

(f) if so, the corrective steps Government proposes to take in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA):

(a) to (f) A Finance Commission is to be set up at least every five years under Article 280 of the Constitution. The Finance Commission determines its own procedure and functions independently.

In its report, the Thirteenth Finance Commission (FC-XIII) has stated that it has visited all twenty-eight States for consultations with State Government and other stakeholders (paragraph 2.25, Vol. I). The philosophy behind FC-XIII's recommendations may, inter alia, be gleaned from paragraph 3.7 (Vol. I) of its report, where it has recorded its commitment to foster 'inclusive and green growth promoting fiscal federalism'. In paragraph 3.11, FC-XIII has stated that inclusivity informs its recommendations in every sphere, and that in its formula for horizontal devolution, the highest weightage amongst all the variables is for correcting the fiscal disability of a state vis-a-vis those of the top-ranked states. In paragraph 3.31 of its report, FC-XIII has emphasized that all citizens of India should expect to receive a comparable standard of public services, irrespective of where they reside within the Republic of India, and that the intent is to ensure that the states and local bodies have the fiscal potential to provide comparable levels of public services, at reasonably comparable levels of taxation. FC-XIII's report is in public domain ([www.finmin.nic.in](http://www.finmin.nic.in)) after being tabled in Parliament on 25 February 2010.

The recommendations of the 13th Finance Commission (FC XIII) are being implemented from 1 April 2010, and are applicable for the period 2010-15. Some recommendations are effective from 2010-11 and others from later years.

#### **Deficiency in transfer of funds to local bodies**

177. SHRI MANI SHANKAR AIYAR: Will the Minister of FINANCE be pleased to state:

(a) whether the deficiencies noted in the mechanism for the transfer of funds recommended for the local bodies by the Twelfth Finance Commission are proposed to be rectified in the implementation of the Thirteenth Finance Commission recommendations; and

(b) whether the Ministry of Panchayati Raj is being fully consulted in regard to the preparation of guidelines for the release of funds to the Panchayati Raj Institutions (PRIs)?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA):

(a) and (b) Draft guidelines for release of funds to Panchayati Raj institutions, based on the

recommendations of the Thirteenth Finance Commission, have been drafted and sent to Ministry of Panchayati Raj for comments. Constant efforts are made to further refine the systems of transfer of Finance Commission grants.

#### **Rising NPA level of Public Sector Banks**

178. SHRI RAJEEV CHANDRASEKHAR: Will the Minister of FINANCE be pleased to state:

(a) whether there has been deterioration in the overall asset quality of Public Sector Banks in terms of gross Non-performing Assets (NPA) which are reportedly 29 per cent higher than at the end of December, 2009 than the earlier year; and

(b) the reasons for this increase in NPA levels with the Public Sector Banks during the year, apart from cyclical downturn due to severe global recession?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA):

(a) The details of overall asset quality of Public Sector Banks in terms of gross Non-Performing Assets (NPAs) are given as under:

(Amount in Rupees crore)

Particulars	Outstanding as at the end of	
	December 2008	December 2009
Gross NPAs	40,988	54,179
Gross Advances	19,60,782	22,92,221
NPAs to Advances Ratio	2.09%	2.36%

(b) The increase in NPAs, in absolute terms, is broadly on account of the consolidated impact of business cyclicity, economic slowdown, delay in implementation of projects and consequent repeated restructuring of accounts by banks, credit growth across the banking industry during the last few years.

#### **New Insurance Scheme for the people living below poverty line**

†179. SHRI DHIRAJ PRASAD SAHU: Will the Minister of FINANCE be pleased to state:

(a) whether Government has formulated any new insurance scheme for the people living Below Poverty Line (BPL);

†Original notice of the question was received in Hindi.