13

STANDING COMMITTEE ON FINANCE

(2024-25)

EIGHTEENTH LOK SABHA

MINISTRY OF FINANCE

(DEPARTMENT OF FINANCIAL SERVICES)

DEMANDS FOR GRANTS
2025-26

THIRTEENTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

March, 2025/ Phalguna, 1946 (Saka)

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Presented to Lok Sabha on 19 March, 2025

Laid in Rajya Sabha on 19 March, 2025

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LOK SABHA SECRETARIAT
NEW DELHI

March, 2025/ Phalguna, 1946 (Saka)

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COMPOSITION OF STANDING COMMITTEE ON FINANCE (2024-25)

Shri Bhartruhari Mahtab - Chairperson

MEMBERS

LOK SABHA

2. Shri Arun Bharti
3. Shri P. P. Chaudhary
4. Shri Lavu Sri Krishna Devarayalu
5. Shri Gaurav Gogoi
6. Shri K. Gopinath
7. Shri Suresh Kumar Kashyap
8. Shri Kishori Lal
9. Shri Harendra Singh Malik
10. Shri Chudasama Rajeshbhai Naranbhai
11. Thiru Arun Nehru
12. Shri N. K. Premachandran
13. Dr. C. M. Ramesh
14. Smt. Sandhya Ray
15. Prof. Sougata Ray
16. Shri P. V. Midhun Reddy
17. Dr. Jayanta Kumar Roy
18. Dr. K. Sudhakar
19. Shri Manish Tewari
20. Shri Balashowry Vallabhaneni
21. Shri Prabhakar Reddy Vemireddy

RAJYA SABHA

22. Shri P. Chidambaram
23. Shri Milind Murli Deora
24. Dr. Ashok Kumar Mittal
25. Shri Yerram Venkata Subba Reddy
26. Shri S. Selvaganabathy
27. Shri Sanjay Seth
28. Dr. Dinesh Sharma
29. Smt. Darshana Singh
30. Dr. M. Thambidurai
31. Shri Pramod Tiwari

SECRETARIAT

1.	Shri Gaurav Goyal	Joint Secretary
2.	Shri Vinay Pradeep Barwa	Director
3.	Shri T. Mathivanan	Deputy Secretary
4.	Ms. Yugma Malik	Under Secretary

INTRODUCTION

I, the Chairperson, of the Standing Committee on Finance, having been authorised by the Committee, present this Thirteenth Report (Eighteenth Lok Sabha) on ‘Demands for Grants (2025-26)’ of the Ministry of Finance (Department of Financial Services).

2. The Demands for Grants (2025-26) of the Ministry of Finance (Department of Financial Services) have been examined by the Committee under Rule Section 331E(1)(a) of the Rules of Procedure and Conduct of Business in Lok Sabha.

3. The Committee took oral evidence of the representatives of the Ministry of Finance (Department of Financial Services) on 10 March, 2025. The Committee wish to express their thanks to the representatives of the Department of Financial Services for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the Demands for Grants (2025-26).

4. The Committee considered and adopted this Report at their Sitting held on 18 March, 2025.

5. For facility of reference, the Observations / Recommendations of the Committee have been printed in bold at the end of the Report.

6. The Committee would also like to place on record their deep sense of appreciation for the invaluable assistance rendered to them by the officials of Lok Sabha Secretariat attached to the Committee.

New Delhi;	**Bhartruhari Mahtab**
18 March, 2025	**Chairperson,**
27 Phalguna, 1946 (Saka)	**Standing Committee on Finance**

REPORT
PART I

I. INTRODUCTORY

Department of Financial Services (DFS) being the nodal Department of Banking, Financial Services, and Insurance (BFSI) sector administers various Acts related to the banking, insurance and pension sectors. The Department also executes various initiatives and reforms of the Government concerning the banking, insurance and pension sectors in India including adoption of technology and cybersecurity related matters to ensure ease, availability and security of financial services to the citizens of the country. Besides the Department also implements many flagship financial inclusion schemes of the Government extending the benefit of various financial services to the marginalised sections of the society. The Department is headed by the Secretary (Financial Services) who is assisted by one Additional Secretary, five Joint Secretaries (JS), two Economic Advisers (EA) and a Deputy Director General (DDG).

II. MAJOR FUNCTIONS OF THE DEPARTMENT OF FINANCIAL SERVICES

Administration of more than 40 Acts related to Financial Systems/ Public Sector Banks, RBI, RRBs, Insurance and Pension Reforms Sector has been allocated to this Department. Some of the prominent are listed below:

I. Banking Regulation Act, 1949
II. Payment and Settlement System Act, 2007
III. Negotiable Instruments Act, 1881
IV. Chit Funds Act, 1982 and Price Chits and Money Circulation Schemes (Banning)Act, 1978, etc.
V. Banning of Unregulated Deposit Scheme Act, 2019
VI. Insurance Act, 1938
VII. Life insurance Corporation Act,1956
VIII. General Insurance Business (nationalisation) Act, 1972
IX. Reserve Bank of India Act, 1934

X. Insurance Regulatory and Development Authority Act, 1999
XI. Pension Fund Regulatory and Development Authority Act, 2013
XII. Deposit Insurance and Credit guarantee Corporation (DICGC) Act 1961
XIII. Export-Import Bank (EXIM Bank) Act, 1981
XIV. National Bank for Financing Infrastructure and Development (NaBFID) Act, 2021
XV. National Housing Bank (NHB) Act, 1987
XVI. Small Industries Development Bank of India (SIDBI) Act, 1989
XVII. State Financial Corporation Act, 1951
XVIII. Factoring Regulation Act 2011, etc.

2.2 Administrative, monitoring and review of the matters related to Public Sector Banks (PSBs), Public Sector Insurance Companies (PSICs), Public Financial Institutions (PFIs), Regulators including:

I. National Bank for Agriculture and Rural Development (NABARD)
II. Small Industries Development Bank of India (SIDBI)
III. National Housing Board (NHB)
IV. Export -Import Bank (EXIM)
V. National Bank for Financing Infrastructure and Development (NaBFID)
VI. India Infrastructure Finance Company Limited (IIFCL)
VII. Industrial Finance Corporation of India (IFCI)
VIII. National Credit Guarantee Trustee Company Ltd. (NCGTC) etc.

2.3 It monitors the performance of these PSBs, PSICs and PFIs and undertakes policy formulation in respect of the banking and insurance sectors in India. Matters relating to International Banking relations are also dealt with by the Department.

2.4 This Department also deals with legislative and policy issues pertaining to the concerned regulatory bodies i.e. the Reserve Bank of India (RBI), the Insurance Regulatory and Development Authority of India (IRDAI) and the Pension Fund Regulatory and Development Authority (PFRDA). DFS also deals with the legislative framework relating to debt recovery.

2.5 The Department also deals with reforms in the pension sector including matters with respect to National Pension System and Atal Pension Yojana.

2.6 Implementation of Flagship Schemes of the Government of India-

i. Initiatives and reforms relating to Financial Inclusion, Social Security, and Insurance as a Risk Transfer mechanism; credit flow to the key sectors of the economy including MSME/ farmers/ common man are some of the key focus areas being dealt by the Department.

ii. The key flagship schemes being currently run/managed by the Department include:

a. Pradhan Mantri Jan Dhan Yojana (PMJDY),
b. Pradhan Mantri Suraksha Bima Yojana (PMSBY),
c. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY),
d. Pradhan Mantri Mudra Yojana (PMMY),
e. Atal Pension Yojana (APY),
f. Pradhan Mantri Vaya Vandana Yojana (PMVVY) and
g. StandUp India Scheme.

III. Brief in regard to Demands for Grants (2025-26) for Demand No. 32

The major budget allocation pertaining to this Department are related to recapitalisation, credit guarantee schemes and gap funding. DFS is facilitating growth of financial sector by way of funding support to Financial Institutions (FIs) to run social security insurance/ pension schemes, wherein, the beneficiaries contribute to be eligible for availing the benefits under each of the schemes.

3.2 Under Demand No. 32 following major budgetary allocation in BE 2025-26 have been made:

		(₹in Crore)
S. No.	**Schemes/Programmes**	**2025-26**
		BE
1	Payment to LIC for Pension plan for Senior Citizens (VPBY) **2235.60.102.04.00.33**	159.20

2	Pradhan Mantri Vaya Vandana Yojana (PMVVY) **2235.60.102.04.02.33**	423.01
3	Funding support to PFRDA for payment of incentive under (APY) **2235.60.102.05.02.31**	303.00
4	Incentive scheme for promotion of low-value BHIM-UPI transactions (person-to-merchant) **3465.01.187.01.02.31**	435.00

3.3 Statement showing increase/decrease (Major Head wise) for both Revenue and Capital Section over the last three years is as follows:

								(Rs. in Crore)
S. No.	**Schemes/Programmes**	**Budget Estimates (BE) 2022-23**	**Budget Estimates (BE) 2023-24**	**% Increase (+)/ Decrease (-) Over BE 2022-23**	**Budget Estimates (BE) 2024-25**	**% Increase (+)/ Decrease (-) Over BE 2023-24**	**Budget Estimates (BE) 2025-26**	**% Increase (+)/ Decrease (-) Over BE 2024-25**
	Revenue Section - Schemes							
1	Payment to LIC for Pension plan for Senior Citizens (VPBY) **2235.60.102.04.00.33**	94.56	111.47	17.88	134.96	21.07	159.20	17.96
2	Pradhan Mantri Vaya Vandana Yojana (PMVVY) **2235.60.102.04.02.33**	473.92	189.70	-59.97	422.78	122.87	423.01	0.05
3	Funding support to PFRDA for promotional campaign under APY **2235.60.102.05.01.31**	0.01	5.00	-	5.00	0	5.00	0
4	Funding support to PFRDA for payment of incentive under APY **2235.60.102.05.02.31**	200.00	245.00	22.50	245.00	0	303.00	23.67
5	Gap Fund under APY **2235.60.102.05.04.31**	0.00	271.00	-	271.00	0	0.00	-
6	Funding support for publicity/awareness building for Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) **2235.60.110.07.00.31**	0.01	1.50	-	0.01	-	0.00	-
7	Grants to NABARD to settle the claims under Indo-Swiss Cooperation- VI NABARD Indo-Swiss Project agreement **2416.00.101.05.03.31**	0.84	0.83	-1.19	0.83	0	0.80	-3.61

8	Contribution to Financial Inclusion Fund of NABARD to promote AADHAR enable payment systems **2416.00.101.07.01.32**	0.01	0.01	0	0.01	0	0.00	-
9	Interest subvention on Housing Loans to National Housing Bank **2885.01.101.09.00.33**	0.01	0.01	0	0.01	0	0.00	-
10	Grants to ICICI Bank for External Aided Components **2885.01.101.07.01.31**	0.01	0.01	0	0.01	0	0.00	-
11	Redemption of securities issued to Stressed Assets Stabilization Fund (SASF) **2885.01.101.08.00.50**	0.01	0.01	0	0.01	0	0.00	-
12	Subsidy to Small Industries Development Bank of India (SIDBI) on interest subvention of 2% on prompt repayment of Shishu Loans extended under PMMY **2885.01.101.10.00.33**	0.01	0.01	0	0.01	0	0.00	-
13	Incentive scheme for promotion of RuPay Debit Cards and low-value BHIM-UPI transactions (person-to-merchant) **3465.01.187.01.01.31**	0.00	0.00	0	1441.00	-	0.00	-
14	Incentive scheme for promotion of low-value BHIM-UPI transactions (person-to-merchant) **3465.01.187.01.02.31**	0.00	0.00	0	0.00	0	435.00	-
15	Promotional Activities **3465.01.187.01.03.31**	0.00	0.00	0	0.00	0	2.00	-
16	Assistance to National Credit Guarantee Trust Company (NCGTC) for Credit Guarantee Fund for providing Guarantees to Loans extended under Pradhan Mantri Mudra Yojana (PMMY) **3465.01.190.08.02.31**	100.00	0.01	-	0.01	0	0.01	0
17	Publicity and Awareness for Pradhan Mantri Mudra Yojana (PMMY) and other initiatives by MUDRA Ltd. **3465.01.190.12.01.31**	0.01	0.01	0	0.01	0	0.01	0

18	Assistance to National Credit Guarantee Trust Company (NCGTC) for Assistance to NCGTC to set up Stand-up India Guarantee Fund **3465.01.190.08.03.31**	0.01	0.01	0	0.01	0	0.00	-
19	Publicity and Awareness for Stand-Up India and other initiatives by SIDBI **3465.01.190.06.03.31**	0.01	0.01	0	0.01	0	0.00	-
Total - Revenue Schemes		**869.42**	**824.59**	**-5.16**	**2520.67**	**205.69**	**1328.03**	**-47.31**
Capital Section - Schemes								
21	Subscription to share capital of NABARD **4416.00.190.01.00.54**	500.00	0.01	-	0.01	0	0.01	0
	Transfer to National Investment Fund	0.00	0.00	0.00	0.00	0.00	0.00	0
22	Contribution of Government's share for recapitalization of Regional Rural Banks (RRBs) **4416.00.190.03.00.54**	1361.00	0.00	-	261.00	-	0.01	-
	Transfer to National Investment Fund	1361.00	0.00	-	0.00	0	0.00	0
23	Equity support to Industrial Finance Corporation of India (IFCI) **4885.01.190.03.00.54**	100.00	0.01	-	0.01	0	0.01	0
24	Subscription to the share capital of Export Import Bank of India (EXIM Bank) **4885.01.190.09.02.54**	1500.00	0.01	-	0.01	0	0.00	-
25	Recapitalization of Public Sector Banks **5465.01.190.33.00.54**	0.01	0.01	0	0.01	0	0.01	0
26	Recapitalization of Public Sector Banks through issue of Govt. Securities (Bonds) **5465.01.190.44.00.54**	0.01	0.01	0	0.01	0	0.01	0
27	Recapitalization of Insurance Companies **5465.01.190.47.00.54**	0.01	0.01	0	0.01	0	0.00	-
	Transfer to National Investment Fund	0.01	0.01	0	0.01	0	0.00	-
28	Loan for settlement of claims on invoking guarantee given by Government under Partial credit Guarantee Scheme **7465.00.101.07.01.55**	500.00	50.00	-90.00	0.01	-	0.00	-
29	Capital Support to National Bank for Financing Infrastructure & Development	0.01	0.00	0	0.00	0	0.00	0

	(NaBFID) **5465.01.190.52.00.54**							
	Transfer to National Investment Fund	0.01	0.00	0	0.00	0	0.00	0
30	Credit Guarantee Scheme for Micro Finance Institutions (CGSMFI) **6885.01.190.20.00.55**	500.00	100.00	-80.00	50.00	-50.00	0.01	-99.98
31	Loan Guarantee Scheme for Covid Affected Sectors (LGSCAS) **7465.00.101.09.01.55**	250.00	100.00	-60.00	0.01	-	0.01	0
Total - Capital Schemes		**6072.06**	**250.07**	**-95.88**	**311.09**	**24.40**	**0.07**	**-99.98**
Grand Total (Gross basis)		**6941.48**	**1074.66**	**-84.52**	**2831.76**	**163.50**	**1328.10**	**-53.10**

*- Allocation was made during 2023-24 only. Prior to that (i.e. during 2022-23) a token provision was kept.

3.4 Further, in respect of reasons for significant variations, the Department has submitted the following in their written reply:

- Payment to LIC for Pension plan for Senior Citizens (VPBY)

  There is a significant variation because under this scheme the government provides subsidy to the LIC to meet the yield gap between annual return from the investment and the 9% return committed to the policyholders. As per LIC, they may not exactly predict the yield income of the investment from the market which is adjusted on a year to year basis.

- Pradhan Mantri Vaya Vandana Yojana (PMVVY)

  There is a significant variation because under this scheme the government provides subsidy to the LIC to meet the yield gap between annual return from the investment and the return committed to the policyholders under the scheme. The scheme offers an assured rate of return of 7.40% per annum in line with Senior Citizen Saving Scheme for the year 2020-21 for policy duration of 10 years. In subsequent years, an annual reset of assured rate of return was to be made with effect from April 1st of the financial year in line with the prevailing rate of return of Senior Citizens Saving Scheme (SCSS) up to a ceiling of 7.75%. As per LIC, they may not exactly predict the yield income of the investment from the market which is adjusted on a year to year basis.

- Funding support to PFRDA for payment of incentive under APY

  The requirement is rationalized on the basis of fresh enrolment and persistency incentive.

- Gap Fund under APY

  APY is a defined benefit scheme and provides fixed minimum pension guarantee for the subscribers. There may be a gap between the desired rate of return (assumed at 8%) to achieve the guaranteed pension amount and the actual rate of return, which needs to be bridged by the government. Thus, Gap funding is the funding support to cover the gap between pension liabilities and pension assets. The approval of Cabinet Secretariat was conveyed vide D/o Expenditure's O.M No. 1 (01)/PFC-I/2022 dated 1.2.2022.

- Incentive scheme for promotion of RuPay Debit Cards and low-value BHIM-UPI transactions (person-to-merchant)

  The subject matter ''Promotion of Digital Payments" was transferred from MeitY to DFS vide Cabinet Notification No.1/21/6/2023-Cab. dated 17th July 2023. Further the "Incentive scheme for promotion of RuPay Debit cards and low-value BHIM-UPI transactions (P2M)" was also transferred to DFS. As per the scheme structure, banks were to submit Incentive claims to DFS after the end of the quarter. So, the Q4 FY 2023-24 claims were expected to be submitted by banks by end of April 2024. To process the same, budgetary allocation of Rs.1441 crore was required to be made in BE 2024-25 for pay-out of claims submitted by the banks. The scheme was fully implemented as pay-out for all the claims to banks were completed.

- Incentive scheme for promotion of low-value BHIM-UPI transactions (person-to-merchant)

  For BE 2025-26, the incentive data for last quarter (i.e., Q4, FY 24-25) will be available only after 31.3.2025. To meet the expected expenditure for the Quarter 4 of FY 24-25 under the ongoing incentive scheme, an amount of Rs.435 crore is required in FY 25-26.

- Assistance to National Credit Guarantee Trust Company (NCGTC) for Credit Guarantee Fund for providing Guarantees to Loans extended under Pradhan Mantri Mudra Yojana (PMMY).

  A budgetary allocation of Rs.100 crore was made in BE 2022-23 keeping in view that sufficient funds would be available to settle the claims submitted by the lending Institutions.

- Subscription to the share capital of NABARD

  A provision of Rs.500 crore was made in BE 2022-23 Keeping in view the level of projected disbursement during 2022-23 under various GoI schemes such as Long-Term Irrigation Fund (LTIF), Micro Irrigation Fund (MIF), Fisheries Infrastructure Development Fund (FIDF), etc.

- Contribution of Government's share for recapitalization of Regional Rural Banks (RRBs)

  The EFC in its meeting held on 11.10.2021, approved a one-time upfront recapitalisation of Rs.10,890 crore (including GoI share of Rs.5,445 crore), 75% of which i.e. Rs.8,168 crore including GoI share of Rs.4,084 crore was infused into the RRBs during the FY 2021-22 and the balance 25% i.e. Rs.2,722 crore (including GoI share of Rs.1,361 crore) was infused during the FY 2023-24 & 2024-25.

  Since the one-time recapitalization support of Rs.10,890 crore (including GoI share of Rs.5,445 crore) has been provided to RRBs, an amount of Rs.1.00 Lakh is requested to be allocated in BE 2025-26 as a token amount for continuation of the scheme of recapitalization of RRBs.

- Equity support to Industrial Finance Corporation of India (IFCI)

  A provision of Rs.100 crore was made in BE 2022-23 to meet the liquidity needs related to debt obligations.

- Subscription to the share capital of Export Import Bank of India (EXIM Bank)

A provision of Rs.1500 crore was made in BE 2022-23 with a view to utilize the capital infusion to support foreign policy and strategic initiatives through Lines of Credit, Buyers' Credit under the National Export Insurance Account and Concessional Finance Scheme; besides extending overseas investment, finance, industrial loans and project guarantees. In addition to promoting project exports from India, which may also increase the lending capacity of Exim Bank and help the bank maintain the requisite capital adequacy.

- Loan for settlement of claims on invoking guarantee given by Government under Partial credit Guarantee Scheme

A provision of Rs.500 crore was made in BE 2022-23 to settle possible claims that may arise on invocation of guarantees given by government to Public Sector Banks (PSBs) under the scheme.

- Credit Guarantee Scheme for Micro Finance Institutions (CGSMFI)

The government announced CGSMFI to support Indian economy in fight against COVID-19 pandemic. It is a guarantee scheme for loans by Scheduled Commercial Banks (SCBs) or other Institutions (as decided from time to time) to NBFC-MFIs and MFIs in the country for onward lending to small borrowers. The Scheme operationalised w.e.f. 15.7.2021 and was valid till March 31, 2022 or till guarantees for an amount of Rs.7,500 crore is issued, whichever is earlier. As reported by NCGTC, the implementing agency of the scheme, loans amounting to Rs.10,000 crores have been sanctioned under the scheme. Liabilities are contingent on reporting of default and filing of claims.

Further, guarantees have been issued for full amount of Rs.10,000 crores. However, as on 31.12.2024, NPAs of around Rs.9.34 crores only have been reported and outstanding has reduced to Rs.39.86 crore. Hence, the requirement of fund has been reduced accordingly.

- Loan Guarantee Scheme for Covid Affected Sectors

In a bid to improve medical infrastructure in India, LGSCAS was launched to provide guarantee cover to funding provided by Scheduled Commercial Banks to entities willing to expand/diversify/set up facilities related to health/medical infrastructure. Credit facilities were sanctioned up to Rs.100 crores for the project in the form of fund based and non-fund-based facilities. The scheme provides credit guarantee of 50 per cent to all brownfield projects and of 75 per cent to all greenfield projects set up at the centres other than Metropolitan cities (8 in number). For aspirational districts, the guarantee cover for both brownfield expansion and greenfield projects is 75%. The total corpus of the scheme is Rs.2,000 crores. The Scheme was applicable to all eligible loans sanctioned up to 31.3.2023, or till guarantees for an amount of Rs.50,000 crore was issued under the scheme, whichever is earlier. As reported by National Credit Guarantee Trustee Company Limited (NCGTC), the implementing agency of the scheme, loans amounting to Rs.15,964.30 crores were sanctioned under the scheme. Liabilities are contingent on reporting of default and filing of claims.

The scheme was valid till 31.3.2023. Hence, the requirement of fund was reduced.

IV. BUDGETARY ALLOCATIONS AND OTHER ISSUES

A. DEMAND NO.32 - DEPARTMENT OF FINANCIAL SERVICES

Upon enquiry for the reasons for decline in budget allocations of Demand No.32 – Department of Financial Services, the Department furnished the following in their written reply:

"Demands of the Department of Financial Services are for recapitalisation, or gap funding or credit guarantee. For the year 2025-26, there is no requirement of recapitalisation from the organisations of DFS to maintain regulatory liquidity provisions. Also, there is no requirement from credit guarantee funds to replenish funds to meet demands from Member Lending Institutions. Reduced demands for funds at BE 2025-26 for gap funding of

PMVVY and APY may be required to be revised after the EFC. The details are as given below.

The decline in the BE (2025-26) in comparison to RE (2024-25) was, inter-alia, mainly due to change in demands in following major schemes:

(₹ in crores)

S. No.	Schemes/Programmes	2024-25	2025-26
		RE	BE
1	Pradhan Mantri Vaya Vandana Yojana (PMVVY)	507.22	423.01
2	Gap Fund under Atal Pension Yojana	271.00	0.00
3	Incentive scheme for promotion of RuPay Debit Cards and low-value BHIM-UPI transactions (person-to-merchant)	1146.00	0.00
4	Incentive scheme for promotion of low-value BHIM-UPI transactions (person-to-merchant)	854.00	435.00
5	Promotional Activities (Incentive scheme for promotion of low-value BHIM-UPI transactions (person-to-merchant))	0.00	2.00
6	Contribution of Government's share for recapitalization of Regional Rural Banks (RRBs)	261.00	0.01
7	Equity support to Industrial Finance Corporation of India (IFCI)	500.00	0.01

- Pradhan Mantri Vaya Vandana Yojana (PMVVY):

  The requirement placed by LIC for BE 2025-26 is ₹792.08 crore. However, only ₹423.01 crore has been allocated. EFC is being prepared for extra budgetary outlay at RE stage in FY 2025-26.

- Gap Fund under APY:

EFC proposal for gap fund under APY for FY 2025-2026 onwards is under examination. The demand would be raised at RE 2025-26 stage.

- Incentive scheme for promotion of RuPay Debit Cards and low-value BHIM-UPI transactions (person-to-merchant):

  The scheme was fully implemented as payout for all the claims to banks were completed. Hence, no budgetary allocation has been proposed in BE 2025-26.

- Incentive scheme for promotion of low-value BHIM-UPI transactions (person-to-merchant):

  To meet expected expenditure of the new revamped incentive scheme for FY 2024-25, an amount of ₹854 crore is required. This will be utilized for payout of claims to banks for the Quarter 1 to Quarter 3 of FY 24-25. Further, for BE 2025-26, the incentive data for last quarter (i.e., Q4, FY 24-25) will be available only after 31.3.2025. To meet the expected expenditure for the Quarter 4 of FY 24-25 under the ongoing incentive scheme, an amount of ₹435 crore is required in FY 25-26.

- Promotional Activities (Incentive scheme for promotion of low-value BHIM-UPI transactions (person-to-merchant))

  For promotional activities at national level, a fund of ₹2 crore will be utilized.

- Contribution of Government's share for recapitalization of Regional Rural Banks (RRBs):

  One-time recapitalization support of ₹10,890 crore (including GoI share of ₹5,445 crore) has been provided to RRBs and the disbursement was completed in 2024-25 and hence token amount of ₹1.00 Lakh is requested to be allocated in BE 2025-26.

- Equity support to Industrial Finance Corporation of India Ltd. (IFCI Ltd.):

  IFCI Ltd. has requested for ₹500 crore in current FY 2024-25 to maintain positive net worth and ‘Going Concern’ status. D/o Expenditure vide ID note dated 12.1.2024 has already conveyed the approval of EFC on allocation of ₹1000 crore for equity support to IFCI Ltd during FY 2023-25 (i.e. ₹500 crore in FY 2023-24 and ₹500 crore in FY 2024-25). Therefore, no requirement was further placed in BE 2025-26.”

B. ATAL PENSION YOJANA (APY)

4.2 The Department furnished the following written details with regard to Atal Pension Yojana:

“Atal Pension Yojana (APY) was launched on 09.05.2015, with the objective of creating a universal social security system for all Indians, especially the poor, the under-privileged and the workers in the unorganised sector. It is open to all citizens of India between 18-40 years of age having a savings bank account in a bank or post-office. For better targeting of guaranteed pension to unorganised sector workers, an income tax payer shall not be eligible to join APY from 01.10.2022. The subscriber under APY is required to make a monthly/quarterly/six monthly contribution of an amount determined by the amount of pension chosen and the age of joining the scheme. The subscriber shall receive a government guaranteed minimum pension of ₹1000 per month, ₹2000 per month, ₹3000 per month, ₹ 4000 per month or ₹5000 per month, after the age of 60 years until death, depending on the contribution chosen. The spouse of the subscriber shall be entitled to receive the same pension amount as that of the subscriber after the death of the subscriber. After the death of both subscriber and the spouse, the nominee of the subscriber shall be entitled to receive the pension wealth, as accumulated till age 60 of the subscriber.”

4.3 Further, the Department furnished the following written data with regard to physical and financial targets of APY:

“Physical / Financial Targets

Year	Physical Targets			
	Target Number of subscribers to be enrolled	Actual Number of subscribers enrolled	% Achieved	Reasons for Shortfall

2023-24	1,36,90,000	1,22,93,490	89.80%	Due to higher target base (based on achievements in the previous two FYs) the achievement vis-à-vis target assigned was slightly lower, however, the actual enrolments had increased from the last FYs.
2024-25 up to 10.2.2025	1,30,49,100	96,80,783	74.19%	It is the endeavor to achieve the target by the end of FY.
2025-26	1,45,00,000	_	_	-

Year	Financial Targets			
	Target BE (Rs. cr)	Actual Funds Released (Rs. cr)	% Achieved	Reasons for Shortfall
2023-24	521.00	481.00*	92.32%	On the basis of fresh enrolment and persistency incentive in remaining FY requirement was rationalized and accordingly,Rs.40.00 crore was surrendered during FY 2023-24.
2024-25 up to 10.2.2025	521.00	152.05**	29.19%	Requirement in RE 24-25 has been reduced to Rs.224.75 under APY incentive. Further, a proposal for release of Rs.42 crore under APY-Incentive is under submission. Moreover, actuarial report as on 31.3.2024 has been submitted by PFRDA; accordingly, a proposal for release of Rs.271 crore under APY-Gap Fund is also under submission.
2025-26	308.00	_	_	

4.4 Furthermore, the following written response has been furnished by the Department for improvement in implementation of the scheme:

"Steps taken for improvement in implementation of Scheme

- In the event of pre-mature death of the subscriber, Government has decided to give an option to the spouse of the subscriber to continue contributing to APY account of the subscriber, for the remaining vesting period, till the original subscriber would have attained the age of 60 years. The earlier provision was to hand over lump sum amount to spouse on the premature death (death before 60 years of age) of the subscriber. The spouse of the subscriber shall be entitled to receive the same pension amount as that of the subscriber until the death of the spouse. After the death of both the subscriber and the spouse, the nominee of the subscriber shall be entitled to receive the pension wealth, as accumulated till age 60 of the subscriber.
- From 1st October,2022, any citizen who is or has been an income-tax payer, shall not be eligible to join APY.
- Periodic advertisements are published in print, electronic, and social media for awareness creation.
- APY Subscribers Information Brochure in 13 vernacular languages
- Virtual capacity building programs for Banking Correspondents (BCs) and field staff of Banks, Self Help Group (SHG) members, bank-sakhis of State Rural Livelihoods Missions (SRLMs) are being organised to propagate APY among the eligible beneficiaries.
- Various Ministries of Government of India, National Centre for Financial Education (NCFE), National Bank for Agriculture and Rural Development (NABARD), National Rural Livelihood Mission (NRLM) and SRLM are engaged to spread awareness and coverage of APY.
- Activating online channels such as e-APY, net-banking, mobile app and bank's web-portal, for easy online onboarding."

C. STATUS OF BANKING SECTOR

4.5 The Secretary, Department of Financial Services during the sitting of the Committee held on 10.03.2025 stated the following with regard to the current status of the banking sector:

> *"...the banking sector is always cyclical. Sometimes there is good time, and sometimes there is bad time. The philosophy is that when you are in good time, you need to prepare for the bad time...*
>
> *...Now, since 2019, because of the steps taken by the Government on multiple fronts, the banking sector today is very healthy and very robust...*
>
> *...we have now the lowest gross NPAs, the lowest percentage of net NPA, 0.58 per cent of all the PSBs, and recoveries are very good. In fact, we are doing very well. Now, profits are very high. Last year, we had the highest ever profit..."*

4.6 Further, the Department furnished the following written reply with respect to the current status of the banking sector:

> "Current Status of Banking Sector
>
> As a result of Government's overarching policy response to recognition of stress, resolution of stressed accounts, recapitalisation and reforms in banks, the financial health and robustness of banking sector has improved significantly.
> As per RBI's provisional data and PSBs' data:
>
> a. Asset quality has improved significantly with—
>
> - Gross NPA ratio of SCBs declining to 2.54% (₹4.64 lakh crore) in Sep-24 from 4.28% (₹3.23 lakh crore) in Mar-15 and from a peak of 11.18% (₹10.36 lakh crore) in Mar-18.

- *Gross NPA ratio of PSBs declining to 2.85% (₹3.03 lakh crore) in Dec-24 from 4.97% (₹2.79 lakh crore) in Mar-15 and from a peak of 14.58% (₹8.96 lakh crore) Mar-18.*
- Net NPAs of SCBs declining to ₹1.01 lakh crore (0.57%) in Sep-24 from ₹2.31 lakh crore (3.13%) in Mar-15 and from a peak of ₹5.2 lakh crore (5.94%) in Mar-18.
- *Net NPAs of PSBs declining to ₹0.61 lakh crore (0.59%) in Dec-24 from ₹2.15 lakh crore (3.92%) in Mar-15 and from a peak of ₹4.54 lakh crore (7.97%) in Mar-18.*

b. Resilience has increased with—

- Provision coverage ratio (PCR) of SCBs increasing from 49.31% in Mar-15 to a healthy 92.88% in Sep-24.
- *PCR of PSBs increasing from 46.04% in Mar-15 to a healthy 93.87% in Dec-24.*

c. Capital adequacy has improved significantly with—

- CRAR of SCBs improving by 383 bps to reach 16.77% in Sep-24 from 12.94% in Mar-15.
- *CRAR of PSBs improving by 338 bps to reach 14.83% in Sep-24 from 11.45% in Mar-15.*

d. During FY2023-24, SCBs have recorded highest ever aggregate net profit of ₹3.50 lakh crore against net profit of ₹2.63 lakh crore in FY2022-23, and recorded aggregate net profit of ₹1.99 lakh crore in the first half of FY2024-25.

In FY2023-24, PSBs have recorded highest ever aggregate net profit of ₹1.41 lakh crore against net profit of ₹1.05 lakh crore in FY2022-23, and recorded ₹1.29 lakh crore in the first nine months of FY2024-25.

e. PSBs declared dividend of ₹27,830 crore to shareholders (GoI share ₹18,013 crore) in FY2023-24 against total dividend of ₹20,964 crore to shareholders (GoI share ₹13,804) in FY2022-23.

f. Enabled by implementation of comprehensive reforms, the financial health of PSBs has improved significantly, enhancing their ability to raise capital (*in the form of both equity and bonds*) from the market. PSBs have mobilised capital of ₹4.34 lakh crore from the market from FY2014-15 to FY2023-24.

g. Banks, earlier placed under Prompt Corrective Action (PCA) framework by RBI, have made significant improvement resulting in removal of each one of them from the PCA restrictions."

4.7 With respect to role envisaged for Artificial Intelligence (AI) and Machine Learning (ML) in banking services, the following written reply has been submitted by the Department:

"Artificial Intelligence (AI)/Machine Learning (ML) models provide opportunity to the banks to generate a segmented view of the large customer base, enabling them to recommend tailor-made services and products to each customer segment and run focused campaigns, resulting in increased customer retention.

Banks' need to cultivate their liability portfolio and customer repository, to-improve customer retention and prioritization, -cross-sell, -up-sell, -win back, -customer segmentation, -cost optimization, -fraud detection and to manage risk. These are expected to be addressed by utilizing the aid of AI/ML through multiple initiatives including, *inter alia*:

- Strategic initiative to perform geography wise portfolio analysis;
- Leveraging analytics to push personalized and pre-approved offers to customers;
- Churn prediction model integrated with call centre and branch CRM, for providing undiminished support and service to win-back their loyalty;
- Prioritization of customers by using analytics to identify possible HNIs, providing leads for the upgradation of salary package variants, calculating customer lifetime value, etc.;

- Targeted migration of transactions to digital channels for more value-focused activities, including improving customer service and prioritizing customer engagement;
- AI can be used to provide personalized smart nudges to customers, which is delivered through SMS and new-age digital channels such as Mobile Banking app and WhatsApp, which helps in deepening penetration of digital products; and
- Bank can use AI-enabled analysis to move beyond traditional demographic-based segmentation. Customer segmentation combined with AI generated Next Best Offer to provide the right products to customers based on their product propensity, as against an all-out approach."

4.8 On the issue of the shift in household deposits from banks to market linked financial products, the Department has furnished the following written reply:

> "The shift in household deposits from banks to market-linked financial products in search of higher return, may expose the households to significant market risks and households may face financial losses during market corrections/volatility due to inadequate assessment of risks and financial literacy. In addition, decline in financial savings pose challenges for the Banking sector in terms of maintaining liquidity. Withdrawal of household savings from banks would disrupt banks' access to cheap source of funds which would lead to rise in cost of funds for banks."

4.9 And with respect to the operational and efficiency impact on the banks with decline of Current Account Savings Account (CASA), the following written reply has been furnished by the Department:

> "Banks would continue to embed and scale up new age technologies in all their processes to improve the overall efficiency. This would enhance their capacity to expand and offer need-based credit to productive sectors of the economy and promoting financial inclusion by serving the needy and underserved segment of the society."

D. MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)

4.10 Clarifying about the digital footprint based sanction of loans to Micro, Small and Medium Enterprises (MSMEs), Secretary, Department of Financial Services stated the following during the sitting of the Committee held on 10.03.2025:

> *"...about the digital footprint-based sanction of loans to the MSMEs. For the sanction of loans, we need to do a credit analysis based on the credit underwriting principles. Now, the MSME sector has to submit a lot of papers, a lot of documentation, and these documents are scrutinised, and then a decision is taken whether to sanction loans or not by the banks. And many times, small and micro enterprises may not be having documentation, but their financial footprint is available through several transactions...*
>
> *...We did pilot and it became successful. We launched it on 6th of this month in Vizag, and we already distributed loans. The average time taken by this process was 15 minutes per sanction of the loan. There is no physical documentation required, and nobody needs to come to the office at all. They have to apply online. We have a separate portal, and the portal functions, and then the loan is sanctioned...*
>
> *…Our idea is to promote financing to MSME sector, which is the critical sector for the country's growth..."*

4.11 Furthermore, the Department has furnished the following written details about the initiatives undertaken to facilitate the flow of credit to MSME sector:

> "GOI has undertaken the following initiatives to facilitate the flow of credit to MSME sector:
>
> I. Pradhan Mantri MUDRA Yojana (PMMY) has played a pivotal role in empowering non-corporate, non-farm small and micro enterprises by providing loans of up to ₹10 lakh. To strengthen support for aspiring entrepreneurs, the finance minister announced an increase in the loan limit to ₹20 lakh during the Union Budget 2024-25.

II. Further Empowered Committees on MSMEs have been constituted at the Regional Offices of Reserve Bank with participation from the State Governments, SLBCs, SIDBI, banks and industry representatives, inter-alia, to coordinate with the various stakeholders for the revival and rehabilitation of stressed Micro, Small and Medium units.

III. Among the ways in which some of the issues facing the sector could be addressed would be use of advanced technologies by the lenders and their collaborations with the Account Aggregators and FinTech companies, availability of MSME data through various means (such as GSTN, digital transaction trails, e-commerce sites, credit bureaus etc.). Innovative methods like Regulatory Sandbox etc., would also play a crucial role in further improving credit in the segment."

E. INSURANCE

4.12 The Department has furnished the following written reply with regard to increasing the Foreign Direct Investment (FDI) to 100 percent in insurance sector:

"Hon'ble FM has announced in Budget Speech 2025-26 to increase the FDI limit for the insurance sector from 74 to 100 per cent. Further, the Insurance Laws (Amendment) Bill, 2025 proposes to remove the cap on FDI in Insurance companies and allow up to 100% FDI to attract stable and sustainable investment and facilitate technology transfer.

The objective of raising the FDI limit in insurance sector up to 100% includes unlocking the full potential of the Indian insurance sector, which is projected to grow at 7.1% annually over the next five years, outpacing global and emerging market growth. Removing the FDI cap will also attract stable and sustained foreign investment, increase competition, facilitate technology transfer, and improve insurance penetration across India.

The proposed benefits of the above measure include:

- Greater foreign participation will lead to more players in the market, enhancing competition. This will likely result in better products, improved customer service, and more affordable premiums, ultimately improving insurance penetration and density thereby reducing the protection gap.

- Increased FDI will complement domestic initiatives and drive inclusive growth. Regulatory oversight by the IRDAI and Government policies will ensure that the sector operates in the best interest of the citizens.
- India's FDI norms duly aligned with global best practices will position the country as an attractive destination for foreign investors. Countries like Canada, Brazil, Australia, and China permit 100% FDI in their insurance sectors.

In view of the above, the provisions of the Indian Insurance Companies (Foreign Investment) Rules, 2015 which prescribe conditions related to appointment of Key Management Persons, composition of Board, dividend repatriation etc. will be reviewed so as to create a congenial atmosphere for bringing more FDI into the insurance sector, thereby boosting its growth and to enable inflow of best talent and knowledge transfer to India."

4.13 With regard to InsurTech (Insurance Technology), the following written reply has been furnished by the Department:

"The integration of InsurTech (Insurance Technology) is helping the insurance sector by enhancing efficiency, customer experience, and risk assessment through digital innovation. The key technologies being adopted by insurance sector include:

1. AI & Big Data for Underwriting: Advanced algorithms analyse vast consumer data to provide personalized pricing and more accurate risk assessment.
2. Blockchain for Claims Processing: Smart contracts enable instant, fraud-resistant claims settlement, reducing turnaround time.
3. IoT & Wearables for Risk Prevention: Insurers use real-time data from smart devices (e.g., health trackers, telematics) to offer usage-based and behaviour-driven policies.

4. Digital Distribution & Embedded Insurance: InsurTech simplifies access through mobile apps, digital marketplaces, and API-driven partnerships with e-commerce and fintech platforms.
5. Automated Chatbots & Virtual Assistance: AI-driven tools enhance customer engagement and reduce operational costs.”

4.14 Secretary, Department of Financial Services on the above issues stated the following during the sitting of the Committee held on 10.03.2025:

> *“...I will talk about 100 per cent FDI into insurance sector. Now, we are one of the lowest density and penetration country in the world. Our objective is to ensure that people as well as assets have risk coverage. And then, while the organically domestic companies are actually are investing and growing, but it is not enough to meet our objective of insurance for all by 2047. Therefore, we are allowing 100 per cent insurance coverage, but we also kept some guard lines in the sense that the premium amount has to be invested within the country...”*

F. PRADHAN MANTRI JAN-DHAN YOJANA (PMJDY)

4.15 Secretary, Department of Financial Services during the sitting held on 10.03.2025 stated the following with respect to Pradhan Mantri Jan-Dhan Yojana (PMJDY):

> *“...We have 54.97 crorebank accounts with a deposit balance of Rs. 2.53 lakh crore, which have been opened under PM JanDhan Yojana...”*

G. DIGITAL FINANCIAL LITERACY

4.16 The following written reply has been furnished by the Department with regard to the measures for promoting digital financial literacy:

> “The Government and the Reserve Bank of India (RBI) have been taking up various initiatives to promote digital payment transactions and to create a digital payment ecosystem in the country. From January 2018, Merchant

Discount Rate (MDR) charges was not permitted for transactions upto ₹2,000 across all Debit Card Networks, Unified Payments Interface (UPI) transactions [Person to Merchants (P2M)] and Aadhar Enabled Payment System (AePS). To support the ecosystem, MDR Reimbursement Scheme was implemented by the Government during 01.01.2018 to 31.12.2019. Under the scheme, MDR for transactions up to ₹2,000 at a defined rate was reimbursed.

With effect from 01.01.2020, MDR was allowed for other card networks, except RuPay Debit Card and UPI. In order to encourage banks to enable RuPay Debit Card and UPI transactions, "Incentive scheme for promotion of RuPay Debit Cards and low-value BHIM-UPI transactions (P2M)" has been implemented during the last three financial years, i.e., FY2021-22, FY2022-23 and FY2023-24. Under the Incentive Scheme, banks were incentivized at a defined rate for UPI transactions upto ₹2,000 and for all transactions under RuPay Debit Card.

The RBI has also launched a Payments Infrastructure Development Fund (PIDF) scheme in January, 2021 to encourage the use of digital payment infrastructure in India. The scheme provides subsidies for the deployment of digital payment infrastructure, especially in Tier-3 to Tier-6 cities and North Eastern States/ UTs of J&K and Ladakh.

In addition to the above, a multi-media campaign was launched in March 2023 for promoting digital payments with theme of "Digital payment apnao, auron ko bhi sikhao" (Learn digital payments, teach others also) as part of the Digital Payments Awareness Week. NPCI has also implemented awareness campaigns stating "QR code is scanned only to make payments and not to receive" and same has been communicated through various mediums like TV, Digital, Radio and Print media. Further, an offline training program was conducted in 48 villages of 6 States (West Bengal, Odisha, Bihar, Punjab, Haryana and Assam).

In order to arrest cyber frauds, RBI and banks have been taking up awareness campaigns through short SMS, radio campaign, publicity on prevention of 'cyber-crime' etc. A total of 317 Electronic Banking Awareness and Training (e-BAAT) programmes were conducted by regional offices of RBI across the country during 2023.

Further, with an objective to facilitate the citizens to report any cyber incidents including financial frauds, Ministry of Home Affairs (MHA) launched a National Cybercrime Reporting Portal (www.cybercrime.gov.in) as well as a National Cybercrime Helpline Number “1930”. Similarly, Department of Telecommunications launched Digital Intelligence Platform (DIP) and ‘Chakshu’ which facilitates citizens to report suspected fraud communication received over call, SMS or WhatsApp.”

H. DISPOSAL OF PUBLIC GRIEVANCES

With regard to disposal of public grievances, the following has been furnished in the Annual Report (2024-25):

4.17 Timely redressal of public grievances relating to banking and insurance sectors is an important tool towards upgrading the quality of customer service in this very crucial segment of financial sector. Department of Administrative Reforms and Public Grievances (DARPG) has established CPGRAMS (Centralised Public Grievance Redressal and Monitoring System), (an online web-based system), to resolve public grievances.

4.18 Department of Administrative Reforms and Public Grievances (DARPG) vide its Office Memorandum dated 23.08.2024 had reduced the timeline of redressal of grievance from 30 days to 21 days and the timelines for redressal of appeals remains unchanged to 30 days. Same was communicated to RBI/IRDAI/All PSBs/PSICs/FIs vide Department of Financial Services email dated 20.09.2024 for taking necessary action. Regular monitoring of adherence to timelines is done by Department of Financial Services.

4.19 In Department of Financial Services, a large number of grievances/complaints concerning Banking and Insurance Sectors are received directly from citizens, both online and by post. The postal grievances are also digitized and processed through CPGRAMS for its onward transmission to the designated Nodal Officers i.e. Deputy

General Manager/General Manager (DGM/GM) of concerned Public Sector Banks/Public Sector Insurance Companies (PSBs/PSICs) for its redressal within a maximum time limit of 21 days. These directions are followed by all organisations under the Department of Financial Services. Action taken reports are uploaded on the system and a scanned copy of the reply is provided to the complainant on CPGRAMs and same can be viewed by them online. In addition, a dedicated Grievance Handling Cell has been set up in the Department, which is accessible at the Telephone No. 23346785 and email address sobo3- dfs@nic.in.

4.20 The Banks and Insurance Companies have grievance redressal mechanism in place and are also hosted on their respective websites. The first level of grievance redressal is Branch Manager in Banks and Insurance Companies followed by Zonal Managers and then General Manager (Customer Care) in Head Office. The grievances concerning private banks and private insurance companies are resolved through Reserve Bank of India (RBI) and Insurance Regulatory and Development Authority of India (IRDAI) respectively. The PSBs have also established Ombudsman for settlement of grievances.

4.21 The Reserve Bank of India (RBI) has launched 'The Reserve Bank Integrated Ombudsman Scheme, 2021' on 12.11.2021. The Scheme integrates the existing three Ombudsman Scheme of RBI namely - (i) the Banking Ombudsman Scheme, 2006 (ii) the Ombudsman Scheme for Non-Banking Financial Companies, 2018 and (iii) the Ombudsman Scheme for Digital Transaction, 2019. In addition to integrating the three existing schemes also includes under its ambit Non-Scheduled Primary Cooperative Banks with a deposit size of Rs.50.00 crore and above. The scheme adopts "One Nation One Ombudsman mechanism". There are 17 Insurance Ombudsman set up by IRDAI. In case of banking there are 24 offices of RBI ombudsman. When the petitioners are not satisfied with the kind of disposal by the concerned Banks/Insurance Company, they can file their complaints with the Ombudsmen concerned for the settlement of their grievance through mediation and passing of awards.

4.22 Further, RBI Governor at his inaugural address at the Annual Conference of the RBI Ombudsman held on March 17, 2025 at Mumbai, stated:

"…The number of complaints received under RBI's Integrated Ombudsman Scheme increased at a compounded average growth rate of almost 50 per cent per year over last two years to 9.34 lakh in 2023-24. The number of complaints processed at the Office of RBI Ombudsman increased by 25 per cent from about 2,35,000 in 2022-23 to almost 2,94,000 in 2023-24…"

4.23 Furthermore, Council for Insurance Ombudsman in their Annual Report (2023-24) have furnished the following:

"…During the year, all 17 Insurance Ombudsman centres together received a total 52575 complaints and disposed of 49705 complaints out of which 12855 were treated as nonentertainable…"

PART II

OBSERVATIONS/RECOMMENDATIONS

DEMAND NO. 32 - DEPARTMENT OF FINANCIAL SERVICES (DFS)

1. The Committee note that the Budget Estimate (BE) for 2025-26 for the Department of Financial Services (DFS) stands at Rs. 1,688.15 crore, reflecting a reduction of Rs. 2,497.69 crore from the Revised Estimate (RE) for 2024-25, which was Rs. 4,185.84 crore. The Committee are informed that the demands are primarily for recapitalisation, gap funding or credit guarantee and for FY 2025-26; but there is no requirement of recapitalisation from the organisations of DFS to maintain regulatory liquidity provisions and also there is no requirement from credit guarantee funds to replenish funds to meet demands from Member Lending Institutions. The Committee feel that while the allocations for FY 2025-26 reflect an optimised funding approach, continuous monitoring and mid-year reassessments are essential to ensure that necessary financial support is provided where required. However, that being said, the Committee would like to highlight on the need for advanced forecasting techniques and strategic financial planning to maintain fiscal prudence and enhance budgetary accuracy. The Committee would like to emphasise on the need for strengthening budgetary foresight to ensure that funds are optimally allocated; utilised as per Monthly Expenditure Plan/Quarterly Expenditure Plan; thereby avoiding surrenders at the RE stage.

ATAL PENSION YOJANA (APY)

2. The Committee note that an allocation of Rs. 308 crore has been made for FY 2025-26 for the Atal Pension Yojana (APY). The Committee observe that for the target number of subscribers to be enrolled vis-à-vis the actual number of subscribers enrolled, 89.80% and 74.19% has been achieved for FY 2023-24 and FY 2024-25 (upto 10.02.2025), respectively. The target for FY 2025-26 has been set at 1,45,00,000. Similarly, the achievement for the target for release of funds and the actual funds released for FY 2023-24 is 92.32% and only 29.19% for FY 2024-25 upto 10.02.2025. The Committee strongly believe that to enhance the effectiveness of the Atal Pension Yojana (APY) and ensure its long-term sustainability, a strong emphasis must be placed on increasing persistency among existing subscribers and expanding outreach of the Scheme. The Committee desire that a multi-pronged approach focused on subscriber retention and awareness enhancement is essential to increase the uptake of the Scheme. The Committee feel that financial literacy campaigns especially in rural and semi-urban areas should be intensified to highlight the long-term benefits of continued participation. The Committee further feel that given the current enrollment trends and financial allocations, continued focus on awareness, ease of access and subscriber retention will be essential for APY to meet its physical and financial targets. The Committee suggest that a periodic review of implementation strategies, backed by data-driven insights be done for the Scheme to continue to provide financial security to the informal sector.

STATUS OF BANKING SECTOR

3. The Committee note the improved financial health and robustness of the banking sector. However, given the shift in household deposits from banks to market-linked financial products and its subsequent impact on the sector, the Committee feel that a comprehensive, multi-faceted approach is necessary for the banking sector. The Committee understand that the decline in financial savings presents a liquidity challenge for banks, limiting access to low-cost funds. In response to the decline in Current Account Savings Account (CASA) deposit ratio, the Committee feel there is a need for banks to diversify funding sources, optimise operations and leverage AI-driven automation to enhance efficiency, reduce costs and drive digital banking innovations. The Committee opine that the adoption of advanced technologies, including AI and Machine Learning, will not only improve operational efficiency but also enhance competitiveness and customer engagement. The Committee would like to emphasise that by fostering a secure banking ecosystem and prioritising technological advancements, banks can position themselves as forward-looking institutions that balance security with innovation. The Committee thus urge for proactive addressing of liquidity concerns, enhancing customer attraction especially in underserved areas and leveraging technology for operational efficiency so that banks can mitigate the impact of declining CASA ratios and maintain their role as stable and reliable financial institutions in the future.

CREDIT FLOW TO MICRO SMALL AND MEDIUM ENTERPRISES (MSMES)

4. The Committee acknowledge the introduction of digital footprint-based loan sanctioning for Micro Small and Medium Enterprises (MSMEs), which enhances financing accessibility to the sector with an average processing time for loan approvals being approximately 15 minutes. The Committee further note the initiatives taken by the Government to facilitate the flow of credit to MSME sector such as Pradhan Mantri MUDRA Yojana (PMMY), establishment of Empowered Committees at Regional RBI offices, involving State Governments, State Level Bankers Committees (SLBCs), Small Industries Development Bank of India (SIDBI), banks and industry representatives, adoption of advanced technologies, collaboration with Account Aggregators and FinTech firms and leveraging of MSME data from sources like Goods and Services Tax Network (GSTN), digital transaction trails etc. The Committee would like to highlight the importance of sustained and sincere efforts to ensure seamless and affordable credit flow to MSMEs due to the sector's critical role in economic growth, employment generation and entrepreneurship. The Committee believe that a well-supported MSME sector will not only drive inclusive development but also reinforce the nation's overall economic framework.

INSURANCE

5. The Committee note the recent Budget announcement regarding increase in the Foreign Direct Investment (FDI) limit from 74% to 100% and the proposed removal of the FDI cap under the Insurance Laws (Amendment) Bill, 2025 which is aimed at attracting stable foreign investments, enhancing

competition and facilitating technology transfer, ultimately leading to better insurance products, improved customer service and more affordable premiums. The Committee is of the opinion that this step may aid in adoption of best global practices and help to improve insurance penetration and density in the country. But at the same time, the Committee would like to emaphasise on the need for some safeguard measures to be in place to counter concerns such as profit repatriation i.e. foreign investors sending earnings back to home countries rather than reinvesting in India; reduced decision-making power of domestic firms; job security concerns arising due to potential automation and cost-cutting measures; focus on high-margin policies, neglecting rural and financially weaker sections etc. The Committee desire that the downside of the FDI in India's insurance sector be dealt with adequately and scrupulously. With regard to the integration of InsurTech (Insurance Technology) in the insurance sector, the Committee observe that it has the potential to enhance efficiency, customer experience and risk assessment through digital innovation as advanced digital technologies such as Artificial Intelligence(AI), big data analytics and blockchain can streamline underwriting, claims processing and risk assessment, making insurance more accessible and efficient. The Committee feel that wider adoption of digital platforms will enable insurers to reach underserved rural and semi-urban markets thus, driving inclusive growth and strengthening India's insurance ecosystem.

PRADHAN MANTRI JAN DHAN YOJANA

6. The Committee note that 54.97 crore bank accounts with a deposit balance of Rs. 2.53 lakh crore have been opened under the PM Jan Dhan

Yojana (PMJDY). The Committee understand that Pradhan Mantri Jan Dhan Yojana is a National Mission on Financial Inclusion with an integrated approach to bring about comprehensive financial inclusion and provide banking services to all households in the country. The Committee feel that it is essential to ensure that accounts opened under the Scheme are active and not dormant or fraudulent as the Scheme ensures access to a range of financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension and thus holds vital importance. The Committee desire that rigorous verification of account details and regular audits of account activity should be conducted. Furthermore, discrepancies should be thoroughly investigated and accounts that are inactive for prolonged periods or found to be fraudulent should be deactivated to ensure that PMJDY serves its intended purpose of financial inclusion effectively. The Committee also recommend the Ministry to evaluate the scheme at regular intervals to sustain the performance over a period of time.

DIGITAL FINANCIAL LITERACY

7. The Committee note the various initiatives undertaken by the Government and the Reserve Bank of India (RBI) to promote digital payment transactions and to create a digital payment ecosystem in the country such as waiving off of Merchant Discount Rate (MDR) charges for transactions upto Rs. 2,000 across all Debit Card Networks, Unified Payments Interface (UPI) transactions [Person to Merchants (P2M)] and Aadhar Enabled Payment System (AePS); Incentive scheme for promotion of RuPay Debit Cards and low-value BHIM-UPI transactions (P2M) to encourage banks to enable RuPay

Debit Card and UPI transactions; launch of Payments Infrastructure Development Fund (PIDF) scheme in January, 2021 to encourage the use of digital payment infrastructure in India; various multi-media and awareness campaigns etc. While initiatives such as MDR exemptions, the PIDF scheme and digital payment awareness campaigns have contributed significantly to promoting a cashless economy, the Committee feel that to further enhance digital payment adoption, especially in rural areas, targeted measures should be implemented to address infrastructure gaps, financial literacy and cybersecurity concerns. The Committee recommend that additional steps such as intensifying financial literacy programs by leveraging local influencers and Self-Help-Groups to build trust and familiarity with digital transactions are needed to deepen penetration in underserved regions along with enhancing cybersecurity measures to boost user confidence. The Committee desire that in addition to the ongoing awareness campaigns on cyber fraud, use of Artificial Intelligence (AI) for fraud detection and automatic real time settlement and pattern recognition may be explored. The Committee further opine that dedicated helpline for users, especially in the rural areas with vernacular language support can further aid fraud prevention and redressal and help the users gain confidence in using the digital payment systems which will ensure a robust, inclusive and secure digital payment landscape across India.

DISPOSAL OF PUBLIC GRIEVANCES

8. The Committee note that a large number of grievances/complaints concerning banking and insurance sectors are received. The Committee observe that as per Annual Report (2023-24) of Council for Insurance

Ombudsman, all 17 Insurance Ombudsman Centres received a total 52575 complaints and disposed of 49705 complaints out of which 12855 were treated as non entertainable. Further, the Committee note that number of complaints received under RBI's Integrated Ombudsman Scheme have increased at a compounded average growth rate of almost 50% over last two years to 9.34 lakhs in 2023-24 and number of complaints processed increased from 2,35,000 in 2022-23 to almost 2,94,000 in 2023-24. The Committee understand that the postal grievances are also digitized and processed through Centralised Public Grievance Redressal and Monitoring System (CPGRAMS) for its onward transmission to the designated Nodal officials for its redressal within a maximum time limit of 21 days by all organisations under the Department of Financial Services. The Committee further note that the petitioner, if not satisfied with the kind of disposal by the concerned banks/insurance company, can file complaint with the concerned Ombudsman for settlement of grievance through mediation and passing of awards. The Committee feel that the issue of adherence to the prescribed time limit for resolution and decisions being binding and enforceable are vital and essential for effective redressal of grievances. The Committee also desire that mechanisms be put in place for resolution of grievances spanning multiple sectors as in today's economy the sectors are not in silos but have mingled; for instance banking sector also offers insurance products. The Committee also believe that a study of the best practices from across the globe can help provide constructive insights for improvement and betterment of the grievance redressal mechanism. Further, the existing regulations should be reviewed to strengthen the grievance redressal mechanism and to eliminate/reduce the causes of grievances in the

banking and insurance sector. To enhance the customer satisfaction and protection, regular awareness programmes and publicity drives about the available redressal mechanisms and the procedure to file complaints should also be carried out frequently. The Committee would also like to highlight upon the importance of adequate training to personnel handling the grievance redressal in various organisations of the Department to ensure swift and efficient resolutions. The Committee feel that proper training can also reduce categorization of complaints as 'non-entertainable' and maximize consumer satisfaction and redressal.

New Delhi;
18 March, 2025
27 Phalguna, 1946 (Saka)

SHRI BHARTRUHARI MAHTAB,
Chairperson
Standing Committee on Finance

Appendix - I

Minutes of the Sixteenth sitting of the Standing Committee on Finance (2024-25). The Committee sat on Monday, the 10th March, 2025 from 1500 hrs. to 1630 hrs in Committee Room '62', Samvidhan Sadan (SS), New Delhi.

PRESENT

Shri Bhartruhari Mahtab - Chairperson

LOK SABHA

2. Shri P. P. Chaudhary
3. Shri Lavu Sri Krishna Devarayalu
4. Shri K. Gopinath
5. Shri Kishori Lal
6. Shri Chudasama Rajeshbhai Naranbhai
7. Thiru Arun Nehru
8. Shri N. K. Premachandran
9. Dr. C. M. Ramesh
10. Smt. Sandhya Ray
11. Shri P. V. Midhun Reddy
12. Dr. K. Sudhakar
13. Shri Manish Tewari

RAJYA SABHA

14. Shri Milind Murli Deora
15. Dr. Ashok Kumar Mittal
16. Shri Yerram Venkata Subba Reddy
17. Shri S. Selvaganabathy
18. Shri Sanjay Seth
19. Dr. Dinesh Sharma
20. Smt. Darshana Singh
21. Shri Pramod Tiwari

SECRETARIAT

1.	Shri Gaurav Goyal	-	Joint Secretary
2.	Shri Vinay Pradeep Barwa	-	Director
3.	Shri Kuldeep Singh Rana	-	Deputy Secretary
4.	Shri T. Mathivanan	-	Deputy Secretary

WITNESSES

Ministry of Finance

Department of Financial Services

1. Shri Nagaraju Maddirala, Secretary
2. Shri Manoj Sahay, Additional Secretary & Financial Advisor
3. Shri Sameer Shukla, JS
4. Shri Manoj Ayyapan, JS
5. Shri Pankaj Sharma, JS
6. Shri Parshant Kumar Goyal, JS
7. Shri Abhijit Phukon, EA
8. Shri Sudhir Shyam, EA
9. Smt. M.G. Jayasree, DDG

2. At the outset, the Chairperson welcomed the witnesses to the Sitting of the Committee and apprised them of the agenda, i.e., examination of the Demands for Grants (2025-26) of the Ministry of Finance (Department of Financial Services). After the customary introduction of the witnesses, the Chairperson initiated the discussion on the subject.

3. The following points, among other things, were discussed during the sitting:-

Issues related to the Demand No. 32 pertaining to Ministry of Finance (Department of Financial Services); under utilization of budgeted funds; inconsistent allocations; Schemes/ programmes to promote financial inclusion and social security; health of the banking sector; 100 per cent Foreign Direct Investment (FDI) in insurance sector; use of Insolvency and Bankruptcy Code as a recovery mechanism; upgradation of regulatory capacity of Insurance Regulatory and Development Authority of India (IRDAI); digital footprint-based credit assessment model for Micro Small and Medium Enterprises (MSMEs) and reclassification of MSMEs; digital literacy programmes; cyber frauds; digital breaches; long term sustainability of Atal Pension Yojana; incentive for promotion of RuPay; capitalization of Regional Rural Banks (RRBs); use of Artificial Intelligence (AI) and Machine Learning (ML) in banking and insurance sector etc.

4. The witnesses responded to the queries raised by the Members. The Chairperson then directed the representatives of the Department of Financial Services (Ministry of Finance) to furnish written replies to the points raised by the Members, which could not be readily replied by them during the discussion, within three days to the Secretariat.

The witnesses then withdrew.

The Committee then adjourned.

A verbatim record of the proceedings has been kept.

Appendix – II

Minutes of the Seventeenth sitting of the Standing Committee on Finance (2024-25). The Committee sat on Tuesday, the 18 March, 2025 from 1500 hrs to 1545 hrs in Committee Room '62', Samvidhan Sadan (SS), New Delhi.

PRESENT

Shri Bhartruhari Mahtab – Chairperson

LOK SABHA

2. Shri P. P. Chaudhary
3. Shri Lavu Sri Krishna Devarayalu
4. Shri Gaurav Gogoi
5. Shri K. Gopinath
6. Shri Suresh Kumar Kashyap
7. Shri Kishori Lal
8. Shri Harendra Singh Malik
9. Shri Chudasama Rajeshbhai Naranbhai
10. Thiru Arun Nehru
11. Shri N. K. Premachandran
12. Dr. C. M. Ramesh
13. Prof. Sougata Ray
14. Dr. Jayanta Kumar Roy
15. Dr. K. Sudhakar
16. Shri Manish Tewari
17. Shri Balashowry Vallabhaneni
18. Shri Prabhakar Reddy Vemireddy

RAJYA SABHA

19. Dr. Ashok Kumar Mittal
20 Shri S. Selvaganabathy
21. Shri Sanjay Seth
22. Dr. Dinesh Sharma
23. Smt. Darshana Singh
24. Shri Pramod Tiwari

SECRETARIAT

1.	Shri Vinay Pradeep Barwa	-	Director
2.	Shri Kuldeep Singh Rana	-	Deputy Secretary
3.	Shri T. Mathivanan	-	Deputy Secretary

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee. Thereafter, the Committee took up the following draft reports for consideration and adoption:

i. Eighth Report on Demands for Grants (2025-26) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Public Enterprises and Investment & Public Asset Management);

ii. Ninth Report on Demands for Grants (2025-26) of the Ministry of Finance (Department of Revenue);

iii. Tenth Report on Demands for Grants (2025-26) of the Ministry of Corporate Affairs;

iv. Eleventh Report on Demands for Grants (2025-26) of the Ministry of Planning;

v. Twelfth Report on Demands for Grants (2025-26) of the Ministry of Statistics and Programme Implementation; and

vi. Thirteenth Report on Demands for Grants (2025-26) of the Ministry of Finance (Department of Financial Services).

After some deliberations, the Committee adopted the above draft Reports with minor modifications and authorised the Chairperson to finalise them and present the Reports to the Parliament.

The Committee then adjourned.