

**CHAPTER XV : MINISTRY OF SOCIAL JUSTICE AND
EMPOWERMENT**

Maulana Azad Education Foundation

15 Loss of interest due to delay in taking investment decision

Delay in taking investment decisions by the Maulana Azad Education Foundation resulted in loss of interest of Rs. 36.50 lakh.

The Maulana Azad Education Foundation (Foundation), a registered society under the Societies' Registration Act 1860, received a corpus fund of Rs. 70.01 crore (between March 1993 and August 1997) from the Ministry of Social Justice and Empowerment. This fund was invested by the Foundation in a blend of securities to generate revenues for its programme of financial assistance to various minority institutions.

Audit ascertained (January 2004) that fixed deposits amounting to Rs. 12.50 crore had matured on 21 August 2001 and the Foundation received this amount on 30 August 2001. However, the amount was reinvested by the Foundation only on 31 January 2002 in fixed deposits for one year with three banks (Oriental Bank of Commerce Rs. 5.00 crore, State Bank of Mysore Rs. 5.00 crore and Andhra Bank Rs. 2.50 crore) carrying interest @ 8.5 per cent per annum. During the intervening period of 154 days from 30 August 2001 to 31 January 2002, the amount was kept in a saving account at an interest rate of four per cent per annum. Thus, due to delayed reinvestment of the amount the Foundation earned a lower interest, in the saving accounts. Further, the interest earned on its reinvestment as fixed deposit fell as the return on deposits for one year declined from 9.5 per cent to 8.5 per cent. Had the deposit been renewed with effect from 31 August 2001, it would have earned interest at the rate of 9.5 per cent, which was prevalent on that date. The loss of interest amounted to Rs. 36.50 lakh.

In response, the Foundation stated (April 2004) that immediately on receipt of the money, they had initiated the process for its reinvestment and had submitted the recommendations of the Governing Body to the President of the Foundation for approval. However, the Ministry had constituted a Committee (October 2001) to consider the issue relating to safety of the corpus fund and to evaluate the investment options. By the time the investment proposal received the approval of the President of the Foundation, the rate of interest

had fallen on three occasions. As a result, the Foundation followed the entire procedure of obtaining approval for the investment every time the interest rate fell. The Ministry also admitted (August 2004) that the delay took place in following due procedures. Thus, procedural delays in taking the investment decision resulted in loss of interest of Rs. 36.50 lakh indicating an urgent need for the Foundation to streamline its investment procedures.