

### 12th Finance Commission

1393. SHRI KARNENDU BHATTACHARJEE:  
SHRI SURESH PACHOURI:  
SHRI K. RAMA MOHANA RAO:  
SHRI V. V. RAGHAVAN:

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether Government have set-up the 12th Finance Commission;
- (b) if so, what are the details of its composition including its Chairman and members; and
- (c) what are the terms of reference of the Commission;
- (d) in what manner these differ from those of the 11th Finance Commission; and
- (e) whether Government have fixed any time limit which the Commission is to submit its report?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) and (b) The Government have constituted the Twelfth Finance Commission vide Notification dated 1st November, 2002 under the Chairmanship of Dr. C. Rangarajan, Governor of Andhra Pradesh, with the following composition:—

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| 1. Shri Som Pal, Member, Planning Commission Member (Part-Time)                 |           |
| 2. Shri T.R. Prasad, IAS (retd.), former Cabinet Secretary                      | Member    |
| 3. Prof. D.K. Srivastava of the National Institute of Public Finance and Policy | Member    |
| 4. Shri G.C. Srivastava, IAS  | Secretary |

(c) The main Terms of Reference of the Commission are as follows:

- I (i) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under Chapter I Part XII of the Constitution and the allocation between the States of the respective shares of such proceeds;

- (ii) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and the sums to be paid to the States which are in need of assistance by way of grants-in-aid of their revenues under article 275 of the Constitution for purposes other than those specified in the provisions to clause (1) of that article; and
- (iii) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats and Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State.

II. The Commission shall review the state of the finances of the Union and the States and suggest a plan by which the Governments, collectively and severally, may bring about a restructuring of the public finances restoring budgetary balance, achieving macro-economic stability and debt reduction along with equitable growth.

III. The Commission shall review the Fiscal Reform Facility introduced by the Central Government on the basis of the recommendations of the Eleventh Finance Commission, and suggest measures for effective achievement of its objectives.

IV. The Commission may, after making an assessment of the debt position of the States as on the 31st March, 2004, suggest such corrective measures, as are deemed necessary, consistent with macro-economic stability and debt sustainability. Such measures recommended will give weightage to the performance of the States in the fields of human development and investment climate.

V. The Commission may review the present arrangements as regards financing of Disaster Management with reference to the National Calamity Contingency Fund and the Calamity Relief Fund and make appropriate recommendations thereon.

(d) Most of the Terms of Reference of the Finance Commission are predetermined by the constitutional provisions. However, the Terms of Reference of the Twelfth Finance Commission, as compared to the Terms of Reference of the Eleventh Finance Commission, lay emphasis on certain efficiency factors such as adjustment of user charges, relinquishing non-priority enterprises through privatization or disinvestment and resource mobilisation in order to improve tax-GDP/GSDP

ratio. It also emphasizes achievement of macro-economic stability and debt reduction along with equitable growth.

(e) The Commission is required to submit its report by 30th July, 2004.

**RBI's definition of defaulter Companies**

†1394. SHRI RAM JETHMALANI:

SHRI RAJIV RANJAN SINGH 'LALAN':

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether Reserve Bank of India has deliberately framed a new definition for the non-repayment of the loans taken from the financial institutions;

(b) if so, the details of the definition; and

(c) the number of persons not repaying loans to the nationalized banks as per the new definition?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) Yes, Sir.

(b) The new definition of wilful default vide RBI Circular dated May 30, 2002 is as follows:

"A wilful default would be deemed to have occurred if any of the following events is noted:

- I. The unit has defaulted in meeting its payment/repayment obligation to the lender even when it has the capacity to honour the said obligations.
- II. The unit has defaulted in meeting its payment/repayment obligations to the lender and has not utilized the finance from the lender for the specific purposes for which finance was availed of but has diverted the funds for other purposes.
- III. The unit has defaulted in meeting its payment/repayment obligations to the lender and has siphoned off the funds so that the funds have not been utilized for the specific purpose for which finance was availed of, nor are the funds available with the unit in the form of other assets."

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†Original notice of the question was received in Hindi.