of the project brought via plan route despite the fact that the Mints were incurring heavy expenditure on import of coins blank from abroad to meet the domestic demand.

The Committee considers this situation as most unfortunate and cannot but deplore the casual manner in which the Government have handled the matter.

The Committee cannot, however, rest content with a mere expression of concern and disappointment. The Committee considers it its duty to point out that if every Ministry or Department is made to feel that the resources of Government are not inexhaustible and the country can ill afford to waste public funds on such time and cost overrun projects which could have been avoided, there will perhaps be lesser number of such delayed projects and greater saving of expenditure. The Committee therefore recommend that some sort of accountability at the level of formulation and also at the level of implementation of various projects should be introduced immediately. The Committee would also like the Government to monitor the implementation of the modernisation project of the three mints closely so as to avoid further cost and time overruns.

8. DEMAND NO. 26**Major Head : 4416****Sub-head : AA1(1)****SUBSCRIPTION TO THE SHARE CAPITAL OF REGIONAL RURAL BANKS**

The Committee notes with concern that the financial position of RRBs is deteriorating and the losses incurred by these banks have been increasing year after year. Out of 196 RRBs, 172 RRBs had incurred losses during the year ending March 1993 and 171 banks had incurred losses during 1993-94. The aggregate accumulated losses of all RRBs as on 31.3.1994 are Rs. 1302.53 crores.

What causes even greater concern to the Committee, in regard to the experiments on RRBs, is the fact that without even waiting for getting the results of the experiments on the performance of the 49 RRBs selected for the purpose during 1994-95 (though none from Tripura), the Government have taken a hasty decision and provided Rs. 300 crore for cleansing the balance sheets of an additional set of approximately 50 RRBs during 1995-96. The Committee is of the view that cleansing of balance sheets and infusion of fresh capital alone will not solve the problems of RRBs which arise because of inefficient and poor working, narrow margin on advances owing to the pattern prescribed, high establishment expenses, mounting overdue, poor recovery performance and above all, lack of accountability of those concerned. The Committee, therefore, recommend that the Govt. should make every effort to bring in improvements not only in the overall efficiency in their functioning but also in their profitability through effective delivery including utilisation and recovery, strict enforcement of accountability at the senior level and strict monitoring. The Committee is concerned to note that the major weakness afflicting the RRBs has been the continued poor recovery performance of most of the banks in the process turning a large number of their loan accounts into non-performing. The Committee, therefore, would strongly recommend that every possible efforts should be made to recover the loans from the defaulters, for which the support of village panchayats may also be elicited.

9. DEMAND NO. 26**Major Head : 5465****Sub-head : DD 1(1)(1)(2)****SUBSCRIPTION TO THE SHARE CAPITAL OF NATIONALISED BANKS**

As against the contribution of Rs. 5600 crore towards share capital of Nationalised Banks in 1994-95 a provision of Rs. 850 crore has been provided in the Budget for 1995-96 to meet the increased capital adequacy requirement of the banks in view of the revised norms set-up by Government.

All the nationalised banks have from the year 1993-94 been entering into MoUs with RBI. The MoUs call for specific performance obligations on the part of the banks, *inter-alia*, in the areas of business growth, profitability, rationalisation of organisational structure and technology upgradation and recovery. As part of the commitments under the MoU, entered into by the banks with the RBI, they are enjoined upon to reduce their level of NPAs. Targets have also been fixed to recover NPAs by every nationalised banks in their MoU signed with RBI. Accordingly, banks have initiated steps to recover dues from the defaulted borrowers. Recovery Cell at the Head Office is put under a Chief Executive who will exclusively monitor recovery of Non-Performing Assets (NPAs). An officer shall be posted at every branch having concentration of NPAs for attending to recovery. The performances of different branches in recovery shall be monitored by the Chairman and Managing Director (CMD) on a monthly basis and the banks Boards will review the progress at quarterly intervals.

When asked whether Banks are entering into compromise settlements in recovering funds from the defaulted borrowers in a bid to reduce NPA and the norms or guidelines set if any, by the RBI in this regard, the Ministry in a written reply informed that as intimated by RBI, Public Sector Banks write off loans or enter into compromise settlements on their own judgement. However, RBI has issued detailed instructions to Public Sector Banks on 28 October, 1992 which provide as follows:-

- (a) The authority approving the write off of proposals did not sanction the advance in question in his individual capacity;
- (b) that the sanctioning authority in the case of advances had exercised his powers judiciously and adhered to the guidelines issued by the banks in the matter of granting advances and that named terms and conditions were stipulated;

- (c) that there was no laxity in the conduct and post disbursement supervision of the advances;
- (d) that there was no act of commission or omission on the part of the staff leading to the debt proving irrecoverable; and
- (e) that all possible steps to recover the dues have been taken and there are no further prospects of recovering the debt and that writing off a compromise is in the larger interest of the bank.

RBI conducts annual financial inspection of banks. During the inspection with reference to the position as on 31 March, 1994, RBI inspectors look into the policy followed by the banks regarding write off/compromise settlements with special reference to the ten top compromise proposals entered into by them.

The Committee desired to know that when a compromise is arrived at and the matter is sought to be settled either through court or outside, whether the bank seek permission of Reserve Bank of India or the matter is *post-facto* reported to RBI, the Ministry further stated that the banks neither seek approval nor the matter is post factor reported to RBI. In reply to another question, the Ministry informed that there is no provision to circulate the list of specific cases of compromise or repayment to the banks in the same way the list of defaulters was circulated.

The Committee is distressed to learn that the level of non performing assets of the 19 Nationalised Banks in absolute terms as on March, 1994 stood at Rs. 19676.04 crores in their domestic operations and Rs. 4065.11 crores in respect of their overseas operations. Out of Rs. 19676.04 crores, Rs. 10364.49 crores belongs to priority sector and Rs. 9311.55 crores belongs to non-priority sector with reference to their domestic operations. While the Committee is saddened over the colossal loss of public money on the one hand and no distinct improvement in the financial results of the Nationalised Banks on the other, it feels that the task of writing off loans and entering into compromises will need to be done with a lot of care and circumspection for which the Government will have to be fully accountable. In this connection this Committee would like to be apprised at regular intervals of the data relating to such write off's etc. so as to form an opinion as to where the default lies.

10. APPROPRIATION NO. 27**Major Head : 2049****A.2 - INTEREST ON EXTERNAL DEBT**

A provision of Rs. 4,309 crore has been made in the Budget 1995-96 towards interest payment on external debt.

In response to a written query, the Ministry have informed that India's total external debt outstanding at the end of March, 1994 was US \$ 90.72 billion (Rs. 284.20 thousand crore). In reply to a another specific query, the Ministry have admitted that a significant portion of the foreign loans authorised to the Govt. by foreign institutions and donors was lying unutilised which as on 28 February, 1995 amounts to Rs. 47053 crore (provisional) at the current exchange rates.

The Committee note with concern the rising interest payment obligation on external debt which has gone up from Rs. 3,723 crore in 1993-94 to Rs. 4,309 crore in 1995-96. What causes further concern to the Committee is the fact that a significant portion of the country's external debt stocks is lying unutilised and the country has to pay a commitment charge on these amounts without actually utilising them. The Committee, therefore, feel that there is an urgent need to review these foreign aided projects so as to identify the reasons for delay in their implementation and taking suitable steps to improve the utilisation of loans.

11. DEMAND NO. 35**Major Head : 2020****Sub-head : A.1(2)****RESEARCH STATISTICS AND PUBLICATIONS**

The Committee notes that the Directorate of Income-tax (Research, Statistics, Publications and Public Relations) is an attached office of the Central Board of Direct Taxes which is engaged in (A) providing necessary statistics to the Central Board of Direct Taxes for policy formulation, (B) providing useful and relevant information to the assessing officers all over the country by way of Departmental publications, etc., and (C) providing useful information to the taxpayers about their rights and obligations. The Budget Estimates proposed for this Directorate are Rs. 18.29 crore for 1995-96.

The Committee is of the view that this Directorate is not receiving the attention that it deserves in discharging the very significant work that is assigned to it. Proper policy formulation cannot be carried out unless accurate data leading to a good Management Information System is available. Fine tuning of Direct Tax Laws can be done only when the effect of their functioning in the field can be quickly ascertained at the aggregate level. It has been the experience of the Committee that accurate information in respect of various fiscal and revenue parameters was not readily available with the Department and there were wide variations in figures supplied including differences in nomenclatures adopted by different field formations. The Committee appreciates the difficulties of the Department where the records/registers/returns are largely maintained manually. The Committee notes that the computerisation initiated in 1984 has not been highly successful and that the Research and Statistics Wing is now embarking on a comprehensive computerisation programme. The Committee would want that this Directorate should be accorded the highest priority within the organisation, including allocation of higher outlays if necessary, so that this Directorate becomes a model for computerised working for achieving the objective of maximisation of Revenue.

12. DEMAND NO. 35

Major Head : 2020

A.2(1) - Commissioners and their offices

Sub-head : A.2(1)(6) - Professional Services

This Committee is concerned at the large payments towards professional services (B.E. 95-96 Rs. 1.85 crore) out of which legal charges represent a substantial portion. While the Committee appreciates the steps taken by the Deptt. to contain litigation and obtain early disposal of cases in High Courts/Supreme Court, it wishes to draw the attention of the Deptt. to its Tenth Report wherein it was suggested that simplification of law must be carried out for which the formation of a Commission was also suggested. The Committee views with great concern the growing number of cases/writs/references in the various courts of the country and reiterates its earlier recommendations for the containment of litigation since this not only represents expenditure of money but also an avoidable diversion of departmental energies which could be better utilised for revenue collection.

13. DEMAND NO. 35

Major Head : 2020

Sub-head : A2(2) - Settlement Commission for Income-tax and Wealth Tax cases

While the expenditure on the maintenance of the Commission has been rising steadily from an actual of Rs. 1.55 crore for 1993-94 to Rs. 1.75 crore proposed for B.E. 1995-96, so have been the number of pending cases which have been admitted. While the Committee appreciates that the Commission has to satisfy many judicial requirements before deciding a case which generally involves complex investigations relating to several assessment years, it feels that enough is not being done to speed up the collection of Revenue. As a matter of fact, the Settlement Commission has turned out to be a tax haven for assesseees since the disputed amount of tax does not have to be deposited. The Committee wishes that the Govt. devotes serious thought to this issue to streamline the functioning of the Commission to optimise revenue collections. The Committee would also like the Government to assess as to how much revenue is locked up in cases that are pending for admission as well as those which have been admitted and going on for years so as to rationalise the working of this body.

14. DEMAND NO. 35

Major Head : 4075

**Sub-head : AA1 - Acquisition of immovable property
under Chapter XXC of I.T.A. 1961**

The Committee is not at all happy with arguments and analysis offered by the Deptt. of Revenue, attributing so much success to this Scheme. Successive Reports of this Committee, the PAC and the C & AG of India have pointed out so many deficiencies in the working of this scheme about which no action has been taken by the Government so far. The Department claims to have generated a surplus of Rs. 7.03 crore for the Government over the period from 1.10.86 - 31.12.94 by making a simplistic calculation in arithmetic, ignoring completely the time value of money and the cost of capital employed. Repeated recommendations of various Committees to introduce an element of objectivity and transparency in the valuation of properties and also to raise the limits of Section 269 UC of the Income-tax Act, 1961 to more realistic levels, at least in the metropolitan cities, have so far not been attended to by the Deptt. of Revenue.

The claim of the Deptt. that the working of this Scheme has led to a rise in the prices of real estate is really astounding. As a matter of fact the limits prescribed are so low that the sellers and buyers of properties are forced to suppress the declared consideration to ridiculous levels, so as to avoid clearances required under the law, leading to heavy loss of stamp duty for the Government. The Committee feels that higher stamp duty collection, if any, is due to the market forces and other factors etc. and not due to the operation of this scheme.

This Committee feels that it is high time that this Scheme was given a thorough examination in the light of recommendations given in its Tenth Report.

15. DEMAND NO. 36

Major Head : 2037

A.2(5) - Directorate of Revenue Intelligence

Sub-head : A.2(5) (11) - Rewards

The Committee would like to see that the Rewards are authorised in a rational and transparent manner after due deliberation at a sufficiently high level, eliminating the possibility of fraud or misappropriation as has been reported recently in some cases.



NEW DELHI
20 April, 1995
30 Chaitra, 1916 (Saka)

DR. DEBIPROSAD PAL,
Chairman,
Standing Committee on Finance

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON
FINANCE HELD ON 31 MARCH, 1995.

The Committee sat from 1500 hrs. to 1640 hrs. in Committee Room
No. 62, P.H., New Delhi.

PRESENT

Dr. Debiprosad Pal — *Chairman*

MEMBERS

Lok Sabha

2. Sh. S.B. Sidnal
3. Smt. Maragatham Chandrasekhar
4. Sh. Prakash V. Patil
5. Sh. B. Akber Pasha
6. Sh. Chetan P.S. Chauhan
7. Sh. Harin Pathak
8. Sh. Nirmal Kanti Chatterjee
9. Prof. Susanta Chakraborty
10. Sh. Kadambur M.R. Janardhanan

Rajya Sabha

11. Sh. Satish Chandra Agarwal
12. Sh. Triloki Nath Chaturvedi
13. Sh. Sanjay Dalmia
14. Dr. Shrikant Ramchandra Jickhar
15. Sh. Gurudas Das Gupta

SECRETARIAT

1. Sh. Satish Loomba — *Deputy Secretary*
2. Sh. T.K. Mukherjee — *Assistant Director*

AT the outset, the Chairman welcomed the members and informed them that the Demands for Grants of the Ministries of (i) Finance & (ii) Planning & Programme Implementation were laid on the Table of the House on 28 March and 31 March, 1995 respectively. He further informed that the Secretariat had already started preparation of questionnaire on both these sets of demands which would be sent to the Ministries for seeking their written replies. He requested the members to send their questions strictly on Demands for Grants to the Secretariat latest by 5 April, 1995 which would be forwarded to the concerned Ministry.

2. On being asked about the scope of discussion, the Chairman clarified that the present reports should be confined strictly to the Demands for Grants and the Committee may consider detailed discussion on the Budget in the course of the year when the Annual Report of the Ministry could be taken up.

3. On another query relating to the time limit for the presentation of the Report on Demands for Grants, the Chairman observed that as per the rules, the Reports on Demands for Grants should be finalised and presented to Parliament when it reassembles after the break. He sought the co-operation from all the Members in finalising the Reports quickly, within the time prescribed for the purpose.

4. On a suggestion about taking the evidence of the Chairman of GIC, LIC and certain Public Sector Banks, the Chairman clarified that it would not be possible to do so since the examination would be on Demands for Grants for which the Ministry Secretariat was the nodal agency and also because of paucity of time at the disposal of the Committee.

5. The Chairman agreed with the suggestions that the Committee should discuss the questionnaire first before taking up the evidence and decided that the first half of 11 April, 1995 would be devoted towards the finalisation of the questionnaire and the later half on taking up the oral evidence of the Ministry of Planning and Programme Implementation. On 12 April, 1995, the Committee would take up the oral evidence of the Ministry of Finance.

The Committee then adjourned with a Vote of Thanks to the Chair.

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON
FINANCE HELD ON 12 APRIL, 1995

The Committee sat from 1100 hrs. to 1120 hrs. in Committee Room No. 62, Parliament House, New Delhi.

PRESENT

Dr. Debiprosad Pal — *Chairman*

MEMBERS

Lok Sabha

2. Dr. K.V.R. Chowdary
3. Smt. Maragatham Chandrasekhar
4. Shri Nirmal Kanti Chatterjee
5. Prof. Susanta Chakraborty
6. Shri Bhogendra Jha
7. Shri George Fernandes

Rajya Sabha

8. Shri Satish Agarwal
9. Shri Triloki Nath Chaturvedi
10. Shri Sanjay Dalmia
11. Shri Gurudas Das Gupta
12. Shri T. Venkatram Reddy
13. Shri Surinder Kumar Singla
14. Shri S. Viduthalai Virumbi

SECRETARIAT

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

The Officials from the Ministry of Finance were also present during the sitting.

At the outset, the Chairman informed the members that they were meeting with a deep sense of sorrow and grief due to the sad demise of Shri Morarji Desai, former Prime Minister of India. The Committee then passed a condolence resolution in memory of the departed soul and a minute's silence was observed.

After that, it was decided that due to paucity of time it would not be possible to have oral evidence of the officials from the Ministry of Finance on the Demands for Grants (1995-96). It was also decided that the evidence of the officials from the Ministry of Planning and Programme Implementation fixed for 19 April, 1995 be cancelled and the reports on the Demands for Grants of the two Ministries be prepared on the basis of written replies received from the respective Ministries. These reports would be considered and adopted in the Committee's sitting scheduled to be held on 20 April, 1995.

The Committee then adjourned.

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON
FINANCE HELD ON 20 APRIL, 1995

The Committee sat from 1100 hrs. to 1400 hrs. in Committee Room .
No. 62, P.H.

PRESENT

Dr. Debiprosad Pal — *Chairman*

MEMBERS

Lok Sabha

2. Dr. K.V.R. Chowdary
3. Sh. Prithviraj D. Chavan
4. Sh. S.B. Sidnal
5. Smt. Maragatham Chandrasekhar
6. Sh. P.C. Chacko
7. Sh. Sushil Chandra Varma
8. Sh. Dileepbhai Sanghani
9. Sh. Manabendra Shah
10. Sh. Sartaj Singh Chhatwal
11. Sh. Nirmal Kanti Chatterjee
12. Prof. Susanta Chakraborty
13. Sh. Bhogendra Jha
14. Sh. Abdul Ghafoor
15. Sh. Kadambur M.R.Janardhanan

Rajya Sabha

16. Sh. Satish Agarwal
17. Sh. Triloki Nath Chaturvedi
18. Sh. Sanjay Dalmia
19. Sh. Rajubhai A. Parmar
20. Sh. T. Venkatram Reddy
21. Sh. S. Viduthalai Virumbi

SECRETARIAT

1. Sh. S.N. Mishra — *Additional Secretary*
2. Sh. Satish Loomba — *Deputy Secretary*
3. Sh. T.K. Mukherjee — *Assistant Director*

At the outset, the Chairman requested the Members to express their views, in the first instance, on the draft Report on Demands for Grants (1995-96) of the Ministry of Planning and Programme Implementation. The Committee considered and adopted the draft Report with certain amendments/modifications.

Thereafter, the Committee undertook adoption/consideration of the draft Report on Demands for Grants (1995-96) of the Ministry of Finance. The Committee adopted the draft Report with certain amendments/modifications as indicated in Appendix.

Finally, the Committee authorised the Chairman to finalise and present the Reports to the Parliament on its behalf.

The Committee then adjourned.

APPENDIX

AMENDMENTS/MODIFICATIONS MADE BY THE STANDING COMMITTEE ON FINANCE AT THEIR SITTING HELD ON 20 APRIL, 1995 IN DRAFT REPORT ON THE DEMANDS FOR GRANTS (1995-96) OF THE MINISTRY OF FINANCE.

| Page | Para | Line | Amendments/Modifications |
|------|------|------------------|---|
| 2 | last | 21-28 | <i>Delete</i> "The Committee defeated." |
| 4 | - | - | <i>Delete</i> page four |
| 15 | last | 1 from bottom | <i>After</i> "expenditure" <i>Add</i> "including, if necessary running of three shifts, each of eight hours and providing additional employment in the process rather than the present heavy dependence on OTA." |
| 19 | 1 | 3 from bottom | <i>After</i> "not" Insert "only" |
| 19 | 1 | 2 from bottom | <i>After</i> "but" Insert "also" |
| 23 | 2 | 4 | <i>For</i> "50" Substitute "49" |
| 23 | 2 | 5 | <i>After</i> "1994-95" <i>Add</i> "(though none from Tripura)" |
| 23 | 2 | 11 | <i>After</i> "advances" <i>Add</i> "owing to the pattern prescribed" |
| 24 | last | bottom | <i>After</i> "defaulters" <i>Add</i> "for which the support of village panchayats may also be elicited." |
| 25 | 2 | 3 | <i>For</i> "Rs. 28420" <i>Substitute</i> "Rs. 284.20" |
| 28 | - | - | <i>Delete</i> : page 28. |
| 31 | 1 | 1 | <i>For</i> "most disillusioned to go through" <i>Substitute</i> "not at all happy with" |
| 31 | 2 | 3 | <i>For</i> "for fetched" <i>Substitute</i> "as founding" |
| 31 | 2 | 5 | <i>For</i> "keep" <i>Substitute</i> "suppress" |

| Page | Para | Line | Amendments/Modifications |
|------------------|------|--------|---|
| 31 | 2 | bottom | <i>After</i> "Government." <i>Add</i> "The Committee feels that higher stamp duty collection, if any, is due to the market forces and other factors etc. and not due to the operation of this scheme." |
| 33 | - | - | <i>Delete</i> page 33. |
| 35 | - | - | <i>Delete</i> page 35 |
| 36, 37 and 38 | - | - | <i>Delete</i> pages 36, 37 and 38. |