

FORTY-EIGHTH REPORT
STANDING COMMITTEE ON FINANCE
(2003)

(THIRTEENTH LOK SABHA)

MINISTRY OF FINANCE
(DEPARTMENTS OF ECONOMIC AFFAIRS
AND EXPENDITURE)

DEMANDS FOR GRANTS
(2003-2004)

*Resolution taken by the Government on the recommendations contained in the
thirty-Ninth Report of the Standing Committee on Finance on Demands
for Grants (2003-2004) of the Ministry of Finance (Departments of
Economic Affairs and Expenditure))*

*Presented to Lok Sabha on 9.12.2003
Laid in Rajya Sabha on 9.12.2003*



LOK SABHA SECRETARIAT
NEW DELHI

December 2003/Aarohavana 1975 (Saba)

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COMPOSITION OF STANDING COMMITTEE
ON FINANCE (2003)

Shri N. Janardhana Reddy—*Chairman*

MEMBERS

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2. Shri Omar Abdullah
3. Shri Raashid Alvi
4. Shri Sudip Bandyopadhyay
5. Shri Surender Singh Barwala
6. Shri Ramesh Chennithala
7. Smt. Renuka Chowdhury
8. Dr. Daggubati Ramanaidu
9. Shri Kamal Nath
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11. Shri Rattan Lal Kataria
12. Dr. C. Krishnan
13. Shri M.V.V.S. Murthi
14. Shri Sudarsana E.M. Natchiappan
15. Capt. Jai Narain Prasad Nishad
16. Shri Rupchand Pal
17. Shri Prabodh Panda
18. Shri Prakash Paranjpe
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20. Shri Sharad Pawar
21. Shri Pravin Rashtrapal
22. Shri Ramsinh Rathwa
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24. Shri S. Jaipal Reddy
25. Shri Jyotiraditya Madhavrao Scindia
26. Shri T.M. Selvaganapathi
27. Shri Lakshman Seth
28. Shri Kirit Somaiya
29. Shri Kharabela Swain
- *30. Shri P.D. Elangovan

*Nominated to this Committee *w.e.f.* 7.4.2003.

(iv)

Rajya Sabha

31. Dr. Manmohan Singh
32. Dr. T. Subbarami Reddy
33. Shri Murli Deora
34. Shri Prithviraj D. Chavan
35. Shri S.S. Ahluwalia
36. Shri Swaraj Kaushal
37. Shri M. Rajasekara Murthy
38. Dr. Biplab Dasgupta
39. Shri P. Prabhakar Reddy
40. Shri Amar Singh
41. Shri Prem Chand Gupta
42. Shri Palden Tsering Gyamtso
43. Shri Raj Kumar Dhoot
44. Shri Praful Patel
45. Shri Dinesh Trivedi

SECRETARIAT

- | | | |
|---------------------------|---|-----------------------------|
| 1. Shri P.D.T. Achary | — | <i>Additional Secretary</i> |
| 2. Dr. (Smt.) P.K. Sandhu | — | <i>Joint Secretary</i> |
| 3. Shri R.K. Jain | — | <i>Deputy Secretary</i> |
| 4. Shri S.B. Arora | — | <i>Under Secretary</i> |
| 5. Miss Shanta Banerjee | — | <i>Executive Assistant</i> |

INTRODUCTION

I, Chairman of the Standing Committee on Finance having been authorized by the Committee to submit the Report on their behalf present this Forty-Eighth Report on action taken by Government on the recommendations contained in the Thirty-Ninth Report of the Committee (Thirteenth Lok Sabha) on Demands for Grants (2003-2004) of the Ministry of Finance (Departments of Economic Affairs and Expenditure).

2. The Report was presented to Lok Sabha/laid in Rajya Sabha on 21 April, 2003. The Government furnished the written replies indicating action taken on all the recommendations on 23 July 2003. The draft action taken report was considered and adopted by the Committee at their sitting held on 13 November, 2003.

3. An analysis of action taken by Government on the recommendations contained in the Thirty-Ninth Report (Thirteenth Lok Sabha) of the Committee is given in the Appendix.

4. For facility of reference observations/recommendations of the Committee have been printed in thick type in the body of the Report.

NEW DELHI;
3 December, 2003
12 Agrahayana, 1925 (Saka)

N. JANARDHANA REDDY,
Chairman,
Standing Committee on Finance.

CHAPTER I

REPORT

1.1 This Report of the Standing Committee on Finance deals with Action taken by Government on the recommendations/observations contained in their Thirty-Ninth Report (13th Lok Sabha) on Demands for Grants (2003-2004) of the Ministry of Finance (Departments of Economic Affairs and Expenditure) which was presented to Lok Sabha and laid in Rajya Sabha on 21 April, 2003.

1.2 The Report contained Fifteen recommendations. Action taken notes have been received from the Government in respect of all the recommendations contained in the Report. These have been analysed and categorized as follows:

- (i) Recommendations/observations that have been accepted by the Government:
Sl. Nos. 3, 11, 12, 14, 15
(Total 5) (Chapter II)
- (ii) Recommendations/observations which the Committee do not desire to pursue in view of Government's replies:
Sl. No. 1, 2, 4, 5, 7, 8, 9, 13
(Total 8) (Chapter III)
- (iii) Recommendations/observations in respect of which replies of Government have not been accepted by the Committee:
Sl. No. 6, 10
(Total 2) (Chapter IV)
- (iv) Recommendation/observation in respect of which final reply of the Government is still awaited.
(Nil) (Chapter V)

1.3 The Committee desire that replies in respect of the recommendations contained in chapter I should be furnished to the Committee expeditiously.

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

Shortfall in Bank Credit to Agriculture

Recommendation (Sl. No. 6, Para Nos. 60 and 61)

The Committee were concerned to note the persistent shortfall in agricultural lending by scheduled commercial banks despite their repeated recommendations to strictly enforce the prescribed minimum 18 percent target of agricultural lending by banks. The shortfall in case of public sector banks was by 2.19 percent while in case of private sector banks it was by 9.47 percent from the prescribed target of 18 percent. This had occurred despite clear cut instructions from RBI that scheduled commercial banks must fulfil atleast the minimum target of agricultural lending. They were not inclined to accept the plea put forward by the Secretary Banking, stating that one of the reasons that the Banks did not lend to agricultural sector was large NPAs from this sector. They on the contrary noted that NPAs in agricultural sector was quite low when compared to those in other sectors for it was stated that the NPAs in agriculture for public sector banks, as on 31 March, 2002 was only 13.84 percent as against 44.49 percent in total priority sector and 53.54 percent in non priority sector. For private Banks the NPA percentage in agriculture, as on 31 March, 2002 was 3.76 percent, compared to 21.82 percent in priority sector and 77.96 percent in non priority sector. Thus the Banks were constantly under lending to agriculture despite the low NPAs in this sector. Despite the fact that in April/March 2001, it had been decided to meet the target within a period of two years, nothing much had been achieved. They, therefore, desired that every effort should be made to meet the stipulated target as early as possible.

2. The Committee apprehended that the requirement of depositing the shortfall in agricultural lending in Rural Infrastructure Development Fund (RIDF) had provided a cushion to banks for inadequate lending to agriculture. In other words, banks had got an easy, lucrative and risk free channel to keep their money. The Committee felt that Banks, in such way, were being rewarded for failing to meet their obligation

towards agriculture. Hence, they were of the opinion that there should be disincentive for banks for failing to reach the targeted level of agricultural lending. They, therefore, recommended that the provision of interest on RIDF funds should be abolished forthwith so that banks were penalized for not lending to agricultural sector to the desired level.

3. In their Action Taken reply, the Government have replied as under:

“Reserve Bank of India (RBI) is monitoring the performance of banks in lending to agriculture on an on-going basis through periodic returns as well as meetings with banks at various fora. Banks which fail to achieve the target/sub-targets under priority sector lending, are advised to take necessary steps to reach the targets in a time-bound manner. Meetings were taken with the Chief Executives of public sector banks and private sector banks in September, 2002 where the performance of banks and the factors affecting the performance in lending to agriculture were discussed and the need for achievement of targets in a time bound manner was impressed on the banks. Further, banks which did not achieve the agricultural lending target as on the last reporting Friday of September, 2002 were advised to take necessary steps in this regard. The matter is being followed up with the banks.

In the case of Rural Infrastructure Development Fund (RIDF) I to VI; the rate of interest on deposits placed by banks with National Bank for Agriculture and Rural Development (NBARD) was uniform for all banks. However, with a view to bringing in an element of penalty for banks which were not reaching the agricultural lending target, effective from RIDF VII, the rate of interest on RIDF deposits has been inversely linked to the shortfall in achieving the agricultural lending target (18%). Thus, in the case of RIDF VIII, the interest rate on deposits ranged between 8 percent and 5 percent per annum. Banks having a larger shortfall were given interest at a lower rate and this should prove to be disincentive for banks having larger shortfalls to make deposits in RIDF and induce them to improve their agricultural lending. As regards RIDF IX, which has been established with a corpus of Rs. 5500 crores, a similar approach would be followed.”

4. The Committee are not satisfied with the reply of the Government and observe with deep concern the dismal performance

of the banks in regard to agricultural lending for want of any deterrent action against them. They find that almost all the banks are yet to fulfil minimum obligations in this regard. The Committee also note that there is large variations in the lending pattern by banks in different regions. The Committee feel that this is a serious problem which should be addressed immediately by Government/RBI to ensure uniformity in lending pattern by banks. They want that Government should come forward with a concrete scheme to get it implemented. The Committee are not convinced by the reply of the Government wherein they have stated that banks responsible to higher shortfall in agricultural lending will get lesser interest on RIDF deposits. They are of the view that it has not achieved the desired results as banks are still getting interest for under lending to agriculture. Reiterating their earlier recommendation, they are of the opinion that the provision of interest on RIDF funds should be dispensed with at the earliest. They further want that the agricultural sector lending by banks may be monitored periodically by Government/RBI and made known to the Committee quarterly.

Shortfall in Supply of Coins

Recommendation (Sl No. 10, Para Nos. 93, 94, 95)

5. The Committee found that there had all along been a wide gap between supply and demand of coins which had necessitated import of coins. A proposal to import 2.5 billion pieces of Rs. 5 and Rs. 2 denomination at the cost of Rs. 570 crore was testimony to this.

6. The Committee were distressed to note that though the three mints at Kolkata, Mumbai and Hyderabad had been modernised recently, the indigenous production together with import of coins had not been able to meet the demand as indented by RBI. They were unable to understand as to why the modernisation scheme, proposed to be undertaken recently, (after the expenditure sanction) was not arrived at with a view to attain self-sufficiency in coin production at the first place. The Committee were astonished to find that this had occurred despite their earlier recommendation, made, while considering the Demands for Grants 2001-02 to prepare a perspective plan to increase domestic supply of coins, way back in the year 2001. The Committee were at a loss to find out reasons for such a long delay. They were of the view that, had the Government acted upon their advice and planned accordingly, the need for fresh proposals submitted to the Planning Commission for further modernisation, would not have arisen.

7. The Committee therefore, recommended that whenever any proposal for the modernisation or installation of additional capacity was put forward, it should aim at self-sufficiency keeping in view the future demands. The Committee hoped that at least now the scheme for further modernisation of mints as and when operationalised would bring about self-sufficiency and the huge expenditure incurred on import of coins would be saved. Hence they desired that all formalities in respect of obtaining financial sanctions be completed without any further delay. The Committee would like to be apprised of the progress made in this regard and the expected cost of the Scheme.

8. The Ministry of Finance, in their Action Taken Reply, stated as under:

“RBI assesses the requirement of coins on annual basis and places an indent on the Government. Thereafter, it is the responsibility of the Government to arrange supply of coins either through indigenous production in mints or by imports from abroad.”

The RBI has given the following projections on coin requirement during the next 10 years.

(in million pieces)						
Year	25p.	50p.	Re. 1/-	Rs. 2/-	Rs. 5/-	Total
2003-04	100	400	2000	1500	1500	5500
2004-05	—	300	2100	1500	1500	5400
2005-06	—	200	2200	1500	1500	5200
2006-07	—	100	2300	1400	1400	5200
2007-08	—	—	2000	1300	1400	4700
2008-09	—	—	2000	1300	1400	4700
2009-10	—	—	2000	1300	1400	4700
2010-11	—	—	1900	1400	1500	4800
2011-12	—	—	1900	1400	1500	4800
2012-13	—	—	1800	1500	1500	4800

The current combined capacity of the 4 Mints at Mumbai, Kolkata, Hyderabad and Noida is 3700 mpcs per annum. IGM, Noida has a potential for producing 2000 million pieces in two shifts. At present Noida Mint is running in single shift. The Government has approved second shift for IGM, Noida with additional 129 posts with a view to doubling its capacity to produce coins from existing 1000 mpcs per annum to 2000 mpcs per annum. After second shift start at IGM, Noida, the production of 4 Mints will gradually reach the level of 4700 mpcs per annum. As against this, the total output of the mints during 2001-02 is 3593 mpcs. During 2002-03 also the production is 3628 mpcs. It would thus be seen that the output of the mints has reached the capacity level.

Based on the projections of the RBI, a Scheme for meeting Full Demand of Coins was prepared. The Scheme was approved in principle by the then FM and it was sent to the Planning Commission for meeting the expenditure under Plan Head. The Planning Commission have directed that the expenditure may be met from Non Plan Head. The matter has accordingly been taken up with the Budget Division of this Ministry to meet the expenditure under Non Plan Head. The total estimated cost of the Scheme would be Rs. 311.15 crores.

It is also submitted that the Cabinet approved a modernisation project on 24.2.1989 at a cost of Rs. 118.28 crores which was revised to Rs. 301.82 crores and approved by the Cabinet in June, 1994 with the stipulation that the project should be completed within 30 months i.e. by November, 1996. However, the implementation were delayed for various reasons and the scheme was finally completed in June, 2001.

In August, 1999, the Cabinet while according the approval of the Reserve Bank of India's (RBI) proposal for import of 2.5 billion pieces of coins, had directed that a plan for modernization of mints should be prepared. Since at that time modernisation of three mints was going on, a fresh proposal for further modernization could not be drawn up earlier.

With the implementation of the scheme as stated above the anticipated availability of coins would be as follows:—

(in million pieces)

Year	Availability In-house production		
	Through existing capacity	Through addl. Capacity	Total
2003-04	4,100	—	4,100
2004-05	4,500	—	4,500
2005-06	4,500	300	4,800
2006-07	4,500	1,000	5,500
2007-08	4,500	2,000	6,500
2008-09	4,500	2,000	6,500
2009-10	4,500	2,500	7,000
2010-11	4,500	2,500	7,000
2011-12	4,500	2,500	7,000
2012-13	4,500	2,500	7,000

It may be seen from above that the anticipated availability of the coins under the proposed scheme would be much more than that the RBI's indents in coming years and thus the aim of the scheme is to attain self-sufficiency keeping in view the future demand."

9. The Committee are distressed to note that the Government have not taken a serious view of the existing shortfall in domestic supply of coins. This is evident from the slow pace of modernization of projects undertaken so far. The first such project received approval way back in February, 1989 but could be completed only in June, 2001 due to various unexplained reasons. Another scheme for modernization had been approved in August, 1999 to meet the full demand of coins but even after the lapse of 4 years since then, the project is still not complete. The Committee, therefore, re-emphasise the need for expeditious completion of modernisation of projects so that the country could attain self-sufficiency. They also desire that modernisation of mints should not be unnecessarily delayed.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (SI No. 3, Para Nos. 37, 38)

The Committee observe that an amount of Rs. 25,716 crore has been mobilized under Indian Millennium Deposits (IMDs) for accelerating economic growth including development of infrastructure. While 40 per cent of this amount *i.e.* Rs. 10,286 crore has been invested in Government Securities, 46.75 percent *i.e.* Rs. 12,023 crore has been lent to collecting banks and 13.25 per cent (Rs. 3,407 crore) has been used for financing projects. The Committee further note that the total cost of raising these funds was Rs. 464.29 crore in addition to interest liability.

The Committee are of the view that such high cost loans should be judiciously used and deployed in areas for which they were collected. The Committee further recommend that the Government should weigh the total costs of serving such funds against the benefits that are expected to accrue from these funds, before raising such loans. For this, the Government should invariably estimate the total cost of such loans including the interest payable.

Reply of the Government

The basic purpose of IMD resources was to rebuild forex reserves and thereby strengthen confidence in Indian economy. Due to a sudden increase in the international oil prices in the beginning of 1999, there was a sudden increase in our POL bill. By September, 2000, the foreign exchange reserves had already declined by US\$ 3 billion. Thus, the mobilization of over US\$ 5 billion to rebuild our depleting forex reserves was a crucial element of the Government's strategy to cope with the international oil price hike. Had the Indian Millennium Deposit initiative not been taken, the level of forex reserve would have declined which could have had a negative impact on the Indian economy. The cost of borrowing through IMD was not high which compared with bonds issued by other significant Asian developing countries. The recommendation of the Committee has, however, been noted for future guidance.

Recommendation (Sl. No. 11, Para 99)

The Committee observe that coverage of insurance in rural areas is nominal. Many of the private insurance companies like Royal Sundaram Alliance Insurance Ltd., Reliance General Insurance Company Ltd., ICICI Lombard General Insurance Co. Ltd., etc. have failed in meeting both rural and social sector obligations. While some others like IFFCO-TOKIO General Insurance Co. Ltd. & Tata AIG General Insurance Co. Ltd. have not fulfilled social sector targets. Though the Committee are satisfied with the provision of measures contemplated for action against violating companies, they would like to see their speedy implementation by IRDA. There should be no laxity in this regard in order to ensure better compliance by private entrants in this sector.

Reply of the Government

1. IRDA has informed that Royal Sundaram Alliance Ins. Ltd., Reliance General Insurance Co. Ltd. and ICICI Lombard General Insurance Co. Ltd., which had been issued registration on 23.10.2000, set up offices in January 2001. The Authority, therefore, decided that it would prescribe minimum business for social/rural sector for these insurance companies from 1st April, 2001.
2. For the financial year 2001-02, the Authority levied a penalty of Rs. 2 lakhs against Reliance General Insurance Co. Ltd., which failed to fulfil social and rural obligations. The company has filed an appeal against the imposition of penalty.
3. Since insurance companies are still in setting up phase, for the year 2001-02 the Authority has decided not to take a serious view against the general and life insurance companies in case these have fulfilled obligations in the rural and social sectors at least to the extent of 80-90% in the year 2001-02.
4. The performance of the insurance companies for the financial year ending on 31st March, 2003 is being examined by the Authority.
5. The observations of the Committee have been communicated to IRDA for compliance.

Recommendation (Sl. No. 12, Paras 109, 110)

It could be seen that India's share in total Foreign Direct Investment inflows out of the total inflow into the developing countries is very low. Besides, the inflows of FDI during last two financial years viz. 2001-02 and 2002-03 have declined. The Committee note that calculation of FDI in India differs from those of IMF because of exclusion of data on certain parameters like reinvested earnings (by foreign companies) inter company debt transactions (Subordinated debt), overseas commercial borrowings by foreign direct investors in foreign invested firms and 'direct investment other capital'. However, the RBI has initiated the process of compilation of such data to include them in future FDI calculation in accordance with the IMF definitions.

The Committee also take note of the measures taken by the Government to increase foreign direct investment in India. The Committee feel that the recommendations of the Steering Group on FDI, when acted upon will certainly accelerate the inflows. Therefore, this should be brought into force as early as possible. Besides, the Government should take such measures as simplification of procedures, transparent guidelines regarding investment limits etc. which would help make India the most favourable destination for Foreign Direct Investment in near future.

Reply of the Government

The operative recommendation of the Standing Committee in respect of paras 100 & 110 is contained in para 110.

Since Ministry of Commerce and Industry, Department of Industrial Policy and Promotion (DIPP) are administratively concerned with the policy relating to Foreign Direct Investment and the matters connected therewith, the contents of paras 100 & 110 of the Committee's report have been forwarded to them with the request to ensure expeditious implementation of the recommendations/observations of the Committee as contained in para 110 of the Committee's report.

Recommendation (Sl. No. 14, Paras 129, 130)

The Committee are deeply concerned to the note that allocation shown against a detailed Head of "Civil Accounts Offices" was used for "Civil Audit Offices" inspite of separate heads being available for these offices. This anomaly should have been noticed at much earlier stages but it went unnoticed and continued for four years from 1998-99 to 2001-02 which has been rectified only at the RE stage of 2002-03.

This anomaly made the whole budgetary process a mockery and calls for further explanation.

The Committee expect the Government to take urgent steps to ensure that such anomalies do not recur.

Reply of the Government

The sub-heads 01-Civil Audit Offices and 02-Civil Account Offices belongs to the same Minor Head 00.120 Civil Audit & Accounts Offices under the Major Head 2016-Audit. As such re-appropriation from the detailed Head 02.00.13 Office Expenses below Sub-Head 02-Civil Account Offices to the detailed Head 01.00.13 Office Expenses below Sub-Head 01. Civil Audit Offices was made within the same Minor Head under delegated powers. However, the anomaly pointed out in the report has since been rectified in RE 2002-03 and BE 2003-04 as stated earlier.

Recommendation (Sl. No. 15, Para 133)

The Committee note with concern that large sums were surrendered in 1998-99 and 1999-2000 due to savings. They are dismayed at the negligence on the part of the Government by furnishing 'Nil' expenditure in 2000-2001 in the Demands for Grant of 2002-03 and this was also not included in the errata. Hence, they recommend that Government should ensure that figures supplied in Budget papers do not contain such mistakes in future.

Reply of the Government

The mistake took place inadvertently. Omissions regretted.

CHAPTER III

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

Recommendation (Sl. No. 1, Paras 16, 17, 18, 19, 20)

The Committee are constrained to note the accumulation of high NPAs which is increasing year after year. They observe with great concern the more pronounced position of NPAs to the private sector banks. Though they are satisfied to note the litany of measures (legislative and others) taken by the Government and RBI to reduce the quantum of NPAs, the pace of progress in this regard has been far from satisfactory.

They note with utmost concern that even after enactment of the law, the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002, the public sector banks have managed to recover only Rs. 79.86 crore from defaulters against the total amount of Rs. 5707.47 crore due as on 31st December, 2002. Some banks like State Bank of India, Corporation Bank, Bank of Maharashtra, Bank of India, Bank of Baroda, Allahabad Bank, Dena Bank, Punjab and Sind Bank and Vijaya Bank have registered very little progress in this regard. Further, the Committee find that the compromise guidelines issued by RBI are applicable for Public Sector Banks only. In case of RRBs, the Committee observe that the percentage of Gross NPAs has come down in the last three years. However, there has been 0.9 per cent increase in Net NPAs of these banks during the year 2001-02. The NPAs in Cooperative Banks (both rural and urban) have also gone up during 2001-02 as against previous year.

Though the Committee appreciate the measures taken by Government/RBI in order to reduce the stock of NPAs, they find that the process of recovery is lethargic. Hence, they recommend that Banks should hasten the process of recovery by strictly implementing the measures initiated by Government/RBI in this regard, so that they (Banks) have their all assets in Standard category. The Committee are of the view that NPA recovery should be made in a time-bound manner so that all the banks are in a position to comply with international norms of banking quickly.

They note with concern that the pilot Asset Reconstruction Company (India) Ltd. (ARCIL) to take over the NPAs of the Banks has not started functioning as yet it is seeking registration from RBI for commencing Asset Reconstruction business. Besides the guidelines for proper functioning and prudential norms, for ARCs are still awaited. They feel that the desired impact of Securitisation Act cannot be achieved until the ARCs are put in place. Hence, they recommend that Government/RBI should endeavour to set up required number of ARCs very quickly. Also, the RBI should expedite the formulation of relevant guidelines for ARCs.

Apart from this, utmost care has also to be taken to ensure that assets in doubtful and loss category do not arise again. For this RBI should strictly ensure compliance with its directive on prudential norms by all categories of banks and financial institutions.

Reply of the Government

Although the gross Non Performing Assets (NPAs) of the Scheduled Commercial Banks stood at Rs. 70,904 crore as on 31 March 2002, as compared to Rs. 63, 741 crore, at the end of the previous year, there was a perceptible decline in the ratio of gross NPAs and net NPAs, measured as a percentage to advances as well as assets. The gross NPAs of SCBs for end March 2002 includes an amount of Rs. 4,512 crore on account of merger of ICICI Ltd. with ICICI Bank Ltd. The ratio of gross NPAs to gross advances for scheduled commercial banks declined from 11.4 per cent as at the end of March 2001 to 10.4 per cent as at the end of March 2002. The net NPA to net advances over the same period, declined from 6.2 per cent to 5.5 per cent. As percentage to total assets, gross NPAs declined from 4.9 per cent at the end of March 2001 to 4.6 per cent at the end of March 2002.

The Gross NPAs of the Old Private Sector Banks has increased from Rs. 3815 crore as on 31st March 2000 to Rs. 4850 crore as at the end of 31st March 2002. The Gross NPAs as percentage to Gross Advances have also gone up from 10.8% to 11.0% during the same period.

The Gross NPAs of the New Private Banks has increased from Rs. 946 crore as on 31st March 2000 to Rs. 6822 crore as at the end of 31st March 2002. The Gross NPAs as percentage to Gross Advances

have also gone up from 4.1% to 8.9% during the same period. Bank group-wise details of NPAs are given in the Annexure. NPA Management, being critical parameter of performance continued to be prime focus area for the banks. The sluggish growth in the economy, more particularly the difficulties faced by the manufacturing industry made the task of NPA management more daunting. Despite the adverse macro-economic condition, banks have endeavoured to achieve significant reduction in the NPA levels. Various measures have been taken for effective management of the NPAs. One of the salient measures that lead to considerable recoveries and consequent reduction in the NPAs is on account of One Time Settlement (OTS) scheme for the NPAs of upto Rs. 5 crore. The scheme was reviewed by RBI in consultation with Government of India and a revised scheme was issued for chronic NPAs of Public Sector Banks up to Rs. 10 crore. Encouraged by the positive response for the scheme, banks designed their own schemes to tackle problem of NPAs on continuous and on-going basis. Banks have also considered restructuring of accounts in appropriate cases. In cases where the compromise or restructuring route did not yield results, banks have initiated legal action for recovery of dues.

A detailed analysis of the improvement in the NPA position of public sector banks is attempted below. The data on gross NPAs and recovery during the years positively reflects the concerted efforts at all levels in the Management of NPAs.

1. Non-Performing Advances (Gross) as on 31st

Name	March 2000	March 2001	March 2002
SBI Group	19,239.69	20,190.71	19,095.03
Nationalised banks	31,329.05	33,082.76	35,208.66
Total PSBs	50,568.74	53,273.47	54,303.69

2. Recoveries (including up-gradation & write-offs)

Name	March 2000	March 2001	March 2002
SBI Group	3558	4729	6482
Nationalised banks	6288	8016	7511
Total PSBs	9846	12745	13993

It may be observed that recovery of NPAs as percentage to Gross NPAs has improved from 17.72% in the year 2000, to 23.92% in the year 2001 and 25.76% in the year 2002.

- (i) The RBI/Government of India have advised the banks to take the following steps not only to check the incidence of fresh NPAs but also to ensure the recovery of existing NPAs of PSBs.
 - Banks have been advised to have documents on loan recovery policy prescribing the manner of recovery of dues, norms for permitted sacrifices/waiver etc. Based on the discussions with the top executives of banks for finalizing performance commitments, specific advice is given on matters relating to strengthening of credit management to improve the quality of their assets, toning up of internal control and any other measures that facilitate the improvement of the health of the banks. Banks are also advised to give emphasis on mobilisation of low cost deposits, reduce the level of Non-performing assets, increase staff productivity, etc.
 - Reduction of NPAs through compromise/write-offs, through negotiated settlements to ensure maximum recovery at minimum expenses on the basis of a transparent and well laid out policy. Some banks have been permitted to set up independent Settlement Advisory Committees headed by retired Judges of the High Court to scrutinize and recommend compromise proposals.
 - Recovery Cells should be set up at H.O. and targets fixed for various levels/recovery performance should be monitored closely at all levels.
 - Boards should review top 300 NPAs of banks with special reference to the system prevailing in the banks to fix staff accountability.
 - The nationalised banks are advised individually to bring specific improvements in credit management, recovery of NPAs, improvement of profitability etc., and the performance should be monitored periodically by the banks' top management as also Board.

(ii) In addition to above, the Government of India/RBI have also initiated the following steps:

1. Banks have been advised to set up Compromise Settlement Advisory committees headed by retired judge of High Court. The function of Committee is advisory in nature; in May 1999, RBI has issued specific guidelines to public sector banks for constitution of Settlement Advisory Committees (SACs) for compromise settlement of NPAs in respect of small business, including trading and personal loan, and agriculture sector, which are chronic in nature. The scheme was operative up to September, 2000. In July 2000, RBI modified the above guidelines for compromise settlement of NPAs up to Rs. 5.00 crore by public sector banks. Further, RBI has issued revised guidelines on January 29, 2003 for compromise settlements of chronic NPAs upto Rs. 10 crore and on request of banks, RBI has extended the time period for receipt of applications under the OTS from April 30, 2003 to September 30, 2003 and date of processing applications from October 31, 2003 to December 31, 2003. RBI has also issued guidelines for compromise settlement of NPAs for small loan amount with sanctioned limit of Rs. 25000. The scheme was operative up to June 2002. The quantum of loan amount was raised up to Rs. 50,000 and made applicable to small and marginal farmers.

2. A scheme of Corporate Debt Restructuring (CDR) has been finalized by RBI in consultation with the Government of India. The objective of the CDR framework is to ensure a timely and transparent mechanism for restructuring of the corporate debts of viable corporate entities affected by internal or external factors, outside the purview of BIFR, DRT and other legal proceedings, for the benefit of all concerned. CDR will apply only to multiple banking accounts/syndicates/consortium accounts with outstanding exposure of Rs. 20 crore and above with the banks and financial institutions.

3. Banks and FIs have been advised to include all NPA accounts, both suit filed and non-suit filed accounts, which are in "doubtful" and "loss" category, with outstanding balance of Rs. 5 lakh for compromise settlement under Lok Adalats.

4. RBI has put in place a scheme to collect details about borrowers of banks and FIs with outstandings aggregating Rs. 1 crore and above which are classified as "doubtful" or "loss" and accounts where suits are filed, as on 31st March and 30th September each year and disseminate this information (on floppy diskettes) to the banks and

Fls for their use while considering, on merits, the request for new or additional credit limits by defaulting borrowing units and also by the directors/proprietors/partners named in the list either in their own name or in the name of other units with which they are associated. RBI also publishes a list of borrowers (with outstandings aggregating Rs. 1 crore and above against whom suits have been filed by banks and Fls for recovery of their funds, as on 31st March every year.

5. Banks have been advised to review loss assets outstanding for more than two years and where legal action has not been initiated.

The banks were advised in June 2000, that they should review urgently the pendency of all suit filed cases and convey to their functionaries at all levels the need for closed monitoring of suit filed and decreed cases on an ongoing basis. In May 2001 banks were advised to examine all cases of wilful default of Rs. one crore and above and file suits in such cases, if not already done. Further, they were also advised to examine whether in such cases of wilful defaults, there are instances of cheating/fraud by the defaulting borrowers and if so, they should also file criminal cases against those borrowers. In other cases involving amounts below Rs. one crore, they were advised to take appropriate action, including legal action, against the defaulting borrowers.

6. Considering the concerns expressed over the persistence of wilful defaults in the financial system and based on the recommendations of Working Group on Wilful defaulters, banks were advised *vide* circular dated 30 May 2002 to redefine the term "wilful default", in supersession of earlier instructions.

7. Debt Recovery Tribunals have been set up in 29 centres and Appellate Tribunals in 5 centres for assisting speedy recovery of banks' loan. Some of the provisions which have been incorporated for strengthening DRT are placement of more than one Recovery Officer, power to attach defendant's property/assets before judgements, penal provision for disobedient of Tribunal order, appointment of receiver, with powers of realisation, management protection and preservation of property.

8. The Government of India has enacted "The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002" on 19th December, 2002 which provides for regulation of

securitisation/asset reconstruction company by the RBI, prescribes the business which they can undertake and for enforcement of security interest by banks, financial institutions, Securitisation companies, Asset Reconstruction Companies etc., without the intervention of court or tribunal where any borrower makes any default in repayment of secured debt or any instalment thereof.

9. Banks have also been advised to formulate loan policy/loan recovery policy with approval of Board of Directors, establish cells at Head Office, and monitor recovery performance, review of 300 NPAs account of more than Rs. one crore and strengthen risk management system etc.

Observations of the Committee

Committee observed that even after enactment of the Act, the public Sector banks have managed to recover only Rs. 79.86 crore from defaulters against the total amount of Rs. 577.47 crore due as on 31st December 2002.

Comments

I. Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002.

As per the data submitted by the banks, in respect of progress on recovery of dues through issues of notices under the Securitisation Act, 2002, as on 31.03.2003, 28805 notices have been issued to the borrowers involving an amount of Rs. 10152.20 crore and the banks have recovered amount of Rs. 326.24 crore (Annexure).

In the Writ Petition filed by M/s Maradia Chemicals, the Supreme Court has stayed the operation of the Ordinance to a limited extent i.e. secured assets, though can be seized under the Ordinance, can not be sold/leased or assigned which might have resulted in slow progress in recovery of dues.

II. Debt Recovery Tribunals

The banks and financial institutions experienced difficulties in recovery of loans and in exercising enforcement of securities charged

to them. The Committee on Financial Systems headed by Shri M. Narasimham, had recommended the setting up of Special Tribunals for speedy realization of dues of the credit institutions. Accordingly, the Recovery of debts due to Banks and Financial Institutions Act, 1993 was enacted on 27th August 1993 to provide for establishment of Tribunals. The first DRT was established at Kolkata on 27th April 1994, followed by four more DRTs in 1994, one in 1996, two in 1997, one in 1998, three in 1999, eight in 2000 and seven in 2001. As on date 29 DRTs and 5 DRATs have been established. To further expedite the recovery mechanism under the DRT Act, 1993, the Recovery of Debts due to Banks and Financial Institutions (Amendment) Act, 2000 had been enacted for giving increased powers to the DRTs in order to render them more effective in the realization of dues to banks and Financial Institutions. Government of India set up the Working Group under the Chairmanship of Shri S.N. Aggarwal, Presiding Officer of Debt Recovery Tribunal (DRT) No. 2 Delhi to review the existing provisions of the Recovery of Debts due to Banks and Financial Institutions Act, 1993 and the Rules framed thereunder in the light of suggestions received from various quarters such as Banks, Financial Institutions, DRTs and Individuals and to examine the adequacy of the infrastructure available to DRTs. While considering the issue, the Working Group recognized that speedy and effective recovery of bad loans of the banking sector is a *sine qua non* for survival of the banking industry. With these objectives in mind the Working Group has suggested the amendments to the Acts and Rules framed thereunder. These amendments were essentially to address the delay in disposal of cases (before Tribunal) at all stages of adjudication, such as the issuance of summons, reply to defendants, framing of issues, production of documents, issue notices, hearing of evidences/arguments till the judgment stage. The recommendations of the Working Group were generally acceptable to the RBI. Thereafter, the Government has amended the Debts Recovery Tribunal (Procedure) Rules' 2003 in particular Rules 7 and 10 regarding application fee for filing cases/appeal etc, and plural remedies instead of combining different remedies in one stage application respectively for better administration of the Recovery of Debts Due to Banks and Financial Institution Act, 2002.

As on 31st December 2002 out of 49042 cases (Rs. 61543.02 crore) filed with Debts Recovery Tribunals (DRTs) by the Public Sector banks, 18224 cases (Rs. 14764.57 crore) have been adjudicated by them. The amount so far recovered is to the tune of Rs. 6146.90 crore out of an amount of Rs. 14764.57 crore involved in decided cases, constituting recovery to the extent of 41.63%. (As per annexure).

III. Lok Adalats

With a view to reducing the level of NPAs, all scheduled commercial banks and FIs have been advised *vide* circular DBOD. Leg. BC. 114/09.06.002/2001-02 dated 2nd May 2001 to make increasing use of forum of Lok Adalat to settle banking disputes involving amount up to Rs. 5 lakhs, including participation in LoK Adalats convened by DRTs/DRATs for resolving cases involving Rs. 10 lacs and above to reduce NPAs.

All the 27 public sector banks are making use of Lok Adalats. The number of cases filed by banks in Lok Adalat stood at 232233 (Amount Rs. 1049.31 crore) and total amount recovered in 73768 cases (Amount Rs. 128.37 crore) till 31st December 2002 (Annexure).

As regards the guidelines issued by Reserve Bank to public sector banks *vide* circular DBOD.BP.BC. 65/21.04.117/2002-2003 dated January 29, 2003, the same are not applicable to private sector banks as they are free to frame an independent policy for recovery of dues, including settlement duly approved by the Board of Directors of the banks.

As regards NPAs position of RRBs, NABARD has forwarded their comments to the Ministry of Finance *vide* its letter No. NB.IDD.RR.CBD/337/2003-2004 dated June 10, 2003. In countries like Germany, UK, Japan, Australia loans are reviewed annually or bi-annually. Some countries like Brazil, Russian Federation, Singapore, South Africa and Netherlands the loan are either reviewed monthly or continually. Other countries like France, China, and Honkong Korea etc. the loans are reviewed on quarterly basis. In India also the loans are reviewed on quarterly basis. The periodicity of loan review is therefore at par with the international practise. As regards migration for classification of Non-Performing loans internationally the regulators have adopted 90 days norms. We have already advised the banks in India to adopt 90 days norm with effect from March 31, 2004. Further, with effect from 31st March 2001, an asset is to be classified as doubtful, if it has remained NPA for a period exceeding 18 months. With effect from March 31, 2005 an asset would be classified doubtful if it remained in the sub-standard category for 12 months. Hence, commercial banks in India are already following prudential norms, for treatment of NPA, which is at par with the international best practices. As regards time bound recovery of NPA, we have taken several steps for recovery of

NPAs like compromise settlement etc. and advised commercial banks suitably. These are time bound schemes, which have been formulated by RBI in consultation with Government of India.

1. In exercise of the powers conferred under Sub-Section (2) of Section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Act, 2002, the Reserve Bank has prescribed the form of application to be submitted by the securitisation companies or reconstruction companies seeking registration from Reserve Bank of India under Section 3 of the Act.

2. The Reserve Bank of India has also issued on April 23, 2003 the final guidelines to securitisation and reconstruction companies to facilitate the smooth formation and functioning of these companies.

3. So far the Reserve Bank has received 11 applications from securitisation and reconstruction companies for registration. These applications are being scrutinised with the help of an External Advisory Committee constituted for the purpose. The Committee consists of distinguished persons in the field of banking, law and accountancy. The Committee held its first meeting on May 17, 2003 to scrutinise the applications received so far by the bank.

Efforts are underway to issue registration to the companies that satisfy norms laid down in the Act. It is the sole responsibility of the bank management to ensure that the bank complies with the prudential IRAC norms as prescribed by RBI. The banks should monitor and follow up all advances and other assets to ensure that they do not slip into doubtful and loss categories. The Central Statutory Auditors of the bank also have to certify adequacy of provisions as per RBI norms.

During the course of Annual Financial Inspection of the above, Inspecting Officers carry out an appraisal of asset quality and the impairment in the value of assets. The appraisal is an assessment of adherence to the prudential norms on income recognition, asset classification and adequacy of provisions for erosion in value of assets. Significant divergence, if any noticed in asset classification is not only taken up with the bank management but also with the statutory auditors of the bank. The quality of assets is also monitored on quarterly basis through off-site monitoring returns. These returns not only help in monitoring the NPAs category wise, but movement in some of the top non-performing loans (NPAs) and provisioning therefore.

[Ministry of Finance (Department of Economic Affairs) Banking Division OM.No. 21/5/2003-BOA, dated 30th June, 2003.]

Recommendation (Para Nos. 27, 28, 29)

The Committee note with serious concern regarding the drastic fall in net profits of overseas branches of Public Sector Banks (except UCO Bank and Bharat Overseas Bank Ltd.) during the year 2001-02. The decline is most pronounced in the case of SBI, Bank of India, Indian Overseas Bank and Syndicate Bank.

The Committee note that RBI conducts regular portfolio inspections, including the assets/liabilities of the overseas branches of Indian Banks, in addition to examination of reports of the local regulators in host countries. They, however, find that US authorities had imposed a Civil Monetary Penalty of US\$ 7.5 million on account of certain deficiencies in the systems and procedures and tools for monitoring mechanism, "know your Customer and Enhanced Due Diligence" procedures, especially in the areas of remittances, fund transfer and inter-office accounts. They, therefore, recommend that RBI should ensure strict compliance with the rules and regulations of the host countries where the overseas branches operate. They are of the view that, had this been done a earlier, the penalty, to the extent of US\$ 7.5 million, imposed on SBI, could have been averted.

The Committee further notice the doubtful viability of three branches of three different banks, viz. Bank of India (East Ham. London), Bank of Baroda (Vacoas Mauritius) and Indian Overseas Bank (FCAU, Colombo) to this regard the Committee opine that such branches should be given a specific time period for improving profitability. In case the further erosion of profitability continuing even after the end of such period, the RBI may initiate steps to close them without any delay.

Reply of the Government

State Bank of India:

The reasons for drastic fall in net profits of the overseas operations of SBI during the year 2001-02, was on account of the following:

- Decrease in advances portfolio by 7.20%.
- Decrease in interest income by 36.59% over the previous year.
- Payment of Civil Monetary penalty of US\$ 7.50 Mn.

- Increase in legal expenses from Rs. 4.86 crore during 2000-01 to Rs. 7.72 crore in 2001-02.
- Increase in provisions made during the year for loan losses from Rs. 3.52 crore in 2000-01 to Rs. 111.10 crore in 2001-02,

However, the net profits of the overseas operation (unaudited) of SBI for the year 2002-03 has increased substantially to Rs. 109.90 crore as compared to Rs. 3.07 crore in 2001-02.

Syndicate Bank:

The bank has only one overseas office *i.e.* in London. The profitability of the branch was strained during 2001-02 due to following reasons:

- Transfer of a high yielding asset of USD 7.27 million to Nehru Place branch, New Delhi in April 2001. The loan with a yield of LIBOR plus 3.5 per cent had an impact of about GBP 0.175 million on the interest income.
- Change in the accounting policy for recognising the discount earned on purchase of FRNs only at the time of maturity of the investments instead of the earlier practice of amortising the same over the residual maturities of the investments. In the year 2001-2002, the branch had earned a discount of GBP 0.150 million (approximate) on investments in FRNs but was required to park them in "Other liabilities".
- Increase in the auditors fees by GBP 0.115 million due to various audits conducted at the instance of FSA on money laundering controls and various remedial action plans.
- Increase in the rent for the branch premises amounting to GBP 0.074 million during the year.
- Negative growth in the volume of high yielding customer advances by 21.32%; poor growth in low cost customer deposits of only 6.73%; increase in the low yielding inter-branch deposits by more than 25% above the target prescribed.

The net profit of the overseas operations for the year 2002-03 however worked out to US\$ 0.55 Mn. as compared to the net profit of US\$ 0.77 Mn. in 2001-02.

Indian Overseas Bank:

The Overseas branches together recorded a net loss of USD 2.70 million in 2001-02 as against a net profit of USD 5.26 million in 2000-01 even though the operating profit increased from USD 7.64 million to USD 8.26 million for the same period. The net loss was solely on account of Singapore centre (loss of US \$ 7.35 Mn.) warranted by high provisioning requirements. In 2002-03, the overseas operations although registered an operating profit of USD 7.13 million resulted in a net loss of USD 2.71 million mainly on account of higher provisioning.

Bank of India:

Net profit of the overseas branches had decreased by 48.60% in the year 2001-02 and aggregated USD 19.35 million. Except in the case of France, Kenya and Japan, all other centres recorded a fall in net profits. The decrease was very high in the case of UK (103.85%) and Singapore (99.52%). In the case of Singapore, though the branch had earned an operating profit of USD 14.27 million (as compared to USD 16.66 million last year). The net profit of the bank's overseas offices decreased significantly due to high provisions of USD 16.50 million (nil-last year). In the case of UK, the operating profit decreased from USD 6.98 million to USD 4.39 million and the provisions made for loan losses amounting to USD 4.65 million impacted the net profit.

Banking is a regulated industry in most of the countries. Apart from taking permission from Reserve Bank, the banks intending to operate abroad have to obtain licence/permission from the host country regulator also. Further, these branches are required to follow host country regulations/prudential norms issued by the concerned regulator/supervisor of the country in which they operate, besides home country regulations/norms issued from time to time. Reserve Bank regularly receives feed back from the overseas supervisors particularly in the areas of concern observed on the Indian Banks overseas operations.

As a part of the supervisory process New York cluster branches of State Bank of India were subjected to Joint Regulatory examination by Federal Reserve Bank, New York State Banking Department and Federal

Deposit Insurance Corporation as on the position at 31st March 2001. The Regulators have commented on the inadequacy of the system and technology, systems and procedures, internal audit and documentation for certain clearing accounts which according to them did not meet the industry-wise criteria and standards of US Banking.

The US Regulators issued a Cease and Desist Order as per US Banking Laws and imposed a Civil Money Penalty of US\$ 7.5 million on State Bank of India. This Order contains a number of clauses which SBI is required to comply with. The matter was discussed at length and it was the Board of Directors view that so long as the SBI needs to operate through the U.S.A. it is incumbent upon the bank to extend its fullest co-operation towards compliance of all U.S. regulatory requirements.

Based on the feed back received, Reserve Bank has reinforced its guidelines as given hither to, that if it was necessary to continue operations abroad, the regulations of the host country regulators must be complied with at all times by the banks concerned. The banks were further advised to take all possible steps to ensure that their branches functioning in USA and elsewhere, comply with regulatory requirements of overseas regulators without leaving any scope for adverse observations.

Bank of India-East Ham, London: East Ham branch (UK), which had incurred net losses for the previous two years (1999-00 and 2000-01), recorded a net profit of USD 0.76 million in 2001-02 and USD 0.04 millions in 2002-03.

Indian Overseas Bank-FCBU, Colombo: Colombo FCBU incurred a net loss during 2001-02 (USD 0.17 million) for the second consecutive year. The bank proposed to merge the branch with Colombo Main branch.

Bank of Baroda-Vacos branch: The branch had incurred a net loss of US\$ 0.06 millions for the year 2000-01 which had further deteriorated to net loss of US\$ 0.11 millions for the year 2001-02. However, it made a net profit of US\$ 0.06 millions for the year 2002-03.

As two of the above three branches have recorded profits and the other one is being merged with a profit making branch, the position will be monitored continuously.

[Ministry of Finance (Department of Economic Affairs) Banking Division OM. No. 21/5/2003-BOA dated 30th June, 2003]

Recommendation (Para No. 46)

The Committee are given to understand that a similar decision has already been taken in the case of SEBI. They, therefore, desire that in order to maintain uniformity in respect of all the regulators it is necessary that the funds are deposited in the Public Account. At the same time it is also essential that the regulatory bodies are made accountable and are not allowed to function in an unbridled manner. In order to ensure this, financial accounts need to be audited at frequent intervals.

Reply of the Government

The advice of Ministry of Law in the matter is still awaited. However, Insurance Division has already advised IRDA to locate IRDA fund in Public account of India. According to the provision of IRDA Act, C&AG is empowered to audit the accounts of IRDA.

Recommendation (Para Nos. 51, 52)

The Committee are distressed to note the prevailing tendency of public sector banks of investing more and more funds in Government and other related securities which has established that they are more interested in parking their money in risk free investments rather than advancing to corporate and other sectors. The Committee observe that SLR percentage for Scheduled Commercial Banks, as a whole has increased from 34.9% to 35.0% during the period 1998-2001. It stood at 36.6% as on 22nd February 2002. Except Nationalised Banks and Public Sector Banks (Excluding RRBs), all Bank groups registered sharp increase in their percentage of SLR balances from 23rd March, 2001 to 22nd February, 2002. This, the Committee feel, actually defeats the purpose of reduction in statutory liquidity ratio (SLR) upto 25%.

Though banks have adequate liquidity, they are not coming forward to finance the industry and other sectors to the extent of their capability. This indeed, does not augur well for industry and commerce. Hence,

the Committee desire that there should be a cap on maximum SLR investment to be made by Banks. They hope that stipulation of such a maximum limit would release excess funds lying in statutory reserve for credit. Therefore, the Committee strongly recommend that RBI should initiate appropriate steps in this direction immediately and issue guidelines to this effect accordingly. The Committee would also like to know the bank-wise details of actual SLR balances as at present.

Reply of the Government

It can be seen from the data given in Table-1 that while there has been substantial increase in banks' SLR investment, the flow of credit to the commercial sector both in the form of bank credit as well as non-SLR investment has also been increasing.

Table-1

Annual increase in SLR & Non-SLR Investments, Bank Credit

(Rs. in Crore)

Year	SLR Investments	Non-SLR Investments	Bank Credit
1997-98	28192 (+14.8)	20619 (+64.6)	45677 (+16.4)
1998-99	35890 (+16.4)	24308 (+46.3)	44759 (+13.8)
1999-00	54349 (+21.3)	16617 (+21.6)	67121 (+18.2)
2000-01	61215 (+19.8)	15545 (+16.6)	75476 (+17.3)
2001-02	68110 (+18.4)	6095 (+5.6)	78289 (+15.3)
2002-03	110048 (+25.1)	18938 (+16.5)	135645 (+23.0)

Note: Figures in parentheses indicate the annual growth in per cent.

Further it can be seen from Table-2 below that the share of bank credit to aggregate deposits was over 53 per cent after March 1999. In addition commercial sector is getting higher resources from banks through their Non-SLR investments in commercial paper, shares and debentures issued by the commercial sector etc. Moreover, the commercial sector is now also able to garner resources from other than banks viz., through bills re-discounted with financial institutions, capital issues, GDR issues, foreign currency convertible bonds and borrowings from financial institutions, etc.

Table-2
Bank credit, SLR investments and Non-SLR
investments of SCBs

(Rs. in Crore)

Year	Aggregate Deposits	SLR Investment	Non-SLR Investment	Bank Credit
March 1998	598485	218705 (36.5)	52537 (8.8)	324079 (54.1)
March 1999	714025	254595 (35.7)	76846 (10.8)	368837 (51.7)
March 2000	813345	308944 (38.0)	93463 (11.5)	435958 (53.6)
March 2001	962618	370159 (38.5)	109008 (11.3)	511434 (53.1)
March 2002	1103360	438269 (39.7)	115103 (10.4)	589723 (53.4)
March 2003	1280576	548317 (42.8)	134041 (10.5)	725368 (56.6)

Note: Figures in parentheses indicate percentage ratio to deposits.

RBI, both in the annual Policy statement and in the Mid-term Review and in separate discussions with banks, highlights the importance of credit to stimulate growth in the economy. As such, policy has striven to ensure that the commercial sector does not suffer due to paucity of funds from the banking system. Over the past few

years, credit policy initiatives have been geared at improving the efficiency of the credit delivery mechanism and reduction in the lending rates through rationalization of PLR. A number of measures were initiated to improve the credit delivery mechanism and facilitate flow of credit to commercial sector.

The major reason for increase in the banks' holding of government securities is the large size of the government borrowing programme. In addition, since government securities are almost risk-free and with a view to maximizing the returns of the bank, the investment in such securities becomes a credible alternative for bank portfolio management when credit demand is low. Further, high Non-Performing Assets (NPAs) and the resultant high NPA servicing cost have influenced portfolio shift towards investment in government securities.

Regarding a cap on the maximum SLR investment to be made by banks—it needs to be mentioned that the section 24 of the Banking Regulation Act provides only for minimum limit on SLR investment by banks and there is no provision for a cap on SLR investments. As such, an amendment to the extant provision of the act is necessary if a maximum limit is to be prescribed on SLR investments by banks. It is pertinent to mention here that the size of market borrowing programme has been increasing substantially every year as a consequence of widening fiscal deficit. The present level of SLR investment of SCBs is around 39.1 per cent and given the high Market Borrowing Programme if a cap on SLR investment is put, it would imply that the government may not be able to finance its borrowing and consequently there will be an increase in the RBI credit to government. This would result in substantial increase in reserve monetary management. Large market borrowing programme also puts undue pressure on interest rates. In addition, it may be indicated that as there is no specific cap on government borrowings under the Fiscal Responsibility Bill, placement of a cap on SLR investments without any limit on the fiscal deficit may pose problems for the government debt management. As desired by the Standing Committee, a list of bank-wise details of SLR investments by the scheduled commercial banks as on May 16, 2003 is placed below as 'Annexure'.

[Ministry of Finance (Department of Economic Affairs) Banking

Recommendation (Para Nos. 70, 71, 72)

"The Committee find that the overall picture in respect of drawal of funds to the extent of amount deposited in various tranches of RIDF is not satisfactory. Though the cumulative sanctions as on 14.2.03 were Rs. 27028.89 crore, the total disbursement was only Rs. 15497.12 crore. Thus much of the amount is still lying unused under RIDF. In the opinion of the Committee, this situation is in no terms contributing to the cause of agricultural development."

The Committee hold that the Government/NABARD have not made adequate efforts to ensure full utilization of RIDF corpus under various tranches by State Governments. Even at present some of the States like Bihar, Kerala, Madhya Pradesh, Rajasthan and West Bengal have not drawn total funds, as sanctioned under RIDF tranches I & II established way back in 1995-96 and 1996-1997 respectively. The States in the North-Eastern Region and Sikkim have been so far disbursed only 50 per cent of the sanctioned amount.

The Committee, therefore, recommends that RIDF funds should be utilized without any further delay. They are of the considered view that a more pro-active role is required to be played by NABARD in this regard, which should monitor the progress more frequently and impress upon States to expeditiously execute projects by minimizing cost and time overruns.

Reply of the Government

RIDF allocations are not deposited with NABARD in advance. NABARD calls for the deposits from commercial banks after first disbursing the amount to State Governments. Consequently, RIDF deposits do not remain unutilised with NABARD. Different tranches of RIDF (RIDF-I to VIII) were announced in the Budget Proposals by the Union Finance Minister. Policy guidelines, submission of projects, appraisal and sanction of projects continue in different stages during the year. Many of the projects were sanctioned towards the end of the year leaving little time for implementation of the projects. Therefore, even though the projects were sanctioned, the State Govts. were not in a position to utilise the amounts sanctioned under RIDF.

Normally the RIDF projects have a phasing of 3 years and the sanctioned amounts are expected to be drawn by the State Governments

over a period of time, as per the progress of implementation of the projects. Some part of the gap between the amount sanctioned and disbursed is attributable to the scheduled phasing of projects.

The State Governments are also required to complete the formalities like administrative approval, land acquisition, forest clearance, etc. These processes also take sometime and result in delayed implementation of the projects. Since as a measure of project discipline, disbursements are made to State Governments on the basis of progress of works on the ground of any delay in implementation of projects, delays in disbursements and reflects in the gap between sanctions and disbursements.

To ensure proper utilization of RIDF funds, NABARD has been taking up the issue with the respective State Governments after sanction of projects. The importance of speedy availment of loans for proper implementation of the projects is emphasized in the discussions of NABARD with the senior officials of State Governments.

As regards NE States, the issue of rural infrastructure development is taken up at the highest level. NABARD provides technical support for project formulation, if the State Government so desire and hold periodic meeting and workshops to ensure smooth implementation of the project.

Since inception of RIDF operations, a total number of 34759 projects have been visited by NABARD monitoring teams (upto March 31, 2003). A refined and comprehensive strategy on monitoring has been put in place since April 1, 2002 where projects with bigger outlay are being given special focus besides regional level review/monitoring for small sized projects.

[Ministry of Finance (Department of Economic Affairs) Banking
Division OM. No. 6-14/2003-AC]

Recommendation (Para Nos. 79, 80, 81, 82)

The Committee note with concern that a large number of irregularities are being reported in the cooperative banking sector. They also take note of the fact that RBI does not have the same regulatory powers for Co-operative Banks as these for commercial banks. The Committee find that RBI have submitted a proposal to Central Government in April 2001 for setting up an apex body for the

supervision of urban co-operative banks with representation from State Government, Central Government and RBI. RBI has also submitted certain amendments to the Banking Regulation Act.

In this connection, the Committee observes that a Conference of State Cooperation Ministers, Cooperative Federations and prominent cooperators was convened in December 2000 to evolve consensus on revitalization of cooperative banks and removal of duality of control. Again a Committee under Union Minister of State for Finance with State Cooperation Ministers of select States as members was set up to further resolve differences on the said issues. This Committee recommended revitalization assistance on the condition of adoption of preconditions. These preconditions included adoption of essential features of Model Cooperative Act especially removal of duality of control by States. Subsequently on Budget (2002-03) the Government of India made a provision of Rs. 100 crore to incentivise reforms and revitalize the cooperative sector.

The Committee observe that on account of existing duality of control on Cooperative Banks as also it being a state subject, RBI has no say regarding any adverse action to be taken against an erring banks or its officials. It is only the State Government/Central Government, which is empowered to take action. Therefore, such a system has led to regulatory lapses, as revealed in some recent cases.

In view of the above, the Committee recommends that necessary amendments in the Banking Regulation Act, 1949 which have been proposed by RBI to bring about similar supervisory powers over cooperative banks, as they have in the case of commercial banks should be made expeditiously.

Reply of the Government

The Scheme of Revitalization Scheme for Cooperative Credit Structure is being finalized in consultation with concerned authorities. This Scheme provides conditionalities for the States to be eligible to get revitalization assistance such as State will give commitment to carry out legal reforms, by a definite date and, in the mean time, to grant functional autonomy to the cooperative credit institutions in their governance and to permit banking functions strictly and entirely governed by the banking laws; the State Government will adopt, by a definite date, the essential features of the Model Cooperative Societies

Act in the State Act, Rules, Regulations that will govern the cooperative institutions identified for revitalization assistance. All these steps are expected to provide healthy regulatory environments for the smooth functioning of cooperative banks. Necessary steps have already been initiated by the Government for carrying out appropriate amendments in Banking Regulation Act, 1949.

[Ministry of Finance, Department of Economic Affairs (Banking Division) O.M. No. 6-14/2003-AC]

Recommendation (Para No. 86)

The Committee note with concern the continuing under utilization of funds under this head since the year 2000-01. They also take note of the reasons furnished by the Ministry for not spending the funds as per budgetary estimates. In this regard the Committee are of the view that the selection of specialists, consultants and research institutions for conducting studies etc. should be done well in advance and necessary administrative and financial sanctions should be obtained well in time. This will help in realistic projections of budgetary outlays. Moreover the Government must streamline the procedures. They (Government) should also impress upon the Government counsels to submit their claims in time failing which penalty may be imposed.

Reply of the Government

The Committee's recommendations/observations have been noted for compliance in future. All the units of Banking Division have been requested to impress upon the Government Counsels to submit their claims towards legal fees in time so that the bills can be cleared by the Division well in time during the Financial Year. In so far as payment of Management Fees to ICICI for acting as agent of the Government under the Shipping Development Fund Committee (Abolition) Act, 1986, the ICICI Bank is being advised to submit their claims in time failing which penalty would be imposed.

- The funds under the Professional Services are utilized by various divisions of this department. It is the concerned division that interacts directly with the Govt. counsels, specialists, consultants and research institutions. As a result, the recommendations of the Standing Committee are required to be implemented by the concerned Division. Accordingly, a copy of 39th Report of Standing Committee has been forwarded to all the divisions for strict compliance and necessary action.

- The Committee have also recommended that the Government should impress upon the Govt. counsels to submit their claims in time failing which penalty may be imposed. While Government may impress upon the Govt. Counsels to submit their claims in time, it may not be possible to impose penalty on the Govt. Counsels in the event of their not submitting the bills in time.
- The Department of Legal Affairs who are nodal Department for regulating the fee for the Govt. Counsels for attending to various type of court cases have been requested to examine the possibility of imposing the penalty in the event of their not submitting the bills in time and issue necessary instructions for compliance by various Departments.

Recommendation (Para Nos. 122, 123, 124, 125)

The Committee are concerned to note that non-plan expenditure of the Central Government was more than 4 times the plan expenditure as per the Revised Estimates of 2002-2003. Interest Payment and Debt servicing, subsidies and Pay and allowances are the major components of non-plan expenditure. It is a matter of deep concern that interest payment and debt servicing had increased by about 77% in 2002-2003 over 1997-1998. Similarly expenditure on subsidies rose by a staggering 140% in 2002-2003 over 1997-1998. The Committee note with satisfaction that the Government would be able to retire external borrowings to the tune of \$ 3 billion but consider it only tip of the iceberg and a lot has to be done in this regard. They expect that the Government should come out with concrete plans to reduce the burden of interest payment and debt servicing and also recommend that a comprehensive study should be conducted on subsidies.

The Committee note that while expenditure on pay and allowances has come down as percentage of total non-plan expenditure, it is increasing every year in real terms. While Expenditure Reforms Commission (ERC) had identified around 42,000 posts for abolition in various Ministries/Departments, the Government have identified only 23,900 posts for abolition and out of these only 13,000 posts have been abolished so far. In this regard, the Department should furnish the rationale to the Committee for identifying only 23,900 posts out of 42,000 posts identified by ERC for abolition.

The Committee note that the Department of Expenditure issues guidelines/instructions and announces ban on various wasteful expenditure to various Ministries of the Central Government. In this regard, the Committee recommend that the Department of Expenditure should, every year, monitor actual implementation of these guidelines by various Ministries and their offices and suitable action should be taken against those offices which do not comply with the orders.

The Committee note that review of the existing autonomous bodies under the Union Government is presently being undertaken. They recommend that the review should be completed within one year. All the autonomous institutions which have the self-earning capacity should be made economically self supporting within a certain period so as to make them truly independent in their functioning.

Reply of the Government

Government is committed to containing the growth of non-plan, non-developmental expenditure. While plan expenditure has increased by 93% in 2002-03 over 1997-98, non-plan expenditure has increased by only 67% over the same period. The average annual rate of increase in non-plan expenditure which was 17% during 1995-96 to 1998-99 has come down to 8% during 1999-2000 to 2002-2003 (Revised Estimates). This moderation has been achieved despite the inflexibility inherent in the composition of non-plan expenditure. The major components are interest payments, subsidies, defence and transfers to States and U.T. Governments, none of which are amenable to adjustment in the short and the medium term. Increase in expenditure on subsidies is due to the fact that from 2002-03, with the dismantling of the Administrative Price Mechanism, subsidies on domestic LPG, PDS Kerosene, freight subsidy for far flung areas and related compensation are being provided through budget.

Notwithstanding the above, the Committee's recommendation for further reduction in interest payments and debt servicing is noted.

National Institute of Public Finance and Policy has conducted a comprehensive study on subsidies at the instance of Planning Commission, Government of India and submitted a report entitled "Budgetary Subsidies in India—Subsidising Social and Economic Services" as recently as March, 2003. The contents of this Report have been loaded on the website of the Planning Commission for wider

publicity and also circulated to the Ministry of Planning and Ministry of Finance so that appropriate policy decisions/action can be taken on the recommendations contained in the report.

The increase in pay and allowances is mainly on account of release of instalments of D.A. and annual increments. The ERC in its various reports identified around 42,000 posts for abolition. The recommendations of ERC in this regard were forwarded to the concerned Ministries/Departments for implementation. The Ministries/Departments have identified around 23,900 posts for abolition. Further identification of posts as recommended by ERC would require reorientation of functions of various organisations/divisions concerned. There are also certain administrative difficulties and they are being sorted out. The Ministries/Departments are being impressed upon to implement the recommendations of ERC.

Instructions are issued to restrict the expenditure on various items such as on residential telephones, STD facility, furnishing of office and residential office of Ministries, expenditure on printing of diaries, calendars, etc. to avoid wasteful expenditure. Implementation of these instructions are monitored by the concerned FAs who function as representatives of Ministry of Finance. The proposals which require relaxation of existing economy instructions are referred to this Ministry for approval which are examined on merit.

Instructions *vide* U.O. dated 3.4.2001 have already been issued to all the Ministries/Departments to review the autonomous bodies under their control on the basis of the recommendations of ERC. The Ministries/Departments have also been instructed *vide* U.O. dated 7.9.2001 that no new autonomous institutions be created without the approval of the Cabinet. In respect of existing autonomous institutions, a review on the lines detailed in the Expenditure Reforms Commission report may be carried out in consultation within IFD. One of the ERC recommendations is in connection with maximizing internal resources generation so that dependence upon Govt. budgetary support could be kept at the minimum. The Ministries/Departments have again been impressed to complete the review of the autonomous institutions in this regard at the earliest, and in any case before the end of this year.

[M/o Finance (D/o of Exp.) O.M. No. 1 (93) (E)-Coord./2002
dt. 25.6.2003]

CHAPTER IV

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

Recommendation (Para Nos. 60, 61, 62)

"The Committee are concerned to note the persistent shortfall in agricultural lending by scheduled commercial banks despite their repeated recommendations to strictly enforce the prescribed minimum 18 percent target of agricultural lending by banks. The shortfall in case of public sector banks is by 2.19 percent while in case of private sector banks it is by 9.47 percent from the prescribed target of 18 percent. This has occurred despite clear cut instructions from RBI that scheduled commercial banks must fulfil atleast the minimum target of agricultural lending. They are not inclined to accept the plea put forward by the Secretary, Banking, stating that one of the reasons that the Banks do not lend to agricultural sector is large NPAs from this sector. They on the contrary note that NPAs in agricultural sector is quite low when compared to those in other sectors for it is stated that the NPAs in agriculture for public sector banks, as on 31 March, 2002 is only 13.84 percent as against 44.49 percent in total priority sector and 53.54 percent in non priority sector. For private banks the NPA percentage in agriculture, as on 31 March, 2002 is 3.76 percent, compared to 21.82 percent in priority sector and 77.96 percent in non priority sector. Thus the Banks are constantly under lending to agriculture despite the low NPAs in this sector. Despite the fact that in April/March 2001, it was decided to meet the target within a period of two years, nothing much has been achieved. They, therefore, desire that every effort should be made to meet the stipulated target as early as possible."

"The Committee apprehend that the requirement of depositing the shortfall in agricultural lending in Rural Infrastructure Development Fund (RIDF) has provided a cushion to banks for inadequate lending to agriculture. In other words, banks have got an easy, lucrative and risk free channel to keep their money. The Committee

feel that Banks, in such way, are being rewarded for failing to meet their obligation towards agriculture. Hence, they are of the opinion that there should be disincentive for banks for failing to reach the targeted level of agricultural lending. They, therefore, recommend that the provision of interest on RIDF funds should be abolished forthwith so that banks are penalized for not lending to agricultural sector to the desired level."

"The Committee would like to be apprised of the position with regard to direct agricultural lending by banks after the specified period *i.e.* up to March 2003. They further desire to know the penal action that has been proposed to be taken against those banks which fail to reach the stipulated target of agricultural lending after the expiry of the specified period."

Reply of the Government

Reserve Bank of India (RBI) is monitoring the performance of banks in lending to agriculture on an on-going basis through periodic returns as well as meetings with banks at various fora. Banks which fail to achieve the target/sub-targets under priority sector lending are advised to take necessary steps to reach the targets in a time-bound manner. Meetings were taken with the Chief Executives of public sector banks and private sector banks in September 2002 where the performance of banks and the factors affecting the performance in lending to agriculture were discussed and the need for achievement of targets in a time bound manner was impressed on the banks. Further, banks which did not achieve the agricultural lending target as on the last reporting Friday of September, 2002 were advised to take necessary steps in this regard. The matter is being followed up with the banks.

In the case of Rural Infrastructure Development Fund (RIDF)-I to VI, the rate of interest on deposits placed by banks with National Bank for Agriculture and Rural Development (NABARD) was uniform for all banks. However, with a view to bringing in an element of penalty for banks which were not reaching the agricultural lending target, effective from RIDF-VII, the rate of interest on RIDF deposits has been inversely linked to the shortfall in achieving the agricultural lending target (18%). Thus, in the case of RIDF-VIII, the interest rate on deposits ranged between 8 percent and 5 percent per annum. Banks having a larger shortfall were given interest at a lower rate and this should prove to be a disincentive for banks having larger shortfalls to

make deposits in RIDF and induce them to improve their agricultural lending. As regards RIDF-IX, which has been established with a corpus of Rs. 5500 crores, a similar approach would be followed.

In thinking of the future policy, the interests of the public depositors of the banks concerned have also to be kept in view. Any measures need to be carefully examined for their implications on the interests of the depositors. A final view on the punitive measure will be considered by RBI in consultation with Indian Banks Association (IBA), in the light of the discussions and suggestions emerging from the deliberations of the Hon'ble Committee.

However, Reserve Bank of India (RBI) has taken steps to stiffen the penalty for depositing in Rural Infrastructure Development Fund (RIDF) on account of non-achievement of agricultural lending target. The rate of interest has been lowered and is charged in inverse proportion to the extent of default. RBI has also exercised persuasion through discussions to compel the banks to achieve the agricultural lending target.

[Ministry of Finance, Deptt. of Economic Affairs (Banking Division)
O.M. No.6-14/2003-AC]

Recommendation (Para Nos. 93, 94, 95)

The Committee find that there has all along been a wide gap between supply and demand of coins which necessitated import of coins. A proposal to import 2.5 billion pieces of Rs. 5 and Rs. 2 denomination at the cost of Rs. 570 crore is a testimony to this.

The Committee are distressed to note that though the three mints at Kolkata, Mumbai and Hyderabad have been modernised recently, the indigenous production together with import of coins has not been able to meet the demand as indicated by RBI. They are unable to understand as to why the modernisation scheme, proposed to be undertaken recently, (after the expenditure sanction) was not arrived at with a view to attain self sufficiency in coin production at the first place. The Committee are astonished to find that this has occurred despite their earlier recommendation, made, while considering the Demands for Grants 2001-02 to prepare a perspective plan to increase domestic supply of coins, way back in the year 2001. The Committee are at a loss to find out reasons for such a long delay. They are of the

view that had the Government acted upon their advice and planned accordingly, the need for fresh proposals submitted to the Planning Commission for further modernisation, would not have arisen.

The Committee, therefore, recommend that whenever any proposal for the modernisation or installation of additional capacity is put forward, it should aim at self sufficiency keeping in view the future demands. The Committee hope at least now the scheme for further modernisation of mints as and when operationalised would bring about self sufficiency and the huge expenditure incurred on import of coins would be saved. Hence they desire that all formalities in respect of obtaining financial sanctions be completed without any further delay. The Committee would like to be apprised of the progress made in this regard and the expected cost of the Scheme.

Reply of the Government

RBI assesses the requirement of coins on annual basis and places an indent on the Government. Thereafter it is the responsibility of the Government to arrange supply of coins either through indigenous production in mints or by imports from abroad.

The RBI has given the following projections on coin requirement during the next 10 years.

(in million pieces)						
Year	25p.	50p.	Re. 1/-	Rs. 2/-	Rs. 5/-	Total
2003-04	100	400	2000	1500	1500	5500
2004-05	—	300	2100	1500	1500	5400
2005-06	—	200	2200	1500	1500	5200
2006-07	—	100	2300	1400	1400	5200
2007-08	—	—	2000	1300	1400	4700
2008-09	—	—	2000	1300	1400	4700
2009-10	—	—	2000	1300	1400	4700
2010-11	—	—	1900	1400	1500	4800
2011-12	—	—	1900	1400	1500	4800
2012-13	—	—	1800	1500	1500	4800

The current combined capacity of the 4 Mints at Mumbai, Kolkata, Hyderabad and Noida is 3700 mpcs per annum. IGM, Noida has a potential for producing 2000 million pieces in two shifts. At present Noida Mint is running in single shift. The Government has approved second shift for IGM, Noida with additional 129 posts with a view to doubling its capacity to produce coins from existing 1000 mpcs per annum to 2000 mpcs per annum. After second shift start at IGM, Noida, the production of 4 Mints will gradually reach the level of 4700 mpcs per annum. As against this, the total output of the mints during 2001-02 is 3593 mpcs. During 2002-03 also the production is 3628 mpcs. It would thus be seen that the output of the mints has reached the capacity level.

Based on the projections of the RBI, a Scheme for meeting Full Demand of Coins was prepared. The Scheme was approved in principle by the then FM and it was sent to the Planning Commission for meeting the expenditure under Plan Head. The Planning Commission have directed that the expenditure may be met from Non Plan Head. The matter has accordingly been taken up with the Budget Division of this Ministry to meet the expenditure under Non Plan Head. The total estimated cost of the Scheme would be Rs. 311.15 crores.

It is also submitted that the Cabinet approved a modernisation project on 24.2.1989 at a cost of Rs. 118.28 crores which was revised to Rs. 301.82 crores and approved by the Cabinet in June, 1994 with the stipulation that the project should be completed within 30 months i.e. by November, 1996. However, the implementation were delayed for various reasons and the scheme was finally completed in June, 2001.

In August, 1999, the Cabinet while according the approval of the Reserve Bank of India's (RBI) proposal for import of 2.5 billion pieces of coins, had directed that plan for modernization of mints should be prepared. Since at that time modernization of three mints was going

on, a fresh proposal for further modernization could not be drawn up earlier.

With the implementation of the scheme as stated above the anticipated availability of coins would be as follows:—

(in million pieces)

Year	Availability In-house production		
	Through existing capacity	Through addl. capacity	Total
2003-04	4,100	—	4,100
2004-05	4,500	—	4,500
2005-06	4,500	300	4,800
2006-07	4,500	1,000	5,500
2007-08	4,500	2,000	6,500
2008-09	4,500	2,000	6,500
2009-10	4,500	2,500	7,000
2010-11	4,500	2,500	7,000
2011-12	4,500	2,500	7,000
2012-13	4,500	2,500	7,000

It may be seen from above that the anticipated availability of the coins under the proposed scheme would be much more than that the RBI's indents in coming years and thus the aim of the scheme is to attain self-sufficiency keeping in view the future demand.

CHAPTER V

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

Nil

NEW DELHI;
3 December, 2003
12 Agrahayana, 1925 (Saka)

N. JANARDHANA REDDY,
Chairman,
Standing Committee on Finance.

MINUTES OF THE TWENTY-FIFTH SITTING OF STANDING
COMMITTEE ON FINANCE

The Committee sat on Thursday, 13 November, 2003 from 1100 to 1240 hours.

PRESENT

Shri N. Janardhana Reddy—*Chairman*

MEMBERS

Lok Sabha

2. Shri Raashid Alvi
3. Shri Sudip Bandyopadhyay
4. Shri Ramesh Chennithala
5. Smt. Renuka Chowdhury
6. Shri Trilochan Kanungo
7. Shri Rattan Lal Kataria
8. Shri Sudarsana E.M. Natchiappan
9. Capt. Jai Narain Prasad Nishad
10. Shri Prabodh Panda
11. Shri Raj Narain Passi
12. Shri Chada Suresh Reddy
13. Shri Kirit Somaiya

Rajya Sabha

14. Shri Murli Deora
15. Shri Prithviraj D. Chavan
16. Shri S.S. Ahluwalia
17. Shri Swaraj Kaushal
18. Shri M. Rajasekara Murthy
19. Shri Prem Chand Gupta
20. Shri Palden Tsering Gyamtso
21. Shri Praful Patel
22. Shri Dinesh Trivedi

SECRETARIAT

1. Shri P.D.T. Achary — *Additional Secretary*
2. Shri R.K. Jain — *Deputy Secretary*

2. The Chairman, at the outset, welcomed the Members to the sitting of the Committee and requested them to consider the draft report on the Actuaries Bill, 2002 and the following action taken reports:

- (i) Action taken report on Demands for Grants (2003-2004) of Ministry of Finance (Departments of Economic Affairs & Expenditure);
- (ii) Action taken report on Demands for Grants (2003-2004) of Ministry of Finance (Department of Revenue);
- (iii) Action taken report on Demands for Grants (2003-2004) of Ministry of Finance (Department of Company Affairs);
- (iv) Action taken report on Demands for Grants (2003-2004) of Ministry of Disinvestment;
- (v) Action taken report on Demands for Grants (2003-2004) of Ministry of Planning; and
- (vi) Action taken report on Demands for Grants (2003-2004) of Ministry of Statistics & Programme Implementation.

3. The Committee then took up for consideration the draft action taken report on Demands for Grants (2003-2004) of Ministry of Finance (Departments of Economic Affairs & Expenditure). The Committee after deliberation adopted the draft report with modifications/amendments as shown in the Annexure.

4.	***	***	***	***
5.	***	***	***	***
6.	***	***	***	***
7.	***	***	***	***
8.	***	***	***	***
9.	***	***	***	***

10. The Committee then authorised the Chairman to finalise the Reports in the light of the amendments/modifications suggested and also to make verbal and other consequential changes and present the reports to both the Houses of Parliament.

The Committee then adjourned

[MODIFICATIONS/AMENDMENTS MADE BY STANDING
COMMITTEE ON FINANCE IN THEIR DRAFT ACTION
TAKEN REPORT ON DEMANDS FOR GRANTS (2003-04)
OF THE MINISTRY OF FINANCE (DEPARTMENTS OF
ECONOMIC AFFAIRS AND EXPENDITURE) AT
THEIR SITTING HELD ON 13 NOVEMBER, 2003]

Page 4, for Para 4, following shall be substituted:

"The Committee are not satisfied with the reply of the Government and observe with deep concern the dismal performance of the banks in regard to agricultural lending for want of any deterrent action against them. They find that almost all the banks are yet to fulfil their minimum obligations in this regard. The Committee also note that there are large variations in the lending pattern by banks in different regions. The Committee feel that this is a serious problem which should be addressed immediately by Government/RBI to ensure uniformity in lending pattern by banks. They want that Government should come forward with a concrete scheme to get it implemented. The Committee are also not convinced by the reply of the Government wherein they have stated that banks responsible for higher shortfall in agricultural lending will get lesser interest on RIDF deposits. They are of the view that it has not achieved the desired results as banks are still getting interest for under lending to agriculture. Reiterating their earlier recommendation, the Committee desire that the provision of interest on RIDF funds should be dispensed with at the earliest. They further want that the agricultural sector lending by banks may be monitored periodically by Government/RBI and the results made known to the Committee quarterly."

APPENDIX

(Vide Para 3 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON
THE RECOMMENDATIONS CONTAINED IN THE THIRTY-
NINTH REPORT OF THE STANDING COMMITTEE ON
FINANCE (THIRTEENTH LOK SABHA) ON DEMANDS
FOR GRANTS (2003-2004) OF THE MINISTRY OF
FINANCE (DEPARTMENTS OF ECONOMIC
AFFAIRS AND EXPENDITURE)

	Total	%of Total
(i) Total number of recommendations	15	
(ii) Recommendations/observations which have been accepted by the Government (Vide Recommendations at Sl. Nos. 3, 11, 12, 14, 15)	5	33.33
(iii) Recommendations/observations which the Committee do not desire to pursue in view of the Government's replies (Vide Recommendations at Sl. Nos. 1, 2, 4, 5, 7, 8, 9, 13)	8	53.33
(iv) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee (Vide Recommendations at Sl. No. 6, 10)	2	13.34
(v) Recommendation/observation in respect of which final reply of the Government is still awaited.	Nil	0.00

ANNEXURE I

GROSS AND NET NPAs OF SCHEDULED COMMERCIAL BANKS
(As at end-March)

Bank Group/Year	Gross NPAs		Net NPAs	
	Amount	Per cent to Gross Advances	Amount	Per cent to Net Advances
All Scheduled Commercial Banks				
2000	60,408	12.7	30,073	6.8
2001	63,741	11.4	32,461	6.2
2002	#70,904	10.4	35,546	5.5
Public Sector Banks				
2000	53,033	14.0	26,187	7.4
2001	54,672	12.4	27,977	6.7
2002	56,507	11.1	27,958	5.8
Old Private Sector Banks				
2000	3,815	10.8	2,393	7.1
2001	4,346	10.9	2,771	7.5
2002	4,850	11.0	3,005	7.1
New Private Sector Banks				
2000	946	4.1	638	2.9
2001	1,617	5.1	929	3.1
2002	#6,822	8.9	3,663	4.9
Foreign Banks in India				
2000	2,614	7.0	855	2.4
2001	3,106	6.8	785	1.8
2002	2,726	5.4	920	1.9

#The gross NPAs for end-March 2002 include an amount of Rs. 4,512 crore on account of merger.

Source: Report on Trend and Progress of Banking in India, 2001-02.

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DBOD.No. BP.BC. 108/21.04.117/2002-2003

May 23, 2003

Chairmen and Managing Directors
of all Public Sector Banks.

Dear Sir,

Revised guidelines for compromise settlement of chronic Non-Performing Assets (NPAs) of public sector banks

Please refer to our circular DBOD No. BP.BC. 65/21.04.117/2002-2003 dated January 29, 2003 setting out the guidelines for compromise settlements of chronic NPAs up to Rs. 10.00 crore. In terms of paragraph 3 (A) (i) (e) thereof, the last date for receipt of applications from borrowers was as at the close of business on April 30, 2003. The processing under the revised guidelines was required to be completed by October 31, 2003.

2. The Government of India and the Reserve Bank of India have received requests from banks for extending the time limit for operation of the guidelines. In view of the above, it has been decided, in consultation with the Government of India, to extend the time period for receipt of applications under the OTS Scheme from April 30, 2003 to September 30, 2003 and date of processing applications from October 31, 2003 to December 31, 2003.

3. Please acknowledge receipt.

Yours faithfully,

Sd/-

(Dr. N. Krishnamohan)

General Manager

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DBOD.BP.BC. 65/21.04.117/2002-2003

January 29, 2003

Chairmen and Managing Directors
of all Public Sector Banks.

Dear Sir,

**Revised guidelines for compromise settlement of chronic Non-
Performing Assets (NPAs) of public sector banks**

Please refer to our circular DBOD.BP.BC. 11/21.01.040/99-00 dated 27th July 2000, setting out the guidelines for compromise settlements of chronic NPAs up to Rs. 5.00 crore.

2. A review of compromise settlements of NPAs through the above scheme has revealed that the progress of recovery of NPAs through this mechanism has been moderate. In consultation with Government of India, it has been decided to give one more opportunity to the borrowers to come forward for settlement of their outstanding dues. Hence fresh guidelines are now issued, which will provide a simplified, non-discretionary and non-discriminatory mechanism for compromise settlement of chronic NPAs below the prescribed value ceiling. All public sector banks should uniformly implement these guidelines, so that maximum realisation of dues is achieved from the stock of NPAs within the stipulated time.

3. The revised guidelines will cover NPAs (below the prescribed ceiling) relating to all sectors including the small sector. The guidelines

will not, however, cover cases of wilful default, fraud and malfeasance. The banks should identify cases of wilful default, fraud and malfeasance and initiate prompt action against them. Accordingly, in modification of guidelines set out in our Circular of 27th July 2000, revised guidelines for compromise settlement of dues relating to NPAs of public sector banks in all sectors are given below:

(A) Guidelines for compromise settlement of chronic NPAs up to Rs. 10.00 crore.

(I) Coverage

(a) The revised guidelines will cover all NPAs in all sectors irrespective of the nature of business, which have become doubtful or loss as on 31st March 2000 with outstanding balance of Rs. 10.00 crore and below on the cut off date.

(b) The guidelines will also cover NPAs classified as sub-standard as on 31st March 2000, which have subsequently become doubtful or loss.

(c) These guidelines will cover cases on which the banks have initiated action under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and also cases pending before Courts/DRTs/BIFR, subject to consent decree being obtained from the Courts/DRTs/BIFR.

(d) Cases of wilful default, fraud and malfeasance will not be covered.

(e) The last date for receipt of applications from borrowers would be as at the close of business on 30th April 2003. The processing under the revised guidelines should be completed by 31st October 2003.

(II) Settlement Formula—amount and cut off date

(a) NPAs classified as Doubtful or Loss as on 31st March 2000.

The minimum amount that should be recovered under the revised guidelines in respect of compromise settlement of NPAs classified as doubtful or loss as on 31st March 2000 would be 100% of the outstanding balance in the account as on the date of transfer to the

protested bills account or the amount outstanding as on the date on which the account was categorised as doubtful NPAs, whichever happened earlier, as the case may be.

(b) NPAs classified as sub-standard as on 31st March 2000 which became doubtful or loss subsequently.

The minimum amount that should be recovered in respect of NPAs classified as sub-standard as on 31st March 2000 which became doubtful or loss subsequently would be 100% of the outstanding balance in the account as on the date of transfer to the protested bills account or the amount as on the date on which the account was categorised as doubtful NPAs, whichever happened earlier, as the case may be, plus interest at existing Prime Lending Rate from 1st April 2000 till the date of final payment.

(III) Payment

The amount of settlement arrived at in both the above cases, should preferably be paid in one lump sum. In cases where the borrowers are unable to pay the entire amount in one lump sum, at least 25% of the amount of settlement should be paid upfront and the balance amount of 75% should be recovered in Instalments within a period of one year together with Interest at the existing Prime Lending Rate from the date of settlement up to the date of final payment.

(iv) Sanctioning Authority

The decision on the compromise settlement and consequent sanction of waiver or remission or write-off should be taken by the competent authority under the delegated powers.

(v) Non-discretionary treatment

The banks should follow the above guidelines for compromise settlement of all NPAs covered under the revised scheme, without discrimination and a monthly report on the progress and details of settlements should be submitted by the concerned authority to the next higher authority and their Central Office. Banks should go for wide publicity and also give notice by 28th February 2003 to the eligible defaulting borrowers to avail of the opportunity for one time settlement of their outstanding dues in terms of these guidelines. Adequate publicity to these guidelines through various means must be ensured.

(vi) Reporting to the Board

The banks should submit a report on the progress in the compromise settlement of chronic NPAs under the revised guidelines every quarter to the Board of Directors. A copy of the quarterly progress report should also be sent to us.

(B) Guidelines for compromise settlement of chronic NPAs over Rs. 10.00 crore.

As already advised in our earlier circular dated 27th July 2000, CMDs should personally supervise the compromise settlement of chronic NPAs on case to case basis, and the Board of Directors may evolve policy guidelines regarding one time settlement of NPAs not covered under this circular as a part of their loan recovery policy.

4. Deviation only by Board of Directors

Any deviation from the above settlement guidelines for any borrower should be made only by the Board of Directors.

5. Please acknowledge receipt.

Yours faithfully,

Sd/-
(C.R. Muralidharan)
Chief General Manager.

IV. NPAs position of RRBs.

NABARD has clarified that the NPA position of RRBs for the year 2001-2002 was furnished to the Standing Committee on the basis of the provisional data then available with them. Based on audited figures the NABARD has since up-dated the position in this regard and a revised statement on NPAs in respect of RRBs for the last three years (i.e. 1999-2000 to 2001-2002) statement is given below:

S.No.	Particulars	1999-2000	2000-01	2001-02
1.	Asset Classification			
	Standard	101.35	128.38	155.62
	% to total	76.9	81.2	83.6
	Sub-standard	925	853	997
	% to total	7.0	5.3	5.5
	Doubtful	1841	1894	1818
	% to total	14.0	12.0	9.8
	Loss	283	231	202
	% to total	2.1	1.5	1.1
2.	Gross NPA	8049	2978	3066
	% of total	23.1	18.8	16.45
3.	Net NPAs	14.3	12.0	11.13

V. NPAs position of Cooperative banks (both rural and urban)

The increase in gross NPAs of urban cooperative banks could be attributed to the reason that during the year 2001-02, a few large banks in Gujarat and Andhra Pradesh such as, Madhavpura Mercantile Cooperative Bank Ltd., Ahmedabad (total advances: Rs. 1717 crores) and Charminar Co-operative Bank Ltd., Hyderabad (total: Rs. 300 crores) failed. The absolute amount of gross NPAs of these banks also increased on account of the natural calamities faced by the state of Gujarat.

[Ministry of Finance (Department of Economic Affairs) Banking
Division OM.No. 21/5/2003-BOA dated 30th June, 2003]

ANNEXURE IV

**THE SECURITISATION AND RECONSTRUCTION OF FINANCIAL ASSETS AND
ENFORCEMENT OF SECURITY ACT, 2002**

Position as on 31 Jan., 28 Feb. and 31 March, 2003 of Action Taken

(Amount in Rs. crores)

Sl. No.	Name of the Bank	As on 31 January 2003			As on 28 February 2003			As on 31 March 2003		
		Notices issued	Amount outstanding	Amount recovered	Notices issued	Amount outstanding	Amount recovered	Notices issued	Amount outstanding	Amount recovered
1	2	3	4	5	6	7	8	9	10	11
1.	Allahabad Bank	981	382.90	7.94	1350	449.67	8.84	1435	456.73	15.82
2.	Andhra Bank	229	63.92	3.14	299	72.84	5.25	345	74.18	8.50
3.	Bank of Baroda	106	367.84	2.75	106	367.84	3.29	106	367.84	3.54
4.	Bank of India	876	217.02	14.40	977	247.10	17.96	1110	310.48	23.99
5.	Bank of Maharashtra	67	14.94	0.15	168	28.69	0.95	317	48.09	1.05
6.	Canara Bank	684	204.68	10.32	808	255.71	12.06	877	280.88	19.63
7.	Central Bank of India	1902	905.41	11.50	1950	960	13.17	2119	1037.17	15.57

1	2	3	4	5	6	7	8	9	10	11
8.	Corporation Bank	59	56.86	0.11	137	89.78	0.94	175	94.66	17.19
9.	Dena Bank	238	320.70	3.89	279	339.20	4.61	312	357.18	17.84
10.	Indian Bank	696	273.46	6.04	726	286.84	9.30	764	304.89	14.12
11.	Indian Overseas Bank	1643	387.76	16.85	1744	402.75	17.49	1830	499.92	23.74
12.	Oriental Bank of Commerce	1491	325.14	15.58	1699	334.10	20.60	1866	339.61	30.83
13.	Punjab National Bank	1810	236.74	12.68	2071	307.18	17.03	2226	428.70	31.61
14.	Punjab & Sind Bank	704	435.22	5.22	744	443.63	5.37	802	453.78	9.02
15.	Syndicate Bank	1102	140.72	7.45	1159	146.87	8.89	1191	152.60	12.70
16.	Union Bank of India	808	282.00	5.78	1314	443.44	7.77	1452	496.22	10.97
17.	United Bank of India	131	13.85	1.25	131	13.85	1.48	139	13.93	1.77
18.	UCO Bank	1125	86.24	3.74	1125	86.24	3.91	1125	86.24	4.13
19.	Vijaya Bank	1839	205.98	8.42	1851	209.63	14.18	1889	210.06	15.76
20.	State Bank of India	2002	2459.00	14.00	4999	3277.00	14.00	5858	3502.00	25.00
21.	State Bank of Bikaner & Jaipur	531	82.42	1.28	488	93.40	1.87	522	105.42	2.18

1	2	3	4	5	6	7	8	9	10	11
22.	State Bank of Hyderabad	352	63.89	3.86	479	97.98	6.98	595	161.32	8.02
23.	State Bank of Indore	283	43.33	0.81	312	63.80	1.14	321	64.71	3.49
24.	State Bank of Mysore	212	72.31	0.16	308	96.78	1.15	332	98.23	3.14
25.	State Bank of Patiala	626	90.80	1.03	677	106.06	1.66	735	112.61	2.80
26.	State Bank of Saurashtra	253	53.92	0.73	287	59.74	1.12	317	71.13	2.44
27.	State Bank of Travancore	38	23.07	0.69	43	23.50	0.87	45	23.62	1.39
	Total	20788	7810.12	159.77	26231	9303.62	201.88	28805	10152.20	326.24

CASES PENDING WITH AND DECIDED BY DRTs UP TO THE YEAR ENDED
31.03.2003—PUBLIC SECTOR BANKS

(Rupees in crores)

Sl. No.	Name of bank	Cases pending	Amount involved	Cases decided	Amount involved	Amount Recovered	Cases filed	Amount involved	Filing costs
1	2	3	4	5	6	7	8	9	10
1.	Allahabad Bank	827	1371.76	556	438.72	148.56	1383	1810.48	7.96
2.	Andhra Bank	439	469.17	401	196.27	85.10	840	665.44	6.32
3.	Bank of Baroda	2155	3301.27	863	722.47	265.70	3018	4023.74	39.58
4.	Bank of India	1635	3242.46	1359	1180.98	226.69	2994	4629.00	22.20
5.	Bank of Maharashtra	592	829.41	590	473.26	108.18	1182	1302.67	4.90
6.	Canara Bank	2256	3623.87	1375	946.65	263.36	3631	4570.52	27.80
7.	Central Bank of India	2684	3881.69	864	494.26	162.78	3548	4375.95	15.20
8.	Corporation Bank	271	285.96	197	128.14	17.81	468	414.10	3.45
9.	Dena Bank	678	1866.82	336	214.39	38.60	1014	2018.21	8.03

1	2	3	4	5	6	7	8	9	10
10.	Indian Bank	2791	4218.40	1174	2798.00	2410.61	3965	7008.45	49.07
11.	Indian Overseas Bank	1167	1301.87	426	322.49	74.87	1593	1624.36	5.54
12.	Oriental Bank of Commerce	697	747.34	600	409.44	101.79	1297	1156.78	9.60
13.	Punjab National Bank	2940	3796.08	803	710.81	271.86	3743	4506.89	20.09
14.	Punjab & Sind Bank	680	953.94	468	379.56	104.17	1148	1333.50	5.76
15.	Syndicate Bank	810	445.30	896	309.27	163.10	1706	754.57	5.12
16.	Union Bank of India	1285	1415.62	908	509.79	211.89	2193	1925.41	38.1
17.	United Bank of India	608	701.70	296	201.98	84.62	904	903.68	8.80
18.	UCO Bank	589	760.91	464	248.42	49.76	1053	1009.33	8.29
19.	Vijaya Bank	518	719.35	203	112.01	51.01	721	770.36	9.25
20.	State Bank of India	4695	8419.76	4101	2954.30	1017.73	8796	11374.06	65.00
21.	State Bank of Bikaner & Jaipur	453	608.24	121	125.59	41.32	574	733.83	7.82
22.	State Bank of Hyderabad	542	732.00	243	127.00	52.00	785	859.00	7.40

1	2	3	4	5	6	7	8	9	10
23.	State Bank of Indore	196	461.86	143	112.29	2.97	339	574.15	2.16
24.	State Bank of Mysore	317	419.86	227	141.02	39.36	544	560.88	4.02
25.	State Bank of Patiala	355	925.37	105	148.29	28.43	460	1073.66	3.55
26.	State Bank of Saurashtra	270	500.85	171	74.36	23.89	441	575.21	7.39
27.	State Bank of Travancore	368	703.98	334	284.81	100.74	702	988.79	10.91
Total		30818	46704.84	18224	14764.57	6146.90	49042	61543.02	403.31

LOK ADALATS

QUARTER ENDED 31-12-2002 PROGRESS REPORT—COMPROMISE OF DUES OF BANKS THROUGH LOK ADALATS

(Amount in Lakhs of Rupees)

Name of the Bank	Total Number of Cases						Number of Cases Decided						Recoveries				Effectd			
	Op. Balance		During the Qtr.		Total		Op. Balance		During the Qtr.		Total		Op. Balance		During the Qtr.		Total			
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount		
Public Sector Banks	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19		
Allahabad Banks	16208	11150.07	1422	1123.58	17630	12273.65	6678	3963.22	1051	1045.67	7729	5008.89	6278	371.99	879	602.35	7157	974.34		
Andhra Bank	295	270.36	11	9.61	306	279.97	13	16.46	11	9.61	24	26.07	12	9.65	11	8.67	23	18.32		
Bank of Baroda	10832	3288.89	1188	2560.93	12020	5849.82	5605	1353.41	834	2335.40	6439	3688.81	3019	353.87	109	128.13	3128	482.00		
Bank of India	43004	10463.62	2790	553.24	45794	11016.86	9762	5027.16	1031	173.16	10793	5200.32	11658	1230.95	1675	117.76	13333	1348.7		
Bank of Maharashtra	495	166.02	0	0	495	166.02	325	90.04	0	0	325	90.04	137	84.52	2	7.47	139	91.99		
Canara Bank	3731	3554.75	143	80.90	3874	3635.65	2399	1371.10	69	55.50	2468	1426.60	1429	550.35	56	22.19	1485	572.54		
Central Bank of India	668	2425.38	23	215.63	691	2641.01	191	1878.55	12	302.06	203	2180.61	104	974.70	2	53.07	106	1027.77		
Corporation Bank	129	160.05	111	78.66	240	238.71	7	52.96	88	41.93	95	94.39	2	18.11	5	1.85	7	19.96		

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Dena Bank	0	0	123	4911.53	123	4911.53	0	0	8	141.69	8	141.69	0	0	8	9.06	8	9.06
Indian Bank	101	5943.58	88	875.30	189	6818.88	8	187.27	25	44.71	33	231.98	8	187.27	6	27.75	14	214.52
Indian Overseas Bank	3616	1627.04	802	229.70	4418	1856.74	1753	981.16	471	174.25	2224	1155.41	1414	123.94	222	29.08	1636	163.02
Oriental Bank of Commerce	1696	899.76	828	1650.60	2524	2550.36	561	197.98	285	328.98	846	526.96	765	113.73	322	108.41	1087	222.14
Punjab National Bank	28504	7625.94	3508	3068.17	32012	10694.11	8758	2608.77	533	957.14	9291	3565.91	4207	752.34	433	126.55	4640	878.89
Punjab & Sind Bank	2348	2204.56	17	25.41	2365	2229.97	1125	395.14	14	15.21	1139	410.35	767	138.97	7	19.40	774	158.37
Syndicate Bank	1011	198.03	7	33.51	1018	231.54	288	68.74	7	46.31	295	115.05	221	33.34	7	8.16	228	41.50
Union Bank of India	3096	5436.94	2195	2036.01	5291	7472.95	1561	2499.15	942	1025.33	2503	3524.48	903	818.6	643	281.71	1546	1100.31
United Bank of India	1234	1638.55	93	35.00	1327	1673.55	757	857.23	53	9.69	810	866.92	669	190.97	31	1.60	700	192.57
UCO Bank	47739	2382.10	101	10.23	47840	2392.33	10192	2235.15	16	24.15	10208	2259.30	13651	821.84	187	35.41	13838	857.25
Vijaya Bank	225	111.39	16	2.25	241	114.64	108	85.47	16	2.46	123	87.93	69	37.33	19	15.27	88	52.60
State Bank of India	28228	14872	1776	3348	30004	18220	19153	9077	1378	2801	20531	11878	15745	2225	1041	640	16785	2866
State Bank of Bk & Jaipur	9	13.11	0	0	9	13.11	3	5.36	0	0	3	5.36	1	1.14	0	0	1	1.14
State Bank of Hyderabad	295	86.50	152	72.57	447	159.17	216	72.50	72	16.63	288	89.13	209	54.25	60	16.67	269	70.92

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
State Bank of Indore	20	46.33	6	11.80	26	58.13	17	33.44	6	11.80	23	45.24	16	28.17	7	11.79	23	39.96
State Bank of Mysore	219	60.00	0	0	219	60.00	149	44.00	0	0	149	44.00	61	28.00	0	0	61	28.00
State Bank of Patiala	16251	6026.00	218	191.00	16469	6217.00	6715	2504.00	187	112.00	6902	2616.00	4392	998.00	76	31.00	4468	1029.00
State Bank of Saurashtra	178	880.87	1	15	179	895.87	106	378.28	1	15	107	393.28	72	61.47	1	20.68	73	82.15
State Bank of Travancore	3496	1958.08	2986	300.70	6482	2259.78	2340	1436.05	1267	235.43	3607	1671.48	1963	265.04	188	29.74	2151	294.78
Total	213628	83489.92	18605	21439.43	232233	104931.4	78790	37419.59	8377	9925.11	87166	47344.7	67772	10474.54	5997	2353.77	73768	12837.81

NATIONAL BANK FOR AGRICULTURE AND RURAL
DEVELOPMENT

Ref. No. NB.IDD.RRCBD./661/337/2003-04

10 June, 2003

Shri S.K. Thakur

Under Secretary

Government of India

Ministry of Finance

Department of Economic Affairs

Banking Division

Jeevan Deep Building, Parliament Street, New Delhi-110 001.

Dear Sir,

**Recommendations/Observations contained in the 39th Report of
Standing Committee on Finance on Demand for Grants (2003-04)
of Ministry of Finance and Company Affairs (Department of
Economic Affairs and Expenditure)**

We acknowledge receipt of your letter F.No. 3 (3)/2003-RRB dated 12 May, 2003 addressed to CMDs/Chairmen/MDs of all Sponsor Banks of RRBs and copy endorsed to us on the captioned subject. In this connection we would like to advise that NABARD is providing necessary guidance through issue of instructions/circulars to sponsor bank/RRBs to hasten the process of recovery of NPAs in consultation with RBI. Recently, we have issued guidelines for compromise settlement of dues through Lok Adalats. We are examining afresh on the feasibility of issuing guidelines for One Time Settlement (OTS) of chronic NPAs/overdues of RRBs in consultation with RBI. We are also monitoring the progress of NPAs of RRBs regularly.

2. As regards Committee's observations that percentage of gross NPAs of RRBs has come down in the last three years however there has been 0.9% increase in net NPAs during the year 2001-02. In this context we would like to clarify that the NPA position of RRBs for the year 2001-02 was furnished to the Standing Committee on the basis of provisional data then available with us. We have, based on audited figures, since updated the position in this regard and a revised

statement of NPAs in respect of RRBs for the last 3 years (*i.e.* 1999-2000 to 2001-02) is presented below:

(Rs. in Crore)				
S.No.	Particulars	1999-2000	2000-01	2001-02
1.	Asset Classification			
	Standard	10135	128.38	15562
	% to total	76.8	81.2	83.6
	Sub-standard	925	853	997
	% to total	7.0	6.3	5.3
	Doubtful	1841	1894	1818
	% to total	14.0	12.0	9.8
	Loss	283	231	202
	% to total	2.1	1.6	1.1
2.	Gross NPA	3049	2878	3066
	% to total	23.1	18.8	16.45
3.	Net NPAs %	14.3	12.0	11.13

Your faithfully

Sd/-
(U.N. Biswal)
General Manager.

Endt. No. NB.IDD.RRCBD./661/337/2003-04

Copy forwarded for information to the CGM, RPCD, RBI, RRB Section Government House, Worli, Mumbai-400 018 with reference to his Fax No. RPCD.RRB.No. 1178/03.05.80/2002-03 dated 10 June, 2003.

Sd/-
(U.N. Biswal)
General Manager.

SLR ACTUALLY MAINTAINED AS ON MAY 16, 2003

Name of Bank		percent on NDTL*
1		2
Public Sector Banks:		
1.	State Bank of India	46.0
2.	State Bank of Bikaner & Jaipur	47.0
3.	State Bank of Hyderabad	46.4
4.	State Bank of Indore	48.8
5.	State Bank of Mysore	40.9
6.	State Bank of Patiala	41.9
7.	State Bank of Saurashtra	44.1
8.	State Bank of Travancore	45.0
9.	Allahabad Bank	38.8
10.	Andhra Bank	40.8
11.	Bank of Baroda	36.8
12.	Bank of India	28.2
13.	Bank of Maharashtra	46.6
14.	Canara Bank	34.8
15.	Central Bank of India	38.8
16.	Corporation Bank	41.1
17.	Dena Bank	36.5
18.	Indian Bank	48.1
19.	Indian Overseas Bank	44.0
20.	Oriental Bank of Commerce	37.2

1	2
21. Punjab National Bank	34.6
22. Punjab & Sind Bank	37.2
23. Syndicate Bank	40.9
24. Union Bank of India	31.5
25. United Bank of India	43.0
26. UCO Bank	34.5
27. Vijaya Bank.	43.3
Total of Public Sector Banks:	41.0

*NDTL: Net Demand and Time Liabilities.

Foreign Banks:

28. Citi Bank NA	27.6
29. Hongkong & Shanghai Banking	41.6
30. Standard Chartered Bank	26.1
31. Bank of America	32.4
32. American Express Bank Ltd.	25.1
33. Abu Dhabi Commercial Bank	26.5
34. ABN Amro Bank	45.1
35. Bank of Bahrain & Kuwait	33.8
36. Mashreq Bank-psc	23.9
37. Credit Agricole Indo Suez	43.5
38. BNP Paribas	31.4
39. Deutsche Bank AG	48.8
40. Oman International Bank	32.8
41. Societe Generale	55.6
42. The Bank of Nova Scotia	29.1

1	2
43. The Bank of Tokyo-Mitsubishi	30.3
44. Credit Lyonnais	44.6
45. Barelays Bank	310.8
46. UFJ Bank Limited	64.4
47. ING Bank	28.2
48. JP Motgan Chase Bank	239.4
49. State Bank of Mauritius	50.7
50. Development Bank of Singapore	32.1
51. Bank of Ceylon	31.4
52. Cho Hung Bank	30.9
53. Bank International Indonesia	—
54. Arab Bangladesh Bank	24.9
55. Mizuho Corporate Bank Ltd.	35.8
56. Chinatrust Commercial Bank	33.0
57. Krung Thai Bank	34.6
58. Overseas-Chinese Banking Crpn.	—
59. The Sumitomo Mitsui Banking Crpn.	27.2
60. The Toronto-Dominion Bank	0.0
61. Bank Muscat International	41.4
62. Antwerp Diamond Bank N.V.	40.3
63. Sonali Bank	21.3
Total of Foreign Banks:	33.8
Private Banks:	
64. Bank of Rajasthan	40.0
65. Bharat Overseas Bank	31.5

1	2
66. Catholic Syrian Bank	45.0
67. City Union Bank	41.0
68. Dhanalakshmi Bank	29.0
69. Federal Bank	32.8
70. Jammu & Kashmir Bank	33.8
71. Karnataka Bank	39.4
72. Karur Vysya Bank	31.8
73. Lakshmi Vilas Bank	28.2
74. Lord Krishna Bank	36.8
75. Nainital Bank	33.4
76. Ratnakar Bank	38.0
77. Sangli Bank	50.8
78. South Indian Bank	43.7
79. Tamilnad Mercantile Bank	28.1
80. United Western Bank	31.1
81. ING Vysya Bank Ltd.	26.6
82. SBI Comm. & Inter. Bank Ltd.	41.3
83. Ganesh Bank of Kurundwad	28.7
84. Development Credit Bank	33.7
85. Bank of Punjab	35.0
86. UTI Bank	28.4
87. Indus Ind Bank	32.5
88. ICICI Bank	29.0
89. Global Trust Bank	31.1
90. Centurion Bank	30.6

1	2
91. HDFC Bank	27.1
92. IDBI Bank	29.2
93. Kotak Mahindra Bank	27.2
Total of Private Banks:	31.1
Total of all Scheduled Comm. Banks:	39.1