

COMMITTEE ON SUBORDINATE LEGISLATION

(EIGHTH LOK SABHA)

(1988-89)

TWENTY-FOURTH REPORT

(Presented on 9, May, 1989)



LOK SABHA SECRETARIAT
NEW DELHI

May, 1989/Vaisakha, 1911 (Saka)
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COMPOSITION OF THE COMMITTEE ON SUBORDINATE LEGISLATION (1988-89)

1. Shri Zainul Basher—*Chairman*
2. Shri K.J. Abbasi
3. Shri G.S. Basavaraju
4. Shri Parasram Bhardwaj
5. Shri Satyendra Chandra Guria
6. Shri A. Jayamohan
7. Shri R. S. Khirhar
8. Shri Vishnu Modi
9. Shri Prakash V. Patil
10. Shri Mullappally Ramachandran
- *11. Shri Ebrahim Sulaiman Sait
12. Shri Kalicharan Sakargayen
13. Shri Natvarsinh Solanki
14. Shri Katuri Narayana Swamy
15. Shri Vijay Kumar Yadav

SECRETARIAT

1. Shri K.C. Rastogi—*Joint Secretary*
2. Shri G.S. Bhasin—*Deputy Secretary*
3. Shri Swarn Singh—*Officer on Special Duty*

*Nominated w.e.f. 28 June, 1988.

INTRODUCTION

I, the Chairman of the Committee on Subordinate Legislation, having been authorised by the Committee to present the Report on their behalf, present this their Twenty-fourth Report.

2. The matter covered by this Report was considered by the Committee at their sitting held on 30 January, 1989.

3. The Report was considered and adopted by the Committee at their sitting held on 2 May, 1989. The Minutes of the sittings relevant to the Report are appended thereto.

4. For facility of reference and convenience, recommendations/observations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in consolidated form in Appendix I to the Report.

NEW DELHI ;
May 2, 1989.

Vaisakha 12, 1911 (Saka)

ZAINUL BASHER
Chairman,

*Committee on subordinate
Legislation*

POST OFFICE SAVINGS BANK GENERAL RULES, 1981

1.1 Shri Anil Aggarwal of Malad (West), Bombay, submitted a representation dated the 20 June, 1988 to the Committee on Subordinate Legislation. The representation raised the following points relating to Post Office Saving Bank General Rules, 1981 :

- (i) Non-acceptance of a cheque for an amount containing a fraction of 38 paise for deposit in Post Office Savings Account by the Post Office Savings Bank.
- (ii) Non-acceptance of 'Dividend Warrants' for deposit in Post Office Savings Account by the Post Office Savings Bank.

1.2 The Ministry of Finance, Department of Economic Affairs, in their comments on the points raised in the representation, stated *inter-alia* as under :—

- (i) Consequent on discontinuance of mintage of 1, 2 and 3 paise coins by Government and gradual withdrawal of these coins from circulation, Department of Economic Affairs, issued a circular No. 1/8/82-Coin, dated 10 November, 1983 for effecting all transactions whether public or private, in multiples of 5 paise. Post Office Savings Account Rules, 1981 were accordingly amended *vide* Notification No. G.S.R. (8-E) published in the Gazette of India, dated the 2 January, 1987 for providing that fractions of a rupee in deposits be in multiples of 5 paise.
- (ii) Post Office Savings Bank General Rules, 1981 govern *inter-alia* Post Office Savings Account. Rule 5 thereof prescribes the mode of deposit in Post Office Savings Account. 'Dividend Warrant' has not been included as a mode of deposit in the rule. The question of inclusion of 'Dividend Warrant' as a mode of deposit in the rule is under consideration.

It would be seen that action of Post Office in not accepting cheque of Rs. 2873.38 and also a 'Dividend Warrant' is in accordance with the rules as they stand at present.

Restriation on transactions involving fractions of a rupee

1.3 The Committee were informed that in order to avoid inconvenience to the public in completing transactions when 1 paise, 2 paise and 3 paise coins are gradually withdrawn, it was considered necessary to round off the Government and other transactions to the nearest multiple of 5 paise. Instructions were accordingly issued to the Ministries/Departments to round off all the transactions, for example payment of interest on Government securities, loans, deposits in Banks and other financial institutions to the nearest multiple of 5 paise. It was also stated that the intention was that all financial transactions of private companies, individuals etc. may be in the multiple of 5 paise.

1.4 The Committee enquired what would be the consequences if these instructions were not followed by private people and how such restrictions on transactions involving fractions of a rupee could be legally enforced, so long as 1 paise, 2 paise and 3 paise coins continued to be legal tender. The Secretary, Department of Economic Affairs stated :—

“There are no legal consequences for private transactions.

1.5 Clarifying the position further, the ministry of Finance in a note stated :—

“There is no legal bar and no legal remedy as one, two and three paise coins continue to remain legal tender. The intention is not to legally enforce the requirement. The Government have found it inconvenient to mint coins in these denominations because (i) manufacturing cost was very high in comparison to the face value of the coins (ii) the demand for these coins has practically ceased.

The step to round off transactions to nearest five paise was taken to ensure that requirement for these coins cease and inconvenience to the public in our not minting these denominations is avoided.”

1.6 The Committee pointed out that unless the circulation of small coins was legally banned, instructions issued by the Department of Economic Affairs for rounding off, could not be enforced and private individuals and companies would go on issuing cheques for amounts containing small fractions. In this connection the Secretary, Department of Economic Affairs stated :—

“Perhaps we may have to distinguish between the credit type of transactions where no cash has to be paid, and the cash transactions.

Today, if you go to a bank and ask for an amount involving 1, 2 or 3 paise coins, the bank will not be able to meet your demand. But if there is a credit transaction, it can do so, in respect of amounts involving 1, 2 or 3 paise. Perhaps one may have to distinguish between these two areas. And if the Committee feels that this is an important issue we can certainly investigate the possibility of distinguishing between the cash transactions across the counter as distinct from the credit transactions."

1.7 The Committee note that consequent upon discontinuance of mintage of 1, 2 and 3 paise coins by Government and the gradual withdrawal of these coins from circulation, instructions were issued by the Department of Economic Affairs that all financial transactions, whether public or private, should be in the multiples of 5 paise. The step to round off transactions to nearest five paise was taken to avoid any inconvenience to the public resulting from shortage of small coins in circulation due to discontinuance of their minting. Since the intention was not to legally enforce the requirement, financial transactions of private companies, individuals etc. continued to be in fractions of a rupee and not necessarily in multiples of 5 paise. This has given rise to cases where cheques etc. issued by companies and individuals for amounts containing fractions of a rupee have not been accepted by Post Offices resulting in avoidable inconvenience to general public. Instructions for rounding off of all financial transactions to the nearest five paise should, therefore, be reviewed with a view to see how best these can be enforced.

Acceptance of cheques containing fractions of a rupee by Post Offices.

1.8. Explaining the reasons why cheques for amounts containing fractions of a rupee were not accepted by the Post Offices, the Ministry of Finance in a note stated :—

"According to the rules as they stand the cheque is accepted as a mode of deposit in Post Office Savings Account. After issue of the amendment on 2nd January, 1987 according to which the deposits/withdrawals in Post Office Savings Account should be multiple of 5 paise the cheques for amounts containing fraction of rupee were not being accepted by the Post Offices."

In another note, the Ministry of Finance stated :—

"In so far as deposits in Post Office savings Accounts are concerned it may be stated that Government Savings Bank Act provides for

rules being framed for laying down the terms and conditions under which the deposits may be made. Since the Central Government has power under the Act to frame the rules regarding terms and conditions of the deposits, the Ministry of Law had opined that the proposed amendment for deposits/withdrawals in multiples of 5 paise would be legally in order. Ministry of Law is being consulted if the orders prescribing the deposits/withdrawal in Post Office Savings Account to be in multiple of 5 paise would be legal, although 1 paise, 2 paise and 3 paise coins continue to be the legal tender."

1.9 During evidence, a representative of the Department of Posts explained the position thus :—

"Post Office Savings Banks are not accepting cheques which contain an amount which is in between integers of 5. This is being done because there is a practical problem. When a person wants to withdraw the total money back at his credit, if it is in multiples of 5 paise it is easier for us to pay because we do not have 1 paise, 2 paise or 3 paise coins. We do not have even 1 paise, 2 paise or 3 paise postage stamps to give him back in case he wants his change back. If it is 38 paise, then I would not be in a position to pay 38 paise from Post office account. If I pay him 40 paise, then I will be paying 2 paise extra. So if I pay him extra, I will face accounting problems."

1.10 The Committee pointed out that if cheques for amounts containing fractions of a rupee could be legally issued, there should be no restriction on their acceptance in the Post Office Savings Banks. The Secretary, Department of Economic Affairs stated :—

"As the hon. Committee has rightly pointed out, we will find out a way for this which will reconcile the accounting problems of the Post Offices where the debit and credit sides are to be balanced at the end of the day along with the conveniences of the savers who are using the Post Offices as far as cash transactions are concerned. The point about the credit transactions which I will have to reconcile with the Department of Posts and the RBI is the matching of debits and credits. We will do that. We are grateful to the Committee. I think an appropriate amendment to the Rules could be issued for this purpose after we work out the problem of reconciliation of accounts which was raised by the Member."

1.11 Subsequently, in a note the Ministry have informed :—

“It is proposed to amend the rules for accepting cheques, even if such cheques are not in multiple of 5 paise.”

1.12 The Committee note that according to the rules as they stand a cheque is accepted as a mode of deposit in Post Office Savings Account. However, after the issue of an amendment on 2nd January, 1987 according to which deposits/withdrawals in Post Office Savings Account should be in multiples of 5 paise, the cheques for amounts containing fraction of a rupee are not being accepted by the Post Offices. This causes avoidable inconvenience and hardship to the depositors. The Committee appreciate the spirit behind the issue of instructions regarding rounding off of all financial transactions to the nearest 5 paise. However, these instructions can work smoothly only when they are enforced in all financial transactions including those of companies and private individuals etc. Therefore, till such time as private individuals and companies etc. do not adopt the practice of rounding off to the nearest 5 paise in their day to day transactions and continue to issue cheques for amounts containing fractions of a rupee, Post Offices will have to accept such cheques for deposit in the Savings Bank Accounts. The Committee are glad that at their intervention, the Department of Economic Affairs have agreed to amend the rules for accepting cheques even if such cheques are not in multiples of 5 paise. The Committee desire that the requisite amendment to the rules may be issued at an early date.

Inclusion of 'Dividend Warrant' as a mode of deposit under Rule 5 of Post Office Savings Bank General Rules

1.13 The Committee were informed that 'Dividend Warrant' had not been included as a mode of deposit under the Savings Bank Account Rules but the matter was under consideration.

1.14 The Committee desired to know since when the matter was under consideration and when a decision would be taken. In a note, the Ministry have stated :—

“In the Post Office Savings Bank General Rules, 1965 which regulated the mode of deposit, the Dividend Warrant was acceptable for a deposit in the Savings Bank Account. In the subsequent rules, namely Post Office Savings Bank General Rules, 1981 the Dividend Warrant was not indicated as a mode of deposit. When a Dividend Warrant is accepted as a mode of deposit, the credit in the account is given when the Dividend Warrant has been realised through the

clearing house. In the Postal Department only limited number of Head Post Offices are members of the Clearing house, which could result in delay in realisation of the Dividend Warrant and consequent credit to the depositor. After consulting the Department of Posts and Reserve Bank of India, it has since been decided that the Dividend Warrant will be accepted as a mode of deposit in the Post Office Savings Account in Head Savings Bank/Sub Savings Bank. Necessary action is being taken to issue amendment to the Post Office Savings Bank General Rules."

1.15 The Committee enquired whether it was contemplated to include all modes of payment such as 'Dividend Warrant', 'Interest Warrant', 'Refund Orders', 'Income Tax Refund Orders' and other 'Statutory payments' as a mode of Deposit in the Post Office Savings Bank Account. In this connection the Ministry have stated :—

"According to the Post Office Savings Banks General Rules, 1981 the following instruments may be deposited in Head Savings Bank and Sub-Savings Bank for deposit in the Post Office Savings Account :—

- (a) a pay order;
- (b) an Income Tax Refund Voucher or Income Tax Refund Order ;
- (c) an Interest Warrant issued by Reserve Bank of India on a Defence deposit certificate or instalment of Annuity Certificate ;
- (d) withdrawal or discharge of any amount payable on an account or Savings Certificate held by the depositor.

It would be seen from above that interest warrants issued by Reserve Bank of India and Income Tax Refund Vouchers/Orders are already being accepted for deposit in the Post Office Savings Account."

1.16 The Committee note that under the Post Office Savings Bank General Rules, 1981, a 'Dividend Warrant' was not indicated as a mode of deposit and hence these warrants were not acceptable for deposit in the Savings Bank Account. After the matter was taken up by the Committee with the Department of Economic Affairs, it was stated that the question of accepting Dividend Warrants as a mode of deposit was under consideration of the Government. The Committee have now been informed that it has been decided that the dividend

warrant will be accepted as a mode of deposit in the Post Office Savings Bank/ Sub-Savings Bank. The Committee desire that all Post Offices in which savings accounts can be operated through cheques should be instructed to accept Dividend Warrants as a mode of deposit.

Akin to Dividend Warrants are the 'Interest Warrants' and 'Refund Orders' issued by companies. The Committee desire that these instruments should also be accepted as mode of deposit, if these are not already covered under the Post Office Savings Bank General Rules, 1981.

The Committee would also like that instructions may simultaneously be issued to the effect that just like cheques, Dividend Warrants etc. will also be accepted even if they contain fractions of a rupee. The Committee may be apprised of the action taken in this behalf at an early date.

NEW DELHI

May 2, 1989

Vaisakha 12, 1911 (Saka)

ZAINUL BASHER

Chairman,

Committee on Subordinate Legislation

APPENDIX

APPENDIX-I

(Vide paragraph 4 of the Report)

Consolidated statement of recommendations/observations made by the Committee

S. No.	Para No.	Recommendations/observations
(1)	(2)	(3)
1	1.7	The Committee note that consequent upon discontinuance of mintage of 1, 2 and 3 paise coins by Government and the gradual withdrawal of these coins from circulation, instructions were issued by the Department of Economic Affairs that all financial transactions, whether public or private, should be in the multiples of 5 paise. The step to round off transactions to nearest five paise was taken to avoid any inconvenience to the public resulting from shortage of small coins in circulation due to discontinuance of their minting. Since the intention was not to legally enforce the requirement, financial transactions of private companies, individuals etc. continued to be in fractions of a rupee and not necessarily in multiples of 5 paise. This has given rise to cases where cheques etc. issued by companies and individuals for amounts containing fractions of a rupee have not been accepted by Post Offices resulting in avoidable inconvenience to general public. Instructions for rounding off of all financial transactions to the nearest five paise should therefore, be reviewed with a view to see how best these can be enforced.
2	1.12	The Committee note that according to the rules as they stand a cheque is accepted as a mode of deposit in Post Office Savings Account. However, after the issue of an amendment on 2nd January, 1987 according to which deposits/withdrawals in

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Post Office Savings Account should be in multiples of 5 paise, the cheques for amounts containing fraction of a rupee are not being accepted by the Post Offices. This causes avoidable inconvenience and hardship to the depositors. The Committee appreciate the spirit behind the issue of instructions regarding rounding off of all financial transactions to the nearest 5 paise. However, these instructions can work smoothly only when they are enforced in all financial transactions including those of companies and private individuals etc. Therefore, till such time as private individuals and companies etc. do not adopt the practice of rounding off to the nearest 5 paise in their day to day transactions and continue to issue cheques for amounts containing fractions of a rupee, Post Offices will have to accept such cheques for deposit in the Savings Bank Accounts. The Committee are glad that at their intervention, the Department of Economic Affairs have agreed to amend the rules for accepting cheques even if such cheques are not in multiples of 5 paise. The Committee desire that the requisite amendment to the rules may be issued at an early date.

3. 1.16 The Committee note that under the Post Office Savings Bank General Rules, 1981, a 'Dividend Warrant' was not indicated as a mode of deposit and hence these warrant were not acceptable for deposit in the Savings Bank Account. After the matter was taken up by the Committee of Economic Affairs, it was stated that the question of accepting Dividend Warrants as a mode of deposit was under consideration of Government. The Committee have now been informed that it has been decided that the dividend warrant will be accepted as a mode of deposit in the Post Office Savings Account in Head Savings Bank/Sub-Savings Bank. The Committee desire that all Post Offices in which savings accounts can be operated through cheques

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should be instructed to accept Dividend Warrants as a mode of deposit.

Akin to Dividend Warrants are the 'Interest Warrants' and 'Refund Orders' issued by companies. The Committee desire that these instruments should also be accepted as mode of deposit, if these are not already covered under the Post Office Savings Bank General Rules, 1981.

The Committee would also like that instructions may simultaneously be issued to the effect that just like cheques, 'Dividend Warrants' etc. will also be accepted even if they contain fractions of a rupee. The Committee may be apprised of the action taken in this behalf at an early date.

MINUTES

**MINUTES OF THE SEVENTY-FIFTH SITTING OF THE COMMITTEE
ON SUBORDINATE LEGISLATION (EIGHTH LOK SABHA)
(1988-89)**

The Committee met on Monday, the 30th January, 1989 from 11.00 to 11.45 hours.

PRESENT

Shri Zainul Basher — *Chairman*

MEMBERS

2. Shri K.J. Abbasi
3. Shri Parasram Bharadwaj
4. Shri Satyendra Chandra Guria
5. Shri A. Jayamohan
6. Shri R.S. Khirhar
7. Shri Vishnu Modi
8. Shri Mullappally Ramachandran
9. Shri Ebrahim Sulaiman Saif
10. Shri Kalichran Sakargayan
11. Shri Natavarsinh Solanki
12. Shri Katuri Narayan Swamy

**REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF
ECONOMIC AFFAIRS)**

1. Shri Nitin Desai, *Secretary and Chief Economic Adviser.*
2. Shri K.V.R. Nair, *Additional Secretary (Budget).*
3. Shri Bhure Lal, *Joint Secretary (Coins and Currency).*
4. Shri T.R. Shahani, *Director (Budget).*

**REPRESENTATIVES OF THE MINISTRY OF COMMUNICATIONS (DEPARTMENT
OF POSTS)**

1. Shri P.S. Raghavachari, Secretary (Posts).
2. Shri Ajay Bagchi, Member (D).
3. Shri N.K. Verma, DDG (SBO).

SECRETARIAT

1. Shri G.S. Bhasin—*Deputy Secretary*
2. Shri Swarn Singh—*Officer on Special Duty*

2. Before the Committee proceeded to take evidence of the representatives of the Ministries of Finance and Communications, the Chairman of the Committee, while welcoming the witnesses, drew their attention to the provisions contained in Direction 58 of the Directions by the Speaker.

3. The Committee were informed that in order to avoid inconvenience to the public in completing transactions when 1 paise, 2 paise and 3 paise coins are gradually withdrawn, it was considered necessary to round off the Government and other transactions to the nearest multiple of 5 paise. Instructions were accordingly issued to the Ministries/Departments to round off all the transactions, for example payment of interest on Government securities, loans, deposits in Banks and other financial institutions to the nearest multiple of 5 paise. It was also stated that the intention was that all financial transactions of private companies, individuals etc. may be in the multiple of 5 paise.

4. The Committee enquired what would be the consequences if these instructions were not followed by private people and how such restrictions on transactions involving fractions of a rupee could be legally enforced, so long as 1 paise, 2 paise, and 3 paise coins continued to be legal tender. The Secretary, Department of Economic Affairs stated :—

“There are no legal consequences for private transactions.”

5. The Committee pointed out that unless the circulation of small coins was legally banned, instructions issued by the Department of Economic Affairs for rounding off, could not be enforced and private individuals and companies would go on issuing cheques for amounts containing small fractions. In this connection the Secretary, Department of Economic Affairs stated :—

"Perhaps we may have to distinguish between the credit type of transactions where no cash has to be paid, and the cash transactions. Today, if you go to a bank and ask for an amount involving 1, 2 or 3 paise coins, the bank will not be able to meet your demand. But if there is a credit transaction, it can do so, in respect of amounts involving 1, 2 or 3 paise. Perhaps one may have to distinguish between these two areas. And if the Committee feels that this is an important issue we can certainly investigate the possibility of distinguishing between the cash transactions across the counter as distinct from the credit transactions."

6. Explaining the reasons why cheques for amounts containing fractions of a rupee were not accepted by Post Offices, a representative of the Department of Posts stated :—

"Post Office Savings Banks are not accepting cheques which contain an amount which is in between integers of 5. This is being done because there is a practical problem. When a person wants to withdraw the total money back at his credit, if it is in multiples of 5 paise it is easier for us to pay because we do not have 1 paise, 2 paise or 3 paise coins. We do not have even 1 paise, 2 paise or 3 paise postage stamps to give him back in case he wants his change back. If it is 38 paise, then I would not be in a position to pay 38 paise, from Post Office account. If I pay him 40 paise, then I will be paying 2 paise extra. So, if I pay him extra I will face accounting problems."

7. The Committee pointed out that if cheques for amounts containing fractions of a rupee could be legally issued, there should be no restriction on their acceptance in the Post Office Savings Banks. The Secretary, Department of Economic Affairs stated :—

"As the hon. Committee has rightly pointed out, we will find out a way for this which will reconcile the accounting problems of the Post Offices where the debit and credit sides are to be balanced at the end of the day along with the conveniences of the savers who are using the Post Offices as far as cash transactions are concerned. The point about the credit transactions which I will have to reconcile with the Department of Posts and the RBI is the matching of debits and credits. We will do that. We are grateful to the Committee. I think an appropriate Amendment to the Rules could be

issued for this purpose after we work out the problem of reconciliation of accounts which was raised by the Member."

8. In reply to another question whether it was contemplated to include all payments such as 'Dividend Warrants', Interest Warrants', Refund Orders' etc. as a mode of deposit in the Post Office Savings Bank Accounts, the representative of the Ministry explained that the new rules had not explicitly included 'Dividend Warrants' but a decision had already been taken to amend the rules for inclusion of Dividend Warrants therein. He added that a number of private companies/firms were rounding off the amounts to the nearest multiple of 5 paise so that there would be no problem of disposal of transactions smoothly.

The Committee then adjourned

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MINUTES OF THE EIGHTIETH SITTING OF THE COMMITTEE
ON SUBORDINATE LEGISLATION (EIGHTH LOK SABHA)
(1988-89)

The Committee met on Tuesday, the 2nd May, 1989 from 16.00 to 16.30 hours.

PRESENT

Shri Zainul Basher—*Chairman*

MEMBERS

2. Shri K.J. Abbasi
3. Shri G.S. Basavaraju
4. Shri Satendra Chandra Guria
5. Shri Mullappally Ramachandran
6. Shri Ebrahim Sulaiman Sait

SECRETARIAT

1. Shri K.C. Rastogi—*Joint Secretary*
2. Shri G.S. Bhasin—*Deputy Secretary*
3. Shri Swarn Singh—*Officer on Special Duty*

2. The Committee considered the draft***and Twenty-fourth Reports and adopted the same.

3. The Committee authorised the Chairman and in his absence, Shri K.J. Abbasi, M.P. to present the Reports to the House on***and 9th May, 1989, respectively.

The Committee then adjourned