

29

**STANDING COMMITTEE ON FINANCE
(2015-16)**

SIXTEENTH LOK SABHA

**MINISTRY OF FINANCE
(DEPARTMENTS OF ECONOMIC AFFAIRS, EXPENDITURE,
FINANCIAL SERVICES AND DISINVESTMENT)**

**DEMANDS FOR GRANTS
(2016-17)**

TWENTY-NINTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 2016 / Vaisakha, 1938 (Saka)

TWENTY-NINTH REPORT

**STANDING COMMITTEE ON FINANCE
(2015-2016)**

(SIXTEENTH LOK SABHA)

**MINISTRY OF FINANCE
(DEPARTMENTS OF ECONOMIC AFFAIRS, EXPENDITURE,
FINANCIAL SERVICES AND DISINVESTMENT)**

**DEMANDS FOR GRANTS
(2016-17)**

Presented to Lok Sabha on 28 April, 2016

Laid in Rajya Sabha on 28 April, 2016



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 2016/ Vaisakha, 1938 (Saka)

CONTENTS

	COMPOSITION OF THE COMMITTEE.....	Page Nos. (iv)
	INTRODUCTION.....	(v)
PART - I		
I	Introductory	1
II	Brief Summary of the Outcome Budget 2016-17 of the Ministry of Finance(Departments Of Economic Affairs, Financial Services, Expenditure and Disinvestment	2
III.	A. Budgetary Provisions under Demand nos. 29, 30, 34 & 40 B. Detailed Demands for Grants - Major Heads etc.	16
IV.	Budget Speech <i>vis -a-vis</i> Actual Implementation/Funds Surrendered	28
V.	Central Funds for States Schematic Transfer of Funds to States	32
VI.	Utilization of Cess Proceeds - C&AG Report	43
VII.	Small Savings - Decline In Domestic Savings	47
VIII.	Re-capitalization Of PSBs and consolidation of Banking Sector	51
PART - II		
	Observations/Recommendations of the Committee	56-64
ANNEXURES		
	Minutes of the Sitzings held on 29 March, 2016 and 26 April, 2016	65

COMPOSITION OF STANDING COMMITTEE ON FINANCE – 2015-16

Dr. M. Veerappa Moily - Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Venkatesh Babu T.G.
4. Shri Sudip Bandyopadhyay
5. Shri Nishikant Dubey
6. Shri P.C. Gaddigoudar
7. Dr. Gopalakrishnan C.
8. Shri Shyama Charan Gupta
9. Shri Chandrakant B. Khaire
10. Shri Rattan Lal Kataria
11. Shri Bhartruhari Mahtab
12. Shri Prem Das Rai
13. Shri Rayapati Sambasiva Rao
14. Prof. Saugata Roy
15. Shri Jyotiraditya M. Scindia
16. Shri Gajendra Singh Sekhawat
17. Shri Gopal Shetty
18. Shri Anil Shirole
19. Shri Shivkumar Udasi
20. Dr. Kiritbhai Solanki
21. Dr. Kirit Somaiya

RAJYA SABHA

22. Shri Naresh Agrawal
23. Vacant*
24. Shri A. Navaneethakrishnan
25. Shri Satish Chandra Misra
26. Dr. Mahendra Prasad
27. Vacant**
28. Shri C.M. Ramesh
29. Shri Ajay Sancheti
30. Shri Digvijaya Singh
31. Dr. Manmohan Singh

SECRETARIAT

- | | | | |
|----|------------------------------|---|---------------------|
| 1. | Smt. Abha Singh Yaduvanshi | - | Joint Secretary |
| 2. | Shri P.C. Tripathy | - | Director |
| 3. | Shri Ramkumar Suryanarayanan | - | Additional Director |
| 4. | Shri Kh. Ginalal Chung | - | Committee Officer |

* Vacancy caused due to retirement of Shri K.N. Balagopal, MP from Rajya Sabha w.e.f. 2.4.2016

** Vacancy caused due to retirement of Shri Naresh Gujral, MP from Rajya Sabha w.e.f. 9.4.2016

INTRODUCTION

I, the Chairperson of the Committee on Finance, having been authorised by the Committee, present this Twenty-ninth Report (Sixteenth Lok Sabha) on 'Demands for Grants (2016-17)' of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment).

2. The Demands for Grants (2016-17) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) were laid on the Table of the House on 11 March, 2016 under Rule 331E 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 (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) on 29 March, 2016. The Committee wish to express their thanks to the representatives of the Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment 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 (2016-17).

4. The Committee considered and adopted this Report at their Sitting held on 26 April, 2016.

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

**New Delhi;
26 April, 2016
06 Vaisakha, 1938 (Saka)**

**DR. M. VEERAPPA MOILY,
Chairperson,
Standing Committee on Finance**

REPORT PART I

I. INTRODUCTORY

The Ministry of Finance is responsible for the administration of the finances of the Central Government. It is concerned with economic and financial matters affecting the country as a whole. It mobilizes resources for development, regulates expenditure of the Central Government and deals with transfer of resources to States. It works with other Ministries/ Departments, States/ UTs, Reserve Banks of India, Public Financial Institutions and other stake holders for evolving policies for economic development, setting priorities for expenditure, seeking Parliamentary approval to the Budget and ensuring propriety in utilisation of funds. The Ministry has strategic associations with multilateral agencies and foreign Governments. The Ministry administers the following twelve Demands:

DEMAND DEPARTMENT NOS.

- 29 - Department of Economic Affairs
- 30 - Department of Financial Services
- 31 - Appropriation - Interest Payments
- 32 - Transfers to States
- 33 - Appropriation - Repayment of Debt
- 34 - Department of Expenditure
- 35 - Pensions
- 36 - Indian Audit and Accounts Department
- 37 - Department of Revenue
- 38 - Direct Taxes
- 39 - Indirect Taxes
- 40 - Department of Disinvestment

2. Demand nos. viz; 37, 38, and 39 pertaining to Department of Revenue, Direct Taxes and Indirect Taxes respectively are examined and reported separately by the Committee since 1998-99.

II. A BRIEF SUMMARY OF THE OUTCOME BUDGET 2016-17 OF THE MINISTRY OF FINANCE, DEPARTMENTS OF ECONOMIC AFFAIRS, FINANCIAL SERVICES, EXPENDITURE AND DISINVESTMENT

Department of Economic Affairs
Demand No. 29

3. The Department of Economic Affairs formulates and monitors the country's economic policies and programmes having a bearing on domestic and international aspects of economic management. One of the principal responsibilities of this Department is the preparation of the Annual Union Budget (excluding the Railway Budget) and the Economic Survey. Other key functions include:

- Formulation and monitoring of macro-economic policies including issues relating to fiscal policy and public finance, inflation, public debt management and the functioning of Capital Markets, including Stock Exchanges; ways and means to raise Internal Resources through market borrowings and mobilization of small savings;
- Monitoring and raising of external resources through Multilateral and Bilateral Official Development Assistance and Sovereign Borrowings Abroad, Foreign Investments and Monitoring of Foreign Exchange Resources including Balance of Payments;
- Production of Bank Notes and Coins of various denominations, Postal Stationery, Postal Stamps etc;
- Cadre management, Career Planning and Training of the Indian Economic Service (IES) Officers

4. Some key activities and programmes are briefly mentioned below:-

- ❖ The Scheme for Financial Support to PPPs in infrastructure provides Viability Gap Funding (VGF) to PPP projects up to 20 per cent of the Total Project Cost (TPC). So far, 202 projects have been granted in-principle approval and 56 projects have received final approval for a VGF Support of Rs. 5283.55 cr with Total Project Cost (TPC) of Rs. 31,796.62 crore. **An amount of Rs 672.51 crore** has been disbursed in the Financial Year 2015-16 (till 20th of January, 2016) under the VGF Scheme, out of a RE **Budget Provision of Rs. 1043.50 crores**. A budget **provision of Rs 800.00 crore** has been sought in the BE 2016-17 based on an assessment of sponsoring Authority requirements and the number of projects already granted final approval.

- ❖ **International Bank for Reconstruction and Development (IBRD)** -India is one of the founder members of the International Bank for Reconstruction and Development (IBRD) popularly known as World Bank. India has been subscribing to various increases in the Share capital of the Bank from time to time. At its April 2010 meetings, the Development Committee endorsed Voice Reform to increase the Voting Power of Developing and Transition countries (DTC) in IBRD by 3.13%, bringing it to 47.19%. This 2010 realignment includes a General Capital Increase and Selective Capital Increase. Under General Capital Increase, India has been allocated 14,744 shares. India has already subscribed to 3212 Shares during 2011-12, 2883 Shares in 2012-13 and 2883 Shares in 2013-14. India subscribe to 2883 shares each for another two years i.e. during FY 2014-15 and FY 2015-16.

Similarly, India has been allocated 9348 shares under Selective Capital Increase out of which India has already subscribed to 2545 Shares during 2011-12, 2268 shares in FY 2012-13 and 2268 Shares in FY 2013-14. India subscribed to 2267 shares during FY 2014-15. No SCI shares were purchased in FY 2015-16.

Outcome: After the completion of subscription to these shares by India and other countries, India will become the 7th largest shareholder in IBRD with voting power of 2.91%. Before this revision, India's voting power was 2.77% at 11th position among shareholders.

- ❖ **International Development Association (IDA)** - Government of India has decided to become a Donor in IDA. India will contribute US\$ 200 million as Grant to IDA 17. The payment will be made in three years starting from FY 2014-15 through creation of Promissory Notes for an amount of US\$ 66.66 million in the first year, US\$ 66.67 million in the second year and the rest US\$ 66.67 million in the last year i.e. FY 2016-17. The Promissory Notes will be encashed by IDA in 9 installments as per the standard encashment schedule in next nine years.

Outcome:- The payment to IDA will assist World Bank Group to carry out programmes of Poverty Reduction in IDA countries.

- ❖ **General Capital Increase (GCI-VI) of AfDB** India supported 200% General capital Increase -VI of AfDB, enhancing bank's capital from UA 23,947 billion to UA

67.687 billion (UA-unit of Account = SDR). Resultantly, India has been allocated 9,763 new shares (586 paid up and 9177 callable) having a capital value of UA 97,630,000. It has to pay eight annual instalments of UA 732500 (US\$ 10,94,033), against which five instalments have been paid in 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16. During 2015-16, India was allocated 1744 additional shares and made payment of Rs 5.19 Crore to acquire these shares.

Outcome: The payment of instalments of India's subscription to the sixth General capital Increase of AfDB is to fulfil India's international obligation and to maintain India's voting share in the bank.

❖ **MH-2416-International Fund for Agricultural Development (IFAD)**

International Fund for Agricultural Development (IFAD) was set up in 1977 as the 13th Specialized Agency of the United Nations. 176 countries are members of the IFAD and these are grouped into three lists: List- A: Developed Countries, List- B: Oil Producing Countries and List- C: Developing Countries. India is one of the founding members of IFAD and; figures in List C.

- ❖ India has so far contributed USD 134.00 million towards IFAD's Resources. India has Pledged to Contribute an amount of US\$ 37 million to the 10th Replenishment Cycle of IFAD (during 2016-18). India is also a member of the Executive Board of IFAD. India will contribute an amount of US\$ 13 million as the first instalment for the 10th Replenishment cycle by the end of December, 2016.
- ❖ Since 1979, IFAD has provided Financial Assistance to 27 Projects in India in the field of Agriculture, Rural Development, Tribal Development, Women's Empowerment and Natural Resource Management with a Commitment of US\$ 875.71 million (approx.). Out of these, 18 Projects have been completed. Presently, Nine IFAD Assisted Projects with a Total Assistance of US\$ 400.84 million, are under implementation in various states. During July 2015, the Department of Economic Affairs has posed a proposal for top-up financing for the project named "Sustainable Livelihood Programme in Coastal Rural Areas of Tamil Nadu" for an assistance of US\$ 21 million approximately to the IFAD", which has been approved by the Board of IFAD in December 2015.

- ❖ Since 2013, IFAD loans are provided to India at a fixed interest rate of 1.25 percent plus a service charge of 0.75 percent per annum, and with a maturity period of period of 25 years including a grace period of 5 years. However, the project which were signed prior to the introduction of a new Blend Term of loan by IFAD in 2013, IFAD loans are repayable over a period of 40 years including a grace period of ten years and carry no interest charges. However, a service charge at the rate of three-fourths of one percent (0.75%) per annum is levied on loan amount outstanding.

Outcome: IFAD is a Specialised Agency working to enable rural poor to overcome poverty and hunger. IFAD's policies and programme have great relevance at a time when Poverty Eradication remain a major concern of the International Community. India's contribution will help further to this cause. India is also utilising the resources, and domain knowledge and expertise of IFAD in order to achieve the goal of eradication of poverty.

- ❖ **Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM)**

The Global Fund to Fight AIDS, Tuberculosis and Malaria (The Global Fund / GFATM) is an international financing organization that aims to attract and disburse additional resources to prevent and treat HIV and AIDS, Tuberculosis and Malaria. The organization is a public-private partnership with Secretariat at Geneva, Switzerland. The organization began operations in January 2002. GFATM supported programs have estimated to have saved 17 million lives since 2002. GFATM assisted programmes in India are implemented by Ministry Of Health and Family Welfare.

As per the 'Multi-Year Contribution Agreement' signed between Government of India, GFATM and IBRD (as Trustee of the Trust Fund for Global Fund) on 27th January 2014, India has committed USD 16.50 million to GFATM for the period 2013 - 2016. India's contributions for 2013 (USD 3 million), as also for 2014 and 2015 (USD 4.5 million each) have already been paid.

- ❖ **Technical Cooperation Agreement (TCA)**

India's contribution to the Trust Fund of African Development Bank is being utilized for financing consultancy services, training and other techno-economic

activities of the Bank. TCA was renewed in May, 2015 for a period of five years and India's contribution has doubled from Rs 30 Crore to Rs 60 Crore. A budget provision of Rs 10.00 Crore was made during 2015-16 to be released as first tranche under the Agreement.

Outcome: India's grant fund is being utilized to assist AfDB and ADF in the preparation and implementation of development projects and programmes.

❖ **Multilateral Debt Relief Initiative of World Bank**

India's commitment under MDRI resolution is INR 85,962,777 to be paid in 3 equal instalments (INR 28, 654,259 each). The first instalment was paid in Jan. 2007 and the second instalment will be paid in 2015-16. The last instalment is due in 2026.

Outcome: The payment towards MDRI of World Bank would have the effect of increasing funds available to IDA which would benefit all IDA countries.

❖ **Multilateral Debt Relief Initiatives of ADF**

India's commitment to MDRI is UA 14, 4186 million (1,011,071,238,40) over a long period from 2006-2054, against which a sum of Rs 13,04,22,962/- has been paid during 2006-07 to 2014-15. A budget provision Rs 2.57 Crore was made for this purpose during 2015-16.

Outcome: The payment towards MDRI of ADF, is to fulfil India's commitment to work towards debt relief of Heavily Indebted Poor Countries (HIPC)s in Africa.

❖ **MH 3605- The Global Environment facility (GEF)**

The GEF operates as a mechanism for international cooperation for the purpose of providing new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits. GEF provides grants to eligible countries in its five focal areas: Biodiversity, Climate change, Land Degradation, International Waters, Chemicals and Waste. It also serves as financial mechanism for the Convention on Biological Diversity (CBD), United Nations Framework Convention on Climate Change (UNFCCC), Stockholm Convention on Persistent Organic Pollutants (POPs), UN Convention to Combat Desertification (UNCCD), Minimart Convention on Mercury and supports implementation of the Protocol in countries with economics in

transition for the Montreal Protocol on Substances that Deplete the Ozone Layer (MP).

India has been actively involved with GEF process Right from its inception. It has been one of the donors to the GEF Trust Fund. The GEF Trust Fund is replenished every four years through a process in which countries that wish to contribute to GEF Trust Fund discuss and come to agreement on a set of policy reforms to be undertaken, the programming of resources and also pledge resources. The fifth cycle of the GEF Replenishment ended on June 30, 2014 and the GEF-6 (sixth replenishment of resources of the GEF Trust Fund) will fund four years of GEF operations and activities from July 1, 2014 to June 30, 2018. An amount of US \$ 3 Million has been paid in 2015-16 towards the payment of 2nd instalment of 6th Replenishment.

Outcome: India itself is a large beneficiary that serves India's strategic interests. Membership of GEF shows India's commitments towards protection of Environment and Forests. Moreover it also serves India's strategic interests by way of funding of several projects in this sector.

Department of Financial Services

Demand No. 30

5. The Department of Financial Services (DFS) is mainly responsible for policy issues relating to Public Sector Banks (PSBs) and Financial Institutions including their functioning, Banking Sector reforms, including formation of Key Advisory Groups on Chit Fund/ Nidhi Companies, Setting up of Central KYC Registry, standardization of account opening form, Financial Inclusion, Implementation of Government sponsored schemes and KYC guidelines, automation of State Government treasuries; appointment of Chairman-cum-Managing Directors (CMDs) and Executive Directors (EDs), legislative matters, international banking relations, appointment of Governor/Deputy Governor of Reserve Bank of India, matter relating to National Bank for Agriculture and Rural Development (NABARD), Agriculture Finance Corporation, Co-operative Banks, Regional Rural Banks (RRBs), Rural/Agriculture Credit, matters relating to Insurance Sector and performances of Public Sector Companies, administration of various insurance acts, policy matters

relating to pension reforms including National Pension System (NPS), legislative proposals and administrative issues concerning the Pension Fund Regulatory and Development Authority (PFRDA) etc.

6. Major Schemes Administered by Department of Financial Services From Jan Dhan to Jan Suraksha Government through the Budget Speech announced three ambitious Social Security Schemes pertaining to the Insurance and Pension Sectors, namely **Pradhan Mantri Jeevan Jyoti BimaYojana (PMJJBY)**, **Pradhan Mantri Suraksha BimaYojana (PMSBY)** and **Atal Pension Yojana (APY)** to move towards creating a universal social security system, targeted especially for the poor and the under-privileged. Hon'ble Prime Minister launched PMJJBY, PMSBY and APY schemes nationally in Kolkata on 9th May, 2015

The key activities are summarized below:

- ❖ The *Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)* is a one year life insurance scheme, renewable from year to year, offering coverage of Rs 2.00 lakh for death due to any reason and is available to people in the age group of 18 to 50 years (life cover up to the age of 55 years) having a bank account who give their consent to join and enable auto-debit. As on 31st December, 2015, *Cumulative Gross enrolment reported by Banks subject to verification of eligibility, etc. is over 2.92 Crore under PMJJBY. 11,680 Claims were registered under PMJJBY as on 31st December, 2015 out of which 9306 have been disbursed.*
- ❖ The *Pradhan Mantri Suraksha BimaYojana (PMSBY)* is a one year personal accident insurance scheme, renewable from year to year, offering coverage for death/disability due to an accident is available to people in the age group of 18 to 70 years having a bank account who give their consent to join and enable auto-debit. *By 31st December, 2015, Cumulative Gross enrolment reported by Banks subject to verification of eligibility, etc. is over 9.28 crore under PMSBY. Of the 2221 claims registered under PMSBY as on 31st December, 2015; 1209 have been disbursed.*
- ❖ The *Atal Pension Yojana (APY)*, a defined benefit pension scheme launched in June 2015 has a total of about 18 lakh subscribers and corpus of Rs 262 crore as on 31st December, 2015. As on 31st December, 2015, 351 Banks are registered

as APY - Service Providers which include Public Sector Banks, Pvt. Banks, Foreign Banks, Regional Rural Banks, District Commercial Banks, Schedule Commercial Banks, Urban Commercial Banks and Dept. of Post.

- ❖ Varishtha Pension Bima Yojana (VPBY) meant for senior citizens aged 55 years and above was launched on 14.7.2003 and withdrawn on 08.07.2004. Under the scheme, pensioner gets an effective yield of 9% per annum on the investment. The difference between the effective yield of 9% paid to the pensioner and that earned by LIC is compensated as subsidy to LIC by the Government of India. An amount of Rs 111.24 crore has been released under VPBY during 2014-15 and Rs 101.79 crore has been provided in BE 2015-16.
- ❖ *Pradhan Mantri Jan Dhan Yojana was launched on 28.08.2014.* Under this scheme, Bank accounts were opened and benefits were given to the Account holders. One of the benefits under the scheme is providing Life Insurance Cover of Rs 30000/- on death of the life assured, due to any reason, to the deceased's family who have opened Bank account between 15.08.2014 to 31.01.2015 (subject to certain eligibility criteria).
- ❖ Aam Aadmi Bima Yojana (AABY) was being implemented through Life Insurance Corporation of India (LIC). As per information received from LIC, a total number of 4.32 crore lives have been covered under AABY during 2014-15.
- ❖ Interest Subvention for providing Short Term Credit to Farmers -The Government subsidizes the interest rate on loans to farmers through an Interest Subvention Scheme so that short term crop loans upto Rs 3.00 lakh are available to farmers at an interest rate of 7% per annum. During 2015-16, an amount of **Rs 12,405.16 crore** has been released upto 31st December, 2015 as against the provision of **Rs 13,000 crore** for 2015-16.
- ❖ The Government had announced "Indradhanush" a plan to revamp Public Sector banks (PSBs) and as part of that, a programme of capitalization to ensure that PSBs remain BASEL-III compliant was also announced under which **Rs 70,000 crore** is supposed to be provided between 2015-2019. The criteria used was to ensure that CET-1 of all banks remains at 7.5%. Further, large banks were also given growth capital to support credit needs of the growing economy. Post Asset

Quality Review (AQR) exercise by RBI to clean the balance sheets of PSBs, the numbers are being re-looked at and a revised programme of capitalization will be issued as part of "Indradhanush 2.0".

- ❖ Contribution to Securities Redemption Fund for redeeming SLR Marketable Securities issued against subscription in the Rights Issue of equity shares of State Bank of India 2008- A sum of Rs 625 crore is to be transferred annually in the 'Fund', starting from 2008-09, upto the year 2023-24 i.e. for 16 years. Accordingly, a provision of sum of Rs 625 crore has been proposed in the B.E. 2016-17.
- ❖ Stressed Assets Stabilization Fund (SASF)-SASF invested Rs 9,000 crore in 20 years Non-interest bearing Government of India IDBI Special Securities, 2004. SASF transferred these Special Securities of 9,000 crore to IDBI, and IDBI, in turn, transferred NPAs valued at Rs 9,000 crore to SASF. Upto March 2014, SASF has remitted a sum of Rs 4,414/- crore out of the recoveries made by them from NPAs acquired from IDBI Bank Ltd. SASF has estimated to remit a sum of Rs 150 crore during the current financial year.
- ❖ Recapitalization of Regional Rural Banks (RRBs) - Upto 31.3.2014, an amount of Rs 1086.70 crore has been released against the Central Government share of Rs1100 crore to 39 RRBs including Central Madhya Pradesh Gramin Bank (on the recommendations of NABARD to meet the requirement of minimum CRAR of 9%).The additional sum of Rs 700 crore approved earlier by the Cabinet is proposed to be utilized for providing recapitalization to any RRB who is not able to maintain minimum CRAR of 9%. In BE 2015-16, an amount of Rs15 crore has been allocated. Out of this, Rs 3.50 crore has been released to Manipur Rural Bank as recapitalization assistance. A further provision of Rs 140 crore has been proposed for 2016-17.
- ❖ The National Pension System (NPS) has been introduced by the Government of India with effect from 1st January, 2004 mandatorily for all new recruits to the Government (except Armed forces), replacing the existing system of defined benefit pension system. As on 31 December 2015, a number of 2142 corporate and 4.42 lakh employees have been enrolled under this model. The AUM under NPS Corporate Sector Model is Rs 8088.84 crore.

**Department of Expenditure
Demand No.34**

Organization and Functions

7. The Department of Expenditure is the nodal Department for overseeing the public financial management system in the Central Government and the matters connected with State finances. Its principal activities include pre-sanction appraisal of major schemes and projects (both Plan and non-Plan), transferring substantial Central budgetary resources to States and implementing the recommendations of the Finance and Central Pay Commissions.

8. Department of Expenditure (DoE) oversees expenditure management in the Central Ministries through its interface with Financial Advisors, who head the Integrated Finance Divisions in various Ministries, rendering advice on overall financial management to the Secretaries of Administrative Ministries, within the ambit of Financial Rules and Orders notified by DoE. The Department manages financial aspects of personnel management in the Central Government, such as matters relating to pay, creation of posts, cadre reviews etc. The Office of Controller General of Accounts (CGA) and Chief Adviser Cost are two attached offices of Department of Expenditure. The Office of Chief Adviser Cost (CAC) assists Central Ministries in assessing the costs and prices of public goods and services. The Controller General of Accounts is primarily responsible for preparation of Central Government accounts, and assists ministries in making releases through its cadre of Controller Accounts and Pay and Accounts Officers. Service matters pertaining to Indian Audit and Accounts Service, Indian Civil Accounts Service and Indian Cost Accounts Service are dealt with by DoE. DoE has, under its administrative control, two autonomous institutions: the National Institute of Financial Management (NIFM) and Institute of Government Accounts and Finance (INGAF).

9. DoE carries out its business through its Establishment Division, Procurement Policy Division, Plan Finance-I and Plan Finance-II Divisions, Finance Commission Division, Staff Inspection Unit, Cost Accounts Branch, Controller General of Accounts and the Central Pension Accounting Office.

10. DoE examines large value capital acquisition proposals relating to Ministry of Defence and other security agencies such as NTRO and NIA as also matters relating to

Department of Atomic Energy and Department of Space. A public procurement cell has been recently set up in DoE, which deals with procurement policy.

11. DoE examines, from expenditure angle, action taken by various ministries/departments for implementation of recommendations of the Expenditure Reforms Commission. DoE compiles and brings out the Outcome Budget relating to social sector Flagship Programmes administered by various Ministries/Department

12. **Key activities of the Department are summarized below :**

❖ *Releases for schemes on the Plan side are made on the recommendation of the Planning Commission now Niti Aayog/nodal Ministry concerned. **Against an outlay of Rs 36,000.00 crores in BE 2015-16** for Central Assistance to State Plans in Demand No.32 (formerly Grant No.37) of Department of Expenditure, **Rs 13,525.19 crores were released till 23.12.2015.** Central assistance for State plans, including Normal Central Assistance (NCA), Special Plan Assistance and Special Central Assistance, Additional Central Assistance (ACA) for Externally Aided Projects (EAPs) and ACA for specific schemes, is also provided from Demand No.32 (formerly Grant No.37) for implementation of various programmes.*

❖ An outlay of Rs 4.00 crore under Revenue Section has been provided in 2015-16 for the Central Plan Scheme for enhancing training capacity of National Institute of Financial Management (NIFM). Out of this, the provision of Rs 3.00 crore is targeted to train 120 officers of the Central/ State/UT Governments for high level professional course covering basic elements of Post Graduate Diploma in Business Management (PGDBM) - Finance. In the year 2015-16, 73 candidates, were sponsored from various Central/State/UT Govts. The provision of Rs 1.00 crore under Revenue Section is for providing one year training programme to 20 officers of Central/State/UT Governments in Post-Graduate Programme in Financial Markets in collaboration with National Stock Exchange.

❖ An outlay of Rs 37.00 crore under Revenue Section has been provided in 2015-16 through 2nd batch Technical Supplementary Demand for Public Financial Management System (PFMS), formerly Central Plan Scheme Monitoring System (CPSMS). PFMS is a web based application which aims at establishing a suitable on-line Management Information System and Decision Support System for public fund management for the

Government of India. *PFMS was started as a Central Sector Scheme of Niti Aayog (Planning Commission) and has been now transferred under Department of Expenditure in September, 2015 and is being implemented by the Controller General of Accounts.* After the successful pilot run in 04 flagship schemes in 4 states, the Cabinet has accorded for national rollout of PFMS in January 2013. *DBT through PFMS was started w.e.f. January 2013.* Non Plan payments have also started in 2015-16 in 94 Pay and Account Offices on PFMS. Thus PFMS is being envisaged as Integrated Financial Management Information System (IFMIS) for Govt. of India.

Department of Disinvestment

Demand No. 40

13. The Department of Disinvestment is mainly responsible for disinvestment of Government shareholding in CPSEs. Additionally, it deals with all matters relating to sale of Central Government equity through offer for sale or private placement in erstwhile CPSEs.

14. The Department of Disinvestment is mandated the following work:

(a) All matters relating to disinvestment of Central Government equity from Central Public Sector Enterprises(CPSEs);

(b) All matters relating to sale of Central Government equity through offer for sale or private placement in the erstwhile CPSEs;

Note: *All other post disinvestment matters, including those relating to and arising out of the exercise of call option by the strategic partner in the erstwhile CPSEs, shall continue to be handled by the administrative Ministry or Department concerned, where necessary, in consultation with the Department of Disinvestment.*

(2) Decisions on the recommendations of Disinvestment Commission on the modalities of disinvestment, including restructuring;

(3) Implementation of disinvestment decisions, including appointment of advisors, pricing of shares, and other terms and conditions of disinvestment;

(4) Disinvestment Commission;

(5) CPSEs for purposes of disinvestment of Government equity only;

(6) Financial policy in regard to the utilization of the proceeds of disinvestment channelised into the National Investment Fund.

Approach

15. The current policy envisages development of people's ownership of Central Public Sector Enterprises (CPSEs) so as to share in their wealth and prosperity, while ensuring that the Government equity does not fall below 51% and Government retains management control.

16. The salient features of the Current Policy on Disinvestment are:

- i) In case of profit making minority stake sale disinvested (49% of equity of Central Public Sector Enterprises) management control of Central Public Sector Enterprises (CPSEs) will remain with the government;
- ii) Various factors such as different equity structure, financial strength, fund requirement, sector of operation etc, do not permit uniform pattern of disinvestment; therefore, disinvestment to be considered on merits and on a case-by-case basis;
- iii) Citizens have a right to own part of the shares of PSEs; that should result in increased retail shareholding;
- iv) The listed profitable CPSEs (not meeting mandatory public shareholding of 10% which now stand revised to 25%) to be made compliant through sale of shares by Government or by the CPSEs through issue of fresh shares or a combination of both.

Advantages of Disinvestment and listing

17. There are inherent advantages in the listing of shares of profitable CPSEs on the stock exchanges as it triggers multilayered oversight mechanism which enhances corporate governance as well as provides for level playing field to CPSEs vis-à-vis private companies in regard to accessing the resources through the capital market. The process enhances shareholder value in the listed CPSEs.

- (a) The listed companies are mandated by Company Law/ SEBI/Stock Exchanges to comply with higher level of disclosures. This will bring greater transparency and credibility;
- (b) With the induction of independent directors, management accountability, competencies and performance are enhanced.
- (c) Investor centric research provides on a regular basis third party professional assessment of risks as well as future prospects to management to help it benchmark its business model with the industry.
- (d) Daily trading volume and prices work as a barometer for the management and operate as a concurrent source of feedback with regard to the impact of

managerial decisions as well as shop floor developments. The higher levels of public scrutiny promotes ethical conduct of business and improves corporate culture;

(e) Expectations of investors (shareholders) will bring productive pressure upon the management to perform more efficiently to unlock the true value of the enterprise.

(f) Listing of profitable CPSEs on the stock exchanges with a mandatory public ownership of at least 25% shareholding has been observed to increase significantly the value of the Enterprise and Government's residual shareholding as well as those held by the public post-listing.

(g) Listing also provides development of people ownership of CPSEs, thus encouraging participation and sharing in the prosperity of CPSEs.

(h) The process of listing of CPSEs on stock exchanged facilitates development and deepening of capital market and spread of equity culture.

(i) Raise budgetary resources for the Government.

Utilization of Disinvestment proceeds

18. In January 2005, the Government decided to constitute a "National Investment Fund" (NIF) into which the realisation from sale of minority shareholding of the Government in profitable CPSEs would be channelized. Pursuant to its subsequent restructuring in January-February, 2013 *it has been decided that the disinvestment proceeds will be credited to the existing 'Public Account' under the head NIF with effect from the fiscal year 2013-14 and they would remain there until withdrawn /invested for the approved purpose.* It was also decided that the NIF would be utilized for the following purposes:

- ☐ Subscribing to the shares being issued by the CPSEs including PSBs and Public Sector Insurance Companies, on rights basis so as to ensure 51% ownership of the Government in those CPSEs/PSBs/ Insurance Companies, is not diluted.
- ☐ Preferential allotment of shares of the CPSE to promoters as per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 so that Government shareholding does not go down below 51% in all cases where the CPSE is going to raise fresh equity to meet its capital expenditure program.
- ☐ Recapitalization of public sector banks and public sector insurance companies.
- ☐ Investment by Government in RRBs/IIFCL/NABARD/Exim Bank;
- ☐ Equity infusion in various Metro projects;
- ☐ Investment in Bhartiya Nabhikiya Vidyut Nigam Limited and Uranium Corporation of India Ltd.

□ Investment in Indian Railways towards capital expenditure.

An amount of Rs 29,438.42 crore was transferred to NIF during the year 2014-15 for meeting capital expenditure of the Ministry of Railways and re-capitalization of Public Sector Banks (PSBs).

Budget target and achievement

19. The CPSEs' **divestment target for 2014-15 was Rs 43,425 crore**. Against this target, **the Government realized an amount of Rs 24,349 crore** (including Rs 72 crore by way of employees OFS). **The budget estimate (BE) for disinvestment during the year 2015-16 is Rs 69,500 crore**. This comprises Rs 41,000 crore from disinvestment of Central Public Sector Enterprises (CPSEs) and Rs 28,500 crore from "strategic disinvestment". As against this target, **the Government has realized Rs 12,701 crore (end December, 2015)** through 4 issues of Rural Electrification Corporation (REC), Power Finance Corporation (PFC), Dredging Corporation of India Ltd. (DCIL) and Indian Oil Corporation (IOC).

A. BUDGETARY PROVISIONS UNDER DEMANDS NOS. 29,30, 34 & 40

20. Summary of BUDGETARY PROVISIONS UNDER DEMANDS NOS. 29,30, 34 & 40 are as follows:

DEMAND NO. 29
DEPARTMENT OF ECONOMIC AFFAIRS

Description	Actuals 2014-15			Budget Estimates 2015-16			Revised Estimates 2015-16			Budget Estimates 2016-17		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Total-Revenue Section	9243.97	6028.01	15271.98	9598.20	8176.68	17774.88	5615.20	6167.63	11782.83	4550.00	7785.39	12335.39
Charged	...	...	...	...	...	...	...	...	...	...	...	...
Voted	9243.97	6028.01	15271.98	9598.20	8176.68	17774.88	5615.20	6167.63	11782.83	4550.00	7785.39	12335.39
Total Capital Section	365.00	9678.49	10043.49	512.50	5289.19	5801.69	1044.50	60840.78	61885.28	250.00	8220.70	8470.70
Charged	...	...	...	...	...	...	...	...	...	...	...	...
Voted	365.00	9678.49	10043.49	512.50	5289.19	5801.69	1044.50	60840.78	61885.28	250.00	8220.70	8470.70
Total (Revenue & Capital)	9608.97	15706.50	25315.47	10110.70	13465.87	23576.57	6659.70	67008.41	73668.11	4800.00	16006.09	20806.09
Charged	...	...	...	...	...	...	...	...	...	...	...	...
Voted	9608.97	15706.50	25315.47	10110.70	13465.87	23576.57	6659.70	67008.41	73668.11	4800.00	16006.09	20806.09

DEMAND NO. 30
DEPARTMENT OF FINANCIAL SERVICES

Description	Actuals 2014-15			Budget Estimates 2015-16			Revised Estimates 2015-16			Budget Estimates 2016-17		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Total-Revenue Section	250.00	7660.33	7910.33	250.00	15061.80	15311.80	713.00	14932.21	15645.21	2785.00	1350.52	4135.52
Charged	...	...	...	...	...	...	...	...	...	...	...	...
Voted	250.00	7660.33	7910.33	250.00	15061.80	15311.80	713.00	14932.21	15645.21	2785.00	1350.52	4135.52
Total Capital Section	10503.30	566.26	15218.25	17495.00	...	17465.00	28405.00	161.04	28566.04	29620.00	...	29620.00
Charged	...	...	...	...	...	...	...	...	...	...	...	...
Voted	10503.30	566.26	15218.25	17495.00	...	17465.00	28405.00	161.04	28566.04	29620.00	...	29620.00
Total (Revenue & Capital)	10753.30	8226.59	23128.58	17745.00	15061.80	32806.80	29118.00	15093.25	44211.25	32405.00	1350.52	33755.52
Charged	...	...	...	...	...	...	...	...	...	...	...	...
Voted	10753.30	8226.59	23128.58	17745.00	15061.80	32806.80	29118.00	15093.25	44211.25	32405.00	1350.52	33755.52

**APPROPRIATION NO. 31
INTEREST PAYMENTS**

Description	Actuals 2014-15			Budget Estimates 2015-16			Revised Estimates 2015-16			Budget Estimates 2016-17		
	Plan	Non-Plan	Total	Plan		Plan	Non-Plan	Total	Plan		Plan	Non-Plan
Total-Revenue Section	...	425098.26	425098.26	...	476089.17	476089.17	...	457440.42	457440.42	...	507669.95	507669.95
Charged	...	425098.26	425098.26	...	476089.17	476089.17	...	457440.42	457440.42	...	507669.95	507669.95
Voted
Total Capital Section
Charged
Voted
Total (Revenue & Capital)	...	425098.26	425098.26	...	476089.17	476089.17	...	457440.42	457440.42	...	507669.95	507669.95
Charged	...	425098.26	425098.26	...	476089.17	476089.17	...	457440.42	457440.42	...	507669.95	507669.95
Voted

**DEMAND NO. 32
TRANSFER TO STATE**

Description	Actuals 2014-15			Budget Estimates 2015-16			Revised Estimates 2015-16			Budget Estimates 2016-17		
	Plan	Non-Plan	Total	Plan		Plan	Non-Plan	Total	Plan		Plan	Non-Plan
Total-Revenue Section	54071.52	69060.07	123131.59	23500.00	100569.52	124069.52	15950.00	105537.52	121487.52	12350.00	113546.36	125896.36
Charged	...	61813.32	61813.32	...	88864.52	88864052	...	87414.52	87414.52	...	100646.36	100646.36
Voted	54071.52	7246.75	61318.27	23500.00	11705.00	35205.00	15950.00	18123.00	34073.00	12350.00	12900.00	25250.00
Total Capital Section	11897.32	...	11897.32	12500.00	100.00	12600.00	12500.00	100.00	12600.00	12500.00	100.00	12600.00
Charged	11897.32	...	11897.32	12500.00	100.00	12600.00	12500.00	100.00	12600.00	12500.00	100.00	12600.00
Voted	...	...	...	...	...	...	...	...	...	...	...	...
Total (Revenue & Capital)	65968.84	69060.07	135028.91	36000.00	100669.52	136669.52	28450.00	105637.52	134087.52	24850.00	113646.36	138496.36
Charged	11897.32	61813.32	73710.64	12500.00	88964.52	101464.52	12500.00	87514.52	100014.52	12500.00	100746.36	113246.36
Voted	54071.52	7246.75	61318.27	23500.00	11705.00	35202.00	15950.00	18123.00	34073.00	12350.00	12900.00	25250.00

**APPROPRIATION NO. 33
REPAYMENT OF DEBT**

Description	Actuals 2014-15			Budget Estimates 2015-16			Revised Estimates 2015-16			Budget Estimates 2016-17		
	Plan	Non-Plan	Total	Plan		Plan	Non-Plan	Total	Plan		Plan	Non-Plan
Total-Revenue Section
Charged
Voted
Total Capital Section	...	3707699.65	3707699.65	...	4233227.78	4233227.78	...	3539458.57	3539458.57	...	4406431.08	4406431.08
Charged	...	3707699.65	3707699.65	...	4233227.78	4233227.78	...	3539458.57	3539458.57	...	4406431.08	4406431.08
Voted
Total (Revenue & Capital)	...	3707699.65	3707699.65	...	4233227.78	4233227.78	...	3539458.57	3539458.57	...	4406431.08	4406431.08
Charged	...	3707699.65	3707699.65	...	4233227.78	4233227.78	...	3539458.57	3539458.57	...	4406431.08	4406431.08
Voted

**DEMAND NO. 34
DEPARTMENT OF EXPENDITURE**

Description	Actuals 2014-15			Budget Estimates 2015-16			Revised Estimates 2015-16			Budget Estimates 2016-17		
	Plan	Non-Plan	Total	Plan		Plan	Non-Plan	Total	Plan		Plan	Non-Plan
Total-Revenue Section	3.50	139.22	142.72	4.00	152.84	156.84	44.30	151.73	196.03	60.00	166.65	226.65
Charged	...	...	...	...	...	...	...	...	...	...	...	...
Voted	3.50	139.22	142.72	4.00	152.84	156.84	44.30	151.73	196.03	60.00	166.65	226.65
Total Capital Section	...	...	...	...	...	...	...	...	...	...	...	...
Charged	...	...	...	...	...	...	...	...	...	...	...	...
Voted	...	...	...	...	...	...	...	...	...	...	...	...
Total (Revenue & Capital)	3.50	139.22	142.72	4.00	152.84	156.84	44.30	151.73	196.03	60.00	166.65	226.65
Charged	...	...	...	...	...	...	...	...	...	...	...	...
Voted	3.50	139.22	142.72	4.00	152.84	156.84	44.30	151.73	196.03	60.00	166.65	226.65

**DEMAND NO. 35
PENSIONS**

Description	Actuals 2014-15			Budget Estimates 2015-16			Revised Estimates 2015-16			Budget Estimates 2016-17		
	Plan	Non-Plan	Total	Plan		Plan	Non-Plan	Total	Plan		Plan	Non-Plan
Total-Revenue Section	...	25297.72	25297.72	...	27285.00	27285.00	...	27785.00	27785.00	...	32070.00	32070.00
Charged	...	127.09	127.09	...	140.00	140.00	...	140	140	...	160.00	160.00
Voted	...	25170.63	25170.63	...	27145.00	27145.00	...	27645.00	27645.00	...	31910.00	31910.00
Total Capital Section
Charged
Voted
Total (Revenue & Capital)	...	25297.72	25297.72	...	27285.00	27285.00	...	27785.00	27785.00	...	32070.00	32070.00
Charged	...	127.09	127.09	...	140.00	140.00	...	140	140	...	160.00	160.00
Voted	...	25170.63	25170.63	...	27145.00	27145.00	...	27645.00	27645.00	...	31910.00	31910.00

**DEMAND NO. 36
INDIAN AUDIT & ACCOUNTS DEPARTMENT**

Description	Actuals 2014-15			Budget Estimates 2015-16			Revised Estimates 2015-16			Budget Estimates 2016-17		
	Plan	Non-Plan	Total	Plan		Plan	Non-Plan	Total	Plan		Plan	Non-Plan
Total-Revenue Section	...	3215.36	3215.36	...	3662.39	3662.39	...	3416.09	3416.09	...	3922.77	3922.77
Charged	...	102.56	102.56	...	117.05	117.05	...	114.72	114.72	...	129.63	129.63
Voted	...	3112.80	3112.80	...	3545.34	3545.34	...	3301.37	3301.37	...	3793.14	3793.14
Total Capital Section	...	6.20	6.20	...	15.00	15.00	...	7.50	7.50	...	11.50	11.50
Charged
Voted	...	6.20	6.20	...	15.00	15.00	...	7.50	7.50	...	11.50	11.50
Total (Revenue & Capital)	...	3221.56	3221.56	...	3677.39	3677.39	...	3423.59	3423.59	...	3934.27	3934.27
Charged	...	102.56	102.56	...	117.05	117.05	...	114.72	114.72	...	129.63	129.63
Voted	...	3119.00	3119.00	...	3560.34	3560.34	...	3308.87	3308.87	...	3804.64	3804.64

DEMAND NO. 40
DEPARTMENT OF DISINVESTMENT

Description	Actuals 2014-15			Budget Estimates 2015-16			Revised Estimates 2015-16			Budget Estimates 2016-17		
	Plan	Non-Plan	Total	Plan		Plan	Non-Plan	Total	Plan		Plan	Non-Plan
Total-Revenue Section	...	22.35	22.35	...	44.00	44.00	...	35.00	35.00	...	40.00	40.00
Charged	44.00	44.00	...	...	...	...	...	...
Voted	...	22.35	22.35	...	...	...	...	35.00	35.00	...	40.00	40.00
Total Capital Section
Charged
Voted
Total (Revenue & Capital)	...	22.35	22.35	...	44.00	44.00	...	35.00	35.00	...	40.00	40.00
Charged
Voted	...	22.35	22.35	...	44.00	44.00	...	35.00	35.00	...	40.00	40.00

21. While deposing before the Standing Committee on Finance in connection with examination of the Demands for Grants(2016-17) of the Ministry of Finance on 29 March, 2016, Finance Secretary, made the following submission:

"I would like to briefly touch upon the key features of the Budget Estimate (BE) for the year 2016-2017. The BE envisages a total expenditure of Rs. 19.78 lakh crore net, which represents an increase of 11.28 per cent over the BE of 2015-2016. The Plan expenditure for 2016-2017 is placed at Rs. 5,50,010 crore, which represents 27.81 per cent of total expenditure and 15.26 per cent more than the Revised Estimates of the Plan Expenditure of 2015-2016.

The non-Plan expenditure is budgeted at Rs. 14.28 lakh crore, representing an increase of 8.83 per cent over the BE of 2015-2016. The increase in non-Plan expenditure is mainly on account of higher provision for payment of interest.

In so far as Revenue Receipts are concerned, Gross Revenue Receipts, that is, Tax Revenue plus non-Tax Revenue are estimated to be Rs. 13,77,022 crore in 2016-2017, an increase of 20.62 per cent over the BE of 2015-2016. Non-tax revenue receipts are estimated at Rs. 3,22,921 crore, an increase of 45.64 per cent over the previous year's BE.

The revenue deficit for the year 2016-2017 has been estimated at 2.3 per cent against the estimated 2.8 per cent in 2015-2016. The fiscal deficit for the year 2016-2017 has been estimated at 3.5 per cent against the estimated 3.9 per cent in 2015-2016....

The credibility of this year which is going to end on the 31st March, 2016 and the Budget which has been presented is intact. I just want to say that the budget estimate for the financial year which is going to end this year on 31st March, 2016 was Rs. 17.77 lakh crore. The Revised Estimate is Rs. 17.85 lakh crore. It is after many years, and this was stated by the Finance Minister on the floor of the House that the target in terms of the BE and the RE has been higher, normally there would be cuts in expenditure, there would be a lot of deviation and this had been pointed out by PAC. This year we have remained within that whatever was promised at the beginning we have stuck to that. Even in the plan expenditure side, the BE was Rs. 4.65 lakh crore. In fact for the first time, in the RE, the level of Plan has raised to Rs. 4.77 lakh crore. We are confident. For various reasons, you have raised that. May be disinvestment money did not come in but we got our resources from elsewhere. We have stuck to these targets. There have been no expenditure cuts across the board. Issues have been raised about surrenders and all that. We will give the answers to that.."

B. BUDGETARY ALLOCATIONS AND THEIR UTILISATION

Demands no.29
Major Head : 2235
Sub Major Head : 02
Social Security and Welfare – Other Programmes

Non Plan

(Rs in Crore)

Year	BE	RE	Actuals
2014-15	NIL	NIL	NIL
2015-16	1000	48	NIL
2016-17	8.5	-	-

22. On being asked what this Head is meant for, the Ministry of Finance submitted the reply as stated under:

"This is for seed capital infusion for Social Security Network. The idea was to keep a provision for financing any welfare scheme for providing social security such as Insurance/Pension etc. Such schemes are generally implemented through Banks/Financial Institutions, Special Fund created for the purpose, budget support have to be given to them in the form of seed capital."

23. In respect of detail expenditure incurred under this Head of account for 2015-16 the Ministry stated as below:

"Due to non-finalization of any such scheme, no expenditure was incurred under this Head in the year 2015-16."

24. On the reasons for the steep reduction from the BE (2015-16) at the RE stage under this Head the Committee were informed by Ministry of Finance as given below:

"Steep reduction is mainly on account of non-formulation of the schemes and the allocation was utilized for other requirements."

25. Explaining the allocation of Rs 8.50 crore under this Head of account for 2016-17, the Ministry of Finance submitted as given below:

"A lump sum provision has been kept in 2016-17 from the available resources (residual) in anticipation that the schemes may be finalized and funds may be provided through re-appropriation from the saving available in the other heads, if required."

26. During the sitting held on 29 March, 2016 in connection with examination of the Demands for Grants 2016-17, queries were raised in respect of allocation *vis-a-vis* their utilization under Social Security and Welfare Head. The Ministry of Finance inter alia furnished the following written submission in their post

evidence replies as stated below:

"Budgetary provision of Rs. 1000.00 crore was made at the BE stage for transfer to Nirbhaya Fund to ensure adequate availability of funds for Nirbhaya related schemes in 2015-16. M/o WCD is the nodal Ministry for activities related to Nirbhaya Fund. This included conducting Inter Ministerial Group meetings for approval of schemes of various Ministries/ Departments, to be financed from Nirbhaya Fund. At RE stage, it was seen that Rs. 2000.00 crore were available in Nirbhaya Fund and there had been a negligible expenditure at that stage. In order to ensure that there is no idle parking of funds, the allocation at the RE stage was reduced. In order to ensure adequate availability of funds for Nirbhaya related schemes, the fund transfer would henceforth (from 2016-17) be made in the Demands of the respective Ministries/ Departments, based on their estimation of the requirement of funds for Nirbhaya related schemes.

The utilisation of funds of Nirbhaya Fund depends on the schemes approved and implemented by the various Ministries/ Departments. M/o WCD is the nodal Ministry for activities related to Nirbhaya Fund. This included conducting Inter Ministerial Group meetings for approval of schemes of various Ministries/ Departments, to be financed from Nirbhaya Fund. At present, two schemes run by M/o WCD are in the implementation stage, namely, Women's Helpline and One Stop Crisis Centre. The movement of Nirbhaya Fund was done for two reasons - First, as per the Allocation of Business Rules, "Women and Child welfare and co-ordination of activities of other Ministries and Organisations in connection with this subject" falls under the purview of M/o WCD. Secondly, the Ministry has requisite subject matter expertise which will expedite the approval and implementation of Nirbhaya Schemes and also improve monitoring. As per the information provided by M/o WCD, 7 schemes have been approved till 11th March, 2016 and it is expected the utilisation of Nirbhaya Fund will show a significant improvement in the utilisation pattern in 2016-17."

27. Queries were raised in respect of allocation of funds on certain Demand nos. which include the following:

(i)

Demand no.29
Major Head : 2810
Ministry Renewable Energy

Non Plan

(Rs in Crore)

Year	BE	RE	Actuals
2014-15	4700	4700	4700
2015-16	4700	100	
2016-17	Nil	-	-

27.1 On being asked the rationale for reducing the BE 2015-16 of Rs 4700 crore to Rs 100 crore at RE stage and on the reason that this Head of Account is

kept under Department of Expenditure instead of allocating the funds directly to the Ministry Renewable Energy account, the Ministry of Finance inter alia furnished the following written submission in their post evidence replies as stated below:

"The BE 2015-16 provision of Rs.4700 crore meant for transfer to National Clean Energy Fund was kept at Rs.100 crore in RE 2015-16 for following reasons:-

Since inception of the National Clean Energy Fund (NCEF), transfer to the fund was more as compared to the expenditure under the schemes. There is no short-fall in meeting the expenditure of the various schemes being implemented by the line Ministries. The transfer to NCEF also depends on the absorption capacity of the line ministries. After taking into account the balance of Rs.5152.51 crore available as on 1.4.2015 in the Fund, the transfer to NCEF was restricted to Rs.100 crore in RE 2015-16, as the anticipated expenditure for the schemes to be met from NCEF was Rs.5247.09 crore in Financial Year 2015-16. Thus, after transferring Rs.100 crore in RE 2015-16, the fund position was Rs.5252.51 crore, which was sufficient to meet the requirement of Rs.5247.09 crore."

(ii) Under Demand no. 29 **Major head: 3465, (sub major head: 797; detailed head: 02.00.63) on** inter account transfer (to NIIF) the allocation is as under:

Non Plan		(Rs in crores)	
Year	BE	RE	Actuals
2015-16	Nil	500	Nil
2016-17	4000		

27.2. On being asked why no allocation at BE Stage in 2015-16 under this Head was made, the Ministry of Finance inter alia submitted the following written reply as stated under:

" At BE Stage, NIIF was not operational, since it was at the stage of creation."

27.3. On the reasons that prompted for allocation of Rs 500 crore at RE stage in 2015-16 under this Head of Account, the Ministry of Finance, furnished the following reply:

"NIIF was incorporated as a Company under Companies Act, 2013 on December 28, 2015. It was expected that NIIF would be operational by the last quarter of the Financial Year 2015-16, and hence Rs 500 crore was allocated to the corpus of NIIF initially at the augmentation stage. "

27.4 The Committee desired to know the reason why Rs 4000 crores has been

allocated in BE 2016-17 under this Head of account giving a huge rise in the amount allocated under this Head in 2016-17 as compared to the amount allocated in the previous year i.e. 2015-16. The Ministry of Finance *inter alia* furnished the following explanation as stated below:

"NIIF is likely to be operational very soon. The infrastructure projects under NIIF are also likely to be finalized for equity support soon, for implementation of which Rs 4000 crore has been allocated in BE 2016-17."

(iii)

Demand no. 30

Major Head : 5465

Detailed Head : **.00.54

Investment (India Aspiration Fund)

Plan		(Rs. In crores)	
Year	BE	RE	Actuals
2014-15	Nil	Nil	Nil
2015-16	Nil	500	
2016-17	600		

27.5 On being asked to state the reasons for making allocation of Rs 500 crore at RE stage only for 2015-16, the Ministry of Finance submitted the following written reply as stated under:

" The Union Budget of 2014-15 had the following announcement:

'In order to create a conducive eco-system for the venture capital in the MSME sector it is proposed to establish a Rs 10,000 crore fund to act as a catalyst to attract private Capital by way of providing equity, quasi equity, soft loans and other risk capital for start-up companies.'

On 16th January, 2016, the Hon'ble Prime Minister launched the Start up India Action Plan wherein, inter alia, he announced the following:

'To meet the requirements of Start ups, a dedicated Fund of Funds of INR 10,000 crore will be set up with annual allocation of Rs 2,500 crore each year over the next four years.'

Accordingly, based on resource availability an initial allocation of Rs 500 crore has been made at RE stage for FY 2015-16, so that operation of the Fund can commence without delay."

27.6 When asked to furnish the nature of expenditure incurred under this Head of account and the Actual expenditure incurred under this Head for 2015-6, the Ministry of Finance *inter alia* gave their reply as submitted below:

" Question does not arise as fund is not yet approved."

27.7 On the rationale for allocation of Rs 600 crore for 2016-17 under this Head of account, the Ministry of Finance stated as below:

"Rs 600 crore have been allocated for FY 2016-17 based on resource availability. Depending upon requirements, the amount will be used for fund of funds for Start ups."

27.8 During the sitting held on 29 March, 2016 to take oral evidence of the representatives of the Ministry of Finance in connection with examination of the Demands for Grants 2016-17, the Committee raised query to ascertain whether the Government is thinking of investing taxpayers' money in venture capital funds which are high risk ventures. The Ministry of Finance, inter alia, furnished the following post evidence written reply as stated below:

"Hon'ble Finance Minister in his July, 2014 Budget speech had announced establishment of a Rs.10,000 crore fund to act as a catalyst to attract private capital by way of providing equity, quasi-equity, soft loans and other risk capital for start-up companies, in order to create a conducive eco-system for the venture capital in the MSME sector.

The "Start-up India, Stand up India" initiatives were announced by the Hon'ble Prime Minister in his address to the nation on 15th August, 2015. In furtherance of this announcement, the Start-up Action Plan was announced by the Hon'ble Prime Minister on January 16, 2016 which inter alia included establishment of a Fund of Funds with a total corpus of Rs.10,000 crore in order to provide funding support to Startups. The Fund was to be in the nature of Fund of Funds, which means that it would not invest directly into Startups, but would participate in the capital of SEBI registered Alternate Investment Funds (AIF).

Total corpus of Rs.10, 000 crore is envisaged with contribution spread over the 14th and 15th Finance Commission cycles subject to progress of the scheme and availability of funds. An amount of Rs.500 crore has been provided in RE 2015-16 and Rs.600 crore as BE 2016-17. Further provisions will be made as grant assistance through Gross Budgetary Support. Accordingly, an amount of Rs.500 crore has been released to SIDBI for Financial year 2015-16 for establishment of fund of funds for Start-ups.

A total corpus of Rs.5000 crores for the Credit Guarantee Fund for Stand Up India in the next five years, beginning with Rs.500 crore in 2016-17, has been approved for the scheme. Accordingly, Rs.500 crore has been allocated under BE 2016-17 for this scheme."

IV. BUDGET SPEECH *vis -a-vis* IMPLEMENTATION/FUND UTILIZATION

28. Budget Speech 2015-2016 (28th February 2015) vis-a-vis status of implementation as on 20 January, 2016

(Source: <http://indiabudget.nic.in>)

S.No	Para	Budget Announcement	Status of Implementation

1	29	<p>Agriculture Our commitment to farmers runs deep. We have already taken major steps to address the two major factors critical to agricultural production: soil and water. An ambitious Soil Health Card Scheme has been launched to improve soil fertility on a sustainable basis. In order to improve soil health, I also propose to support Agriculture Ministry's organic farming scheme – "Paramparagat Krishi Vikas Yojana". The Pradhan Mantri Gram Sinchai Yojana is aimed at irrigating the field of every farmer and improving water use efficiency to provide Per Drop More Crop'. I am <i>allocating Rs 5,300 crore to support micro-irrigation</i>, watershed development and the Pradhan Mantri Krishi Sinchai Yojana. I urge the States to chip in substantially in this vital sector.</p> <p>[Nodal Ministry/Department: Department of Agriculture, Cooperation & Farmer Welfare]</p>	<p>Pradhan Mantri Krishi Sinchai Yojana Scheme has been approved on 1.7.2015. Against the allocation of Rs 1800 crore for the Financial Year 2015-16, Rs 1223 crore has been released, which includes Rs 723.06 crore on micro irrigation. For micro irrigation an amount of Rs 723.06 crore has been released to the States. An area of approximately 2.50 lakh hectare has been reported as covered under micro irrigation and work is in progress against the target of 4.35 lakh prepared during the current financial year 2015-16. The Soil Health Card scheme was launched on 19.2.2015. Till 12.1.2016, 69.26 lakh soil samples have been collected against the target of 100 lakh soil samples for the year 2015-16 and out of these, 44.70 lakhs samples have been tested. Against a target of 5 crore Soil Health Cards for the year 2015-16, 79.01 lakh Soil Health Cards have been issued. 153.18 lakh samples to be collected during the year 2016-17 and 9 crore Soil Health Cards to be issued in 2016-17. Paramparagat Krishi Vikas Yojana An amount of Rs 300 crore has been allocated in the financial year of 2015- 16 against which Rs 197 crore has been released till 12.1.2016. Work in progress</p>
2	30	<p>To support the agriculture sector with the help of effective and hassle-free agriculture credit, with a special focus on small and marginal farmers, I propose to allocate Rs 25,000 crore in 2015-16 to the corpus of Rural Infrastructure Development Fund (RIDF) set up in NABARD; Rs 15,000 crore for Long Term Rural Credit Fund; Rs 45,000 crore for Short Term Cooperative Rural Credit Refinance Fund; and Rs 15,000 crore for Short Term RRB Refinance Fund.</p> <p>[Nodal Ministry/Department: Department of Financial Services]</p>	<p>RBI has allocated the funds for the year 2015-16 out of short fall in Priority Sector Lending (PSL) target. Allocations made by RBI to such funds for 2015-16 are as under: RIDF : Rs 25,000 crore Long Term Rural Credit Fund (LTRCF): Rs 15,000 crore Short Term Cooperative Rural Credit Refinance Fund : Rs 45,000 crore Short Term RRB Refinance Fund: Rs 15,000 crore .Action completed</p>
3	31	<p>Farm credit underpins the efforts of our hardworking farmers. I have, therefore, set up an ambitious target of Rs 8.5 lakh crore of credit during the year 2015-16 which, I am sure, the banks will surpass. [Nodal Ministry/Department: Department of Financial Services]</p>	<p>Agency wise and purpose wise targets have been allocated to commercial banks, Cooperative Banks & RRBs and conveyed to RBI, NABARD, PSBs and SLBC convenor banks on 23.3.2015. Monitoring of agriculture credit flow is done on quarterly basis. Action completed</p>

4	32	<p>Our government is committed to supporting employment through MGNREGA. We will ensure that no one who is poor is left without employment. We will focus on improving the quality and effectiveness of activities under MGNREGA. <i>I have made an initial allocation of Rs 34,699 crore for the programme.</i></p> <p>[Nodal Ministry/Department: Department of Rural Development]</p>	<p>The MGNREGA is a demand driven wage employment programme for which availability of funds has been assured. There are continuous efforts to improve its effectiveness.</p> <p>Action completed</p>
5	39	<p>From Jan Dhan to Jan Suraksha A large proportion of India's population is without insurance of any kind - health, accidental or life. Worryingly, as our young population ages, it is also going to be pensionless. Encouraged by the success of the Pradhan Mantri Jan Dhan Yojana, I propose to work towards creating a universal social security system for all Indians, specially the poor and the under-privileged.</p> <p>[Nodal Ministry / Department: Department of Financial Services]</p>	<p>The three Social Security Schemes viz. Atal Pension Yojana (APY), Pradhan Mantri Suraksha BimaYojana(PMSBY) and Pradhan Mantri Jeevan Jyoti BimaYojana (PMJJBY) have been formally dedicated to the Nation by the Prime Minister on 9th May, 2015. The target under APY is to enroll 2 crore persons under the scheme till 31st December, 2015. All the Public Sector Banks have been allocated targets to enroll 30 accounts per branch per month and Regional Rural Banks have also been allotted a target of 150 accounts per branch. Around 18, 99,841 people have joined APY as on 16th January, 2016.</p> <p>Action completed</p>
6	40	<p>The soon-to-be-launched Pradhan Mantri Suraksha Bima Yojna will cover accidental death risk of Rs 2 lakh for a premium of just Rs 12 per year. Similarly, we will also launch the Atal Pension Yojana, which will provide a defined pension, depending on the contribution, and its period. To encourage people to join this scheme, the Government will contribute 50% of the beneficiaries' premium limited to Rs 1,000 each year, for five years, in the new accounts opened before 31st December, 2015.</p> <p>[Nodal Ministry/Department: Department of Financial Services]</p>	<p>Hon'ble Prime Minister launched the Pradhan Mantri Suraksha Bima Yojana, the Pradhan Mantri Jeevan Jyoti Bima Yojana and the Atal Pension Yojana in Kolkata on 9th May, 2015.</p> <p>Further, an exclusive website www.jansuraksha.gov.in has been created and state wise toll free numbers have been allotted to respond to the queries of the customers. The SLBC Coordinators in all states are coordinating all the activities pertaining to enrollment under these schemes in their respective states and day to day monitoring is being done by the Nodal Officers of the Department and the Mission Office. 9,31,58,610 people have subscribed to PMSBY as on 16.1.2016.</p> <p>Action completed</p>

7	41	<p>The third Social Security Scheme that I wish to announce is the Pradhan Mantri Jeevan Jyoti Bima Yojana which covers both natural and accidental death risk of Rs2 lakhs. The premium will be Rs 330 per year, or less than one rupee per day, for the age group 18-50. [Nodal Ministry/Department: Department of Financial Services]</p>	- do -
8	42	<p>There are unclaimed deposits of about Rs 3,000 crore in the PPF, and approximately Rs 6,000 crore in the EPF corpus. I have proposed the creation of a Senior Citizen Welfare Fund, in the Finance Bill, for appropriation of these amounts to a corpus which will be used to subsidize the premiums of vulnerable groups such as old age pensioners, BPL cardholders, small and marginal farmers and others. A detailed scheme would be issued in March.</p> <p>[Nodal Ministry/Department: Ministry of Social Justice & Empowerment, Department of Economic Affairs]</p>	<p>Rules for Senior Citizen Welfare Fund have been finalised. Meanwhile, an amendment is being proposed in the Senior Citizen Welfare Act as part of Finance Bill, 2016.</p> <p>Work in progress</p>
9	43	<p>Madam Speaker, special regard needs to be paid to the population of senior citizens in the country which is now approximately 10.5 crore, out of which over one crore are above the age of 80 years. 70% live in rural areas and a large number are in the BPL category. A sizeable percentage of them also suffer from age related disabilities. Ours is a society that venerates its elders. I, therefore, propose that a new scheme for providing Physical Aids and Assisted Living Devices for senior citizens, living below the poverty line.</p> <p>[Nodal Ministry/Department: Ministry of Social Justice & Empowerment]</p>	<p>The Draft Scheme was formulated and circulated to the Expert Committee Members. On the basis of comments received, the modified scheme has been drawn up and the same is proposed to be implemented on a pilot project basis in a few selected Districts. The matter is under consultation with the State Governments.</p> <p>Work in progress</p>

10	48	<p>Fifth, I also intend to establish, in NITI, the Atal Innovation Mission (AIM). AIM will be an Innovation Promotion Platform involving academics, entrepreneurs, and researchers and draw upon national and international experiences to foster a culture of innovation, R&D and scientific research in India. The platform will also promote a network of worldclass innovation hubs and Grand Challenges for India. Initially, a sum of Rs 150 crore will be earmarked for this purpose. [Nodal Ministry/Department: NITI Aayog]</p>	<p>The proposals for AIM and SETU were appraised by the Expenditure Finance Committee on 28th August, 2015. The Committee recommended that Atal Innovation Mission will have two components viz. Innovation and Entrepreneurship. The EFC also recommended a sum of Rs 500 crore for both AIM and SETU together for the remaining period of 12th Five Year Plan. NITI Ayog has constituted Mission High Level Committee under the Chairmanship of vice chairman of NITI Ayog. Hon'ble Prime Minister launched the Atal Innovation Mission with Self Employment and Talent Utilisation on 16th January, 2016 as part of the launch of the Start-up India action plan.</p> <p>Action completed</p>
11	55	<p>Madam Speaker, I hope to garner some additional resources during the year from tax buoyancy. If I am successful, then over and above the budgetary allocation, <i>I will endeavour to enhance allocations to MGNREGA by Rs 5,000 crore</i>; Integrated Child Development Scheme (ICDS) by Rs 1,500 crore; Integrated Child Protection Scheme (ICPS) by Rs 500 crore; and the Pradhan Mantri Krishi Sinchai Yojana by Rs 3,000 crore; and the initial inflow of Rs 5,000 crore into the NIIF.</p> <p>[Nodal Ministries/Departments: Ministry of Women & Child Development, Ministry of Water Resources, RD & GR]</p>	<p>An additional amount of Rs 3600 crore has been provided in the first batch of Supplementary 2015-16 for implementation of ICDS. The allocation for Pradhan Mantri Krishi Sinchai Yojana has been increased by Rs 2500 crore through 2nd batch of Supplementary passed in the Winter Session of Parliament, 2015.</p> <p>Work in progress</p>

12	68	<p>Safe India My Government is committed to safety and security of women. In order to support programmes for women security, advocacy and awareness, <i>I have decided to provide another Rs 1,000 crore to the Nirbhaya Fund.</i></p> <p>[Nodal Ministries/Departments: Ministry of Women & Child Development, Department of Economic Affairs]</p>	<p>From 2016-17 onwards, funds would be provided to the schemes to be financed from the 'Nirbhaya Fund', as per requirement from the respective demands for Grants. One Stop Centre and Women Helpline are to be funded through 'Nirbhaya Fund'. So far, an expenditure amounting to Rs 10.71 crore and Rs 13.92 crore respectively, has been sanctioned in these two schemes. <i>Guidelines for administration and operationalization of 'Nirbhaya Fund' had been issued.</i></p> <p>An Empowered Committee has been set up under the Chairmanship of Secretary, Ministry of Women and Child Development with Secretaries of Ministry of Home Affairs, Ministry of Road Transport and Highways, Department of Electronics and IT, Chairman, Railway Board and representative of Department of Economic Affairs as members for appraising and approving various schemes/ project proposals proposed by the Ministries/Departments to be funded from the 'Nirbhaya Fund'.</p> <p>Action completed</p>
----	----	--	--

13	71	<p>Green India Madam, as environmental degradation hurts the poor more than others, we are committed to make our development process as green as possible. Our de facto 'Carbon Tax' on most petroleum products compares favourably with international norms. With regard to coal, there is a need to find a balance between taxing pollution, and the price of power. However, beginning this year, I intend to start on that journey too. My Government is also launching a Scheme for Faster Adoption and manufacturing of Electric Vehicles (FAME). I am proposing an initial outlay of Rs 75 crore for this Scheme in 2015-16. The Ministry of New Renewable Energy has revised its target of renewable energy capacity to 1,75,000 MW till 2022, comprising 100,000 MW Solar, 60,000 MW Wind, 10,000 MW Biomass and 5000 MW Small Hydro.</p> <p>[Nodal Ministry/Department: Department of Heavy Industry Ministry of New & Renewable Energy]</p>	<p>Revision of Targets Solar Power: Cabinet in its meeting held on 17.6.2015 has approved revision of cumulative targets under National Solar Mission (NSM) from 20,000 MW by 2021-22 to 1,00,000 MW by 2021-22 for Grid Connected Solar Power Projects. Wind Power: In order to achieve a cumulative capacity of 60,000 MW of Wind Energy by 2022, tentative year-wise targets have been worked out. Biomass and Small Hydro Power: For the proposed 10,000 MW Biomass Power Programme and 5000 MW SHP, CCEA approval for programmes during 12th Five year Plan has already been obtained. The targets approved for the 12th Plan Period under Biomass and Small Hydro Power are 2700 MW and 2100 MW respectively. The approval of balance target of 7300 MW Biomass and 2900 MW of SHP will be considered at the end of 12th Plan while obtaining approval of the schemes during the 13th Plan. As on 31.12.2015, cumulative capacity of about 38820 MW off grid-interactive renewable energy capacity has been installed in the country which includes 25088 MW from wind power, 4878 MW from solar power, 4177 MW from Small Hydro Power and 4677 MW from Bio-power. Scheme in the name of Faster Adoption and Manufacturing of Electric (& Hybrid) vehicles in India has already been notified in March, 2015 and implemented w.e.f 1st April 2015 for the initial period of two years.</p> <p>Action completed</p>
14.	81	<p>In order to improve the Governance of Public Sector banks, the Government intends to set up an autonomous bank Board Bureau. The Bureau will search and select heads of Public Sector banks and help them in developing differentiated strategies and capital raising plans through innovative financial methods and instruments. This would be an interim step towards establishing a holding and investment Company for Banks. [Nodal Ministries/Departments: Department of Financial Services]</p>	<p>Government has approved the setting up of Bank Board Bureau. Necessary action is being taken to set up the Bureau.</p> <p>Work in progress</p>

V. CENTRAL FUNDS FOR STATES - SCHEMATIC TRANSFER OF FUNDS TO STATES

29. The State Finances (Plan Finance-I) Division of Department of Expenditure looks after matters relating to finances of the State Government, including fixing of borrowing ceiling of the States, issue of permission for borrowings under Article 293(3) of the Constitution of India, debt relief measures (as recommended by the Finance Commissions) and some Plan (State Plan & Central Plan) releases and Non-Plan grants releases on recommendation of Finance Commissions under Demand No. 32 (formerly Demand No. 37).

30. Till 2014-15, PF-I Division was releasing the funds under Demand No. 37 (formerly Demand No. 36) which include releases both under Plan & Non-Plan. Plan Grants comprise of 'Block Grants' which consists of Normal Central Assistance (NCA), Backward Regions Grant Fund (BRGF)- Scheme (State Component), Additional Central Assistance (ACA) for Externally Aided Projects (EAPs), Special Central Assistance (SCA), Special Plan Assistance (SPA), etc. Non-Plan Grants are provided as recommended by FC XIII for its award period 2010-15. These Non- Plan Grants are covered under Article 275(1) of the Constitution and are charged expenditure. w.e.f. 2015-16, the release of Non-Plan grants are being made as per the recommendations of Fourteenth Finance Commission (FFC) based upon the prescribed conditionalities by FFC and accepted by Central Government.

31. The FFC, after making detailed assessment of the revenue expenditure need of the States, including Plan and Non-Plan expenditure, has recommended increase in tax devolution from 32% to 42% in the divisible pool of Union Taxes. Accordingly, the additional central assistance in the form of block grants namely NCA, SCA, SPA, etc. got subsumed in the higher tax devolution recommended by FFC.

32. The State's share of Central Tax during 2015-16 RE is estimated to be Rs. 514657.18 crore (with actual releases after adjustment as Rs. 506192.96 crores) as compared to Rs. 348009.41 crore in 2014-15 RE 18 (with actual releases after adjustment as Rs. 337808.45 crores) showing an increase of Rs. 166647.77 crore during 2015-16. Besides, as per the FFC recommendation, Grant-in-aid of Rs. 48905 crore to cover revenue deficit of State, local body

grants (rural and urban local bodies) of Rs. 29987.52 crore & grants of Rs. 9971 crore for augmenting the State Disaster Response Fund (SDRF) has also been provided during BE 2015-16.

33. The Committee constituted in NITI Aayog for deciding on the Sharing pattern of CSS has recommended that the funding pattern of the 17 core schemes, which form part of the National Development Agenda, will be retained with the sharing pattern of 60:40 between the Centre and the States (90:10 for the 8 North-Eastern and 3 Himalayan States). The funding pattern of the schemes namely MGNREGA, NSAP, UMBRELLA Programmes for development of SC, ST, differently abled person, minorities, backward classes and vulnerable group will remain unchanged. All other schemes will be optional for the State Governments and their fund sharing pattern will be 50:50 between the Centre and the States (80:20 for the 8 North-Eastern and 3 Himalayan States).

34. An amount of **Rs.1,25,496.36 crore is provided in 2016-17 (BE)** in Demand No. 32 (formerly Demand No. 37), for transfers to State and Union Territory Governments as grants. This consists of **Rs. 24,850.00 crore under Plan and Rs. 1,00,646.36 crore under Non-Plan.**

35. The Ministry of Finance has furnished brief details of Plan Grants and Non-Plan Grants for 2016-17 operated by Plan Finance I, Department of Expenditure, as given below:

" PLAN GRANTS [to be read with Statement 1(a)]:

1)Special Assistance

‘Special Assistance’ is a new budget line introduced in 2015-16 in Demand No. 37 (now Demand No. 32) of MoF. This provision has been earmarked for spill over committed liabilities pertaining to area specific schemes and projects for which budget provision is not made after the implementation of FFC recommendations and need based assistance to the States, depending upon requirements due to varying socio-economic-geographical factors.

The Budget Estimates for 2016-17 is Rs. 9000.00 crore.

2)Grant to autonomous councils, areas covered under the sixth schedule

‘Grant to autonomous councils, areas covered under the sixth schedule’ is a new budget line introduced in 2016-17 in Demand No. 32 – Transfers to States of MoFin which disbursement will be decided by Plan Finance-I of Department of Expenditure. This will be the support to areas covered

under sixth schedule of the constitution as these have not been covered by The Fourteenth Finance Commission (FFC) in order to bring such areas on par with other areas.

The Budget Estimates for 2016-17 is Rs. 1000.00 crore.

3) Normal Central Assistance (NCA)

NCA was governed by Gadgil-Mukherjee formula and was provided to all States under State Plan Schemes in 12 equal monthly installments as block grant as per allocation made by Planning Commission till 31.03.2015. This is an untied grant.

The Budget Estimates for 2014-15 was Rs. 28514 crore. From 01.04.2015 onwards, there is no allocation under NCA.

4) Additional Central Assistance for Externally Aided Projects

Till 2004-05, Additional Central Assistance for Externally-Aided Projects (EAPs) used to be released on the pattern of Normal Central Assistance i.e., 70% loan and 30% grant to General Category States and 10% loan and 90% grant to the Special Category States. From April, 2005, a new system of back-to-back (B2B) transfer of external assistance on same terms and conditions was introduced on the recommendation of the 12th Finance Commission. However, Special Category States continued to get 90% Grant and 10% Loan till 2014-15.

The Budget Estimates for 2016-17 is Rs. 14850.00 crore (Rs. 12500.00 crore as loan portion and Rs. 2350.00 as grant portion).

5) Additional Central Assistance (ACA) for Other Projects

Under 'ACA for Other Projects', also called One time ACA, Non-Special Category States are eligible for 30% grant for State Specific Projects.

The relevant Budget Estimate for 2014-15 was Rs. 1261 crore. From 01.04.2015 onwards, there is no allocation under ACAOP.

6) Special Central Assistance (SCA- untied)

SCA grant (untied to projects) was being provided to Special Category States to meet the gap in resources for financing the Annual Plans of these States, based on the allocation made by the Planning Commission.

The Budget Estimate for 2014-15 was Rs. 11000 crore. From 01.04.2015 onwards, there is no allocation under SCA (untied).

7) Special Plan Assistance

Special Plan Assistance was provided to the Special Category States for funding of projects identified by the States that are not covered by any Central scheme and for non-recurrent expenditure of a developmental nature, based on the recommendation of the Planning Commission.

The Budget Estimate for 2014-15 was Rs. 6837 crore. From 01.04.2015 onwards, there is no allocation under SPA.

8) Hill Areas Development /Western Ghats Development Programme

The scheme envisages providing funds as an additive to normal State Plan on 90(Centre):10 (State) basis for the development of designated Hill Areas covered under the Hill Areas Development/Western Ghats Development Programme. Assam, Tamil Nadu and West Bengal are the State entitled for the HADP grant while Goa, Maharashtra, Karnataka, Kerala and Tamil Nadu are beneficiary States under WGDP.

The Budget Estimate for 2014-15 was Rs. 300 crore. From 01.04.2015 onwards, there is no allocation under HADP/WGDP.

9) Border Area Development Programme (BADP)

The Border Area Development Programme (BADP) of M/o Home Affairs (MHA) is part of the comprehensive approach to the Border Management with focus on socio-economic development of the border areas and to promote a sense of security amongst the people living there. The programme covers 358 border blocks of 94 districts of seventeen (17) States, which share international land border with neighbouring countries till 2015-16. Preference is given to the villages/habitations which are closer to the border line. This Scheme has been transferred to the respective Line Ministry i.e. Ministry of Home Affairs with effect from 01.04.2014.

10) Accelerated Irrigation Benefit Programme (AIBP)

The Accelerated Irrigation Benefits Programme (AIBP) was launched during 1996-97. AIBP covers Central Assistance for major, medium and minor surface irrigation projects, commands area development, flood management and repair, renovation and restoration of water bodies. Releases were made till 2013-14 by the Ministry of Finance on the recommendation of Ministry of Water Resources.

This Scheme has been transferred to the Ministry of Water Resources with effect from 01.04.2014.

11) National Social Assistance Programme(NSAP)

- (i) The National Social Assistance Programme (NSAP) aims at ensuring minimum national standard for social assistance in addition to the benefits that States are currently providing or might provide in future. NSAP comprises the Indira Gandhi National Old Age Pension Scheme (IGNOAPS), Indira Gandhi National Widow Pension Scheme (IGNWPS), Indira Gandhi National Disability Pension Scheme (IGNDPS), National Family Benefit Scheme (NFBS) and Annapurna.
- (ii) Recommendations for release of ACA for NSAP were made by the Ministry of Rural Development and funds released under Demand No. 32 (formerly Demand No. 37) till 2013-14.

This Scheme has been transferred to the Ministry of Rural Development with effect from 01.04.2014.

12) National E-Governance Action Plan (NEGAP)

- (i) The Government approved the National E-Governance Action Plan (NEGAP), comprising 27 Mission Mode Projects (MMPs) and 8 components, on May 18, 2006. The Scheme envisions making all Government services accessible to the common man and ensuring efficiency, transparency and reliability of such services at affordable costs. The Ministry of Communications and Information Technology is the nodal Ministry in charge of the Scheme.

This Scheme has been transferred to the Ministry of Information & technology with effect from 01.04.2014.

- (ii) State Treasury Computerization under NEGAP:

Government of India has approved a scheme for computerization of State treasuries at an overall cost of Rs 626 crore (with central assistance of Rs. 482 crore), computed at Rs. one crore per district in existence on 1 April, 2010. The scheme, beginning 2010-11, supports States and UTs to fill the existing gaps in their treasury computerization, upgradation, expansion, and interface requirements, apart from supporting basic computerization. This is expected to bring about transparency and efficiency in public delivery system, better financial management along with improved quality of governance. The proposals of 21 States & 3 UTs have been approved and ACA of Rs. 166.51 Cr has been released so far under the scheme.

The budget estimate for 2014-15 was Rs. 50.00 crore for NEGAP (MMP Treasury Computerization). From 01.04.2015 onwards, there is no allocation under NEGAP (MMP).

13) Backward Regions Grant Fund (BRGF) Scheme

The Backward Regions Grant Fund (BRGF) Scheme was approved during the year 2006-07, to be continued in the 11th Plan, replacing the Rashtriya Sam Vikas Yojana (RSVY). BRGF consists of two components - (a) Districts Component covering 270 districts, and (b) State Component-which covers special plan for West Bengal, Bihar and the Kalahandi-Bolangir- Koraput (KBK) Region of Odisha and Bundelkhand packages for UP & MP. The implementing Ministry for the BRGF districts component is the Ministry of Panchayati Raj. Funds for the State Component are provided through Demand No. 36 of Department of Expenditure, Ministry of Finance on the recommendation of Planning Commission. A special development package of Rs. 850.00 crore (Rs. 350.00 crore for 7 backward Districts of the State and Rs. 500.00 crore as interim resource gap) has been provided to the state of Andhra Pradesh from BRGF (State component) during 2014-15.

The Budget Estimate for 2014-15 was Rs. 5050 crore. From

01.04.2015 onwards, there is no allocation under BRGF.

14) Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

- (i) The JNNURM scheme was approved by Cabinet in December, 2005 for a period of 7 years until 31-3-2012. The scheme has further been extended for a period of 2 years for completion of projects sanctioned upto 31-03-2012. Further, sanctioning of new Projects and capacity building activities has also been allowed under Urban Infrastructure and Governance (UIG) and Urban Infrastructure Development for Small & Medium Town (UIDSSMT) upto 31.03.2014 with transitional arrangement till a comprehensive proposal for rolling out the next phase of JNNURM. The main objective of the scheme is to provide integrated development of infrastructural services in cities.
- (ii) The scheme has 5 components:-
 - (a) Sub-Mission on Urban Infrastructure and Governance (UIG).
 - (b) Urban Infrastructure Development scheme for Small and Medium Towns (UIDSSMT).
 - (c) Sub-Mission on Basic Services to Urban Poor (BSUP).
 - (d) Integrated Housing and Slum Development Programme (IHSDP).
 - (e) Rajiv AwasYojana (RAY).

While the sub-missions of UIG and UIDSSMT are handled by the Ministry of Urban Development, sub-missions of BSUP, IHSDP and RAY are dealt by Ministry of Housing and Urban Poverty Alleviation (HUPA).

This Scheme has been transferred to the Ministry of Urban Development with effect from 01.04.2014 and since then no allocation under this head has been provided in Demand of Department of Expenditure.

15) Other Additional Central Assistance

'Other ACA' is a new budget line introduced in 2013-14 in Demand No. 32 (formerly Demand No. 37) of MoF to meet the contingent situation under Central Assistance to State Plan such as announcements made by PM after natural disasters or onetime events like major international/national gatherings such as Kumbh Mela or in the nature of one time support not covered by the existing budget line of 'ACA for other Projects.' These are considered on a case-to-case basis. The fund released under this Head by the Department of Expenditure is based on the recommendation of the NITI Aayog (erstwhile Planning Commission).

The Budget Estimate for 2014-15 was Rs. 1180.00 crore. From 01.04.2015 onwards, there is no allocation under Other ACA.

16) Additional Central Assistance for Left Wing Extremist (LWE) affected Districts

'ACA for LWE Affected Districts' is a new budget line introduced in 2013-14 in Demand No. 32 (now Demand No. 37) of MoF to meet the extra requirement of funds to the situations arising in LWE Affected Districts. The basic objective of the scheme is to create public infrastructure and services such as school buildings, anganwadi centres, drinking water supply, village roads, electric lights in public places like primary health centres and schools in the LWE affected districts. It covers 88 districts of 10 LWE affected States including 82 districts previously covered under Integrated Action Plan (IAP). Till 2012-13, funding for IAP districts was provided under BRGF- State Component of Demand No. 36 (now Demand No. 32).

The Budget Estimate for 2014-15 was Rs. 2640.00 crore. From 01.04.2015 onwards, there is no allocation under ACA for LWE Affected Districts.

NON-PLAN

Non-Plan grants recommended by FC XIII [to be read with Statement 1(b)]

A. Under Article 280 of the constitution, Finance Commission is being constituted once in five year or at such earlier time as President considers necessary on specified aspects of Centre-State Fiscal relations. The recommendations of the Commission together with an Explanatory Memorandum as to the action taken thereon are laid before each House of the Parliament.

B. The award period of the 14th Finance Commission (FFC), 2015-20, commences on 01.04.2015.

Award of the Fourteenth Finance Commission

C. Other than recommending shares of net proceeds of Union Taxes between the Centre and the States, FFC has also recommended the following grants to the States:

- a) Revenue Deficit;
- b) Local Bodies (Rural & Urban);
- c) State Disaster Response.

Grant-wise details are given below:

1) Post Devolution Revenue Deficit Grant

FFC has assessed the revenues and expenditure of the States for the period 2015-20 and has projected the deficit for each State after taking into account the amount of share in Central taxes for that State. It has recommended a grant of Rs. 1,94,821 crore to meet this deficit for eleven States. FFC has given year wise break-ups of the grants.

The Budget Estimate for 2016-17 is Rs.41,308.00 crore.

2) Local Bodies

FFC has recommended a basic grant and a performance grant for local bodies. For rural local bodies 90% would go in the form of basic grants and 10% in the form of performance grants. In case of urban local bodies the percentage is 80 and 20 respectively. Release of Performance Grants is linked to certain conditionalities.

FFC has recommended a total grant of Rs. 2,87,436 crore over

the award period. The Commission has also recommended distribution of the grants between urban and rural areas and the inter-se distribution between States. FFC has given year wise break-ups of the grants.

The Budget Estimate for 2016-17 is Rs.48868.36 crore.

3) **State Disaster Response Fund**

FFC has recommended continuation of the State Disaster Response Fund (SDRF) recommended by FC XIII. The Commission has recommended a grant of Rs. 61,219 crore during its award period. However, awaiting roll out of GST, the Union Government has decided to continue with its percentage share as flown currently to the States. Accordingly, as ATN of FFC, total Central grant under this head comes to Rs. 47,027 crore.

The Budget Estimate for 2016-17 is Rs. 10470.00 crore."

36. The Standing Committee on Finance have in their 10th Report on the the Demands for Grants 2015-16 have made the following observation/recommendation on the Centre State transfer of funds as stated below:

"The Committee have been informed that the Fourteenth Finance Commission has enhanced the share of the States in the Central divisible pool from the current 32% to 42%, which has been stated to be the biggest ever increase in vertical tax devolution. It has been stated that during 2015-16 alone, increase in transfer to States over 2014-15 (both from tax devolution and grants) is estimated to be about Rs. 2.1 lakh crores. According to the Ministry of Finance, all States stand to gain from these transfer of funds in absolute terms, and the States can therefore support various projects and programmes out of the increased devolution. The Committee believe that inter-state inequality as well as intra-state disparities including uneven resource-base and development cannot be addressed by the method of resource transfer followed in the current year's Budget. The utilisation of funds thus transferred by respective States may be based on own priorities and absorptive capacity, rather than the specifically determined purposes for these grants in the first instance. This naturally gives rise to an apprehension that the desired outcomes on socio-economic parameters in neglected areas, which a focussed grant could yield, may not be forthcoming now. The Committee would therefore expect the Ministry of Finance to address these concerns appropriately."

37. The Government in their action taken reply on the above recommendation furnished the following written submission as stated below:

"The FFC has substantially enhanced the share of the States in the Central divisible pool from the current 32 % to 42 %, which is the biggest ever increase in vertical tax devolution. The FFC has also proposed a **new horizontal formula** for the distribution of the states' share in divisible pool among the states. Relative to the Thirteenth Finance Commission, the FFC has incorporated two new variables: 2011 population and Forest cover. All states stand to gain from FFC

transfers in absolute terms. While some States gain on account of increase in divisible pool, some States with large forest covers are likely to get higher tax devolution due to inclusion of forest cover also in the devolution formula.

A long pending demand of the States have been to abandon the approach of 'one size fits all' and tailor their Plans to suit their needs and requirements rather than getting scheme based allocations under various centrally sponsored schemes. Substantial increase in tax devolution and grant-in-aid recommended by FFC are expected to add substantial spending capacity through States' budgets and give fiscal autonomy to the States.

The requirement of the States on account of inter-state inequality as well as intra-state disparities, including uneven resource-base and development has been taken into account by FFC while determining the share of the States. As a consequence of higher devolution, the fiscal space of Union has shrunk. For making selective intervention in areas of national priority, in 2015-16 BE, the Central Assistance for State Plans have been budgeted as Rs.1.80 lakh crore as compared to Rs.2.56 lakh crore in 2014-15 (RE), by retaining the allocations under Right based/cess backed schemes like SSA, MANREGA, Road Sector, Tribal sub Plan etc almost at the same level of last year. The transfer of more resources to the States in the nature of untied funds will enable the States to make and implement schemes or programmes as their genius to achieve desired outcome including, on socio-economic parameters in neglected areas as per requirements and aspirations of people."

38. During the sitting held on 29 March, 2016 in connection with examination of the Demands for Grants 2016-17, the Committee raised specific query desiring to know whether it is a fact that many States have conveyed to the Union Government their displeasure about the new devolution arrangement under the 14th Finance Commission Award or they want a review of the provision of 32 per cent to 42 per cent; the Ministry of Finance inter alia furnished the following reply as given below:

"Some States requested for continuation of block grants like NCA, SCA, SPA. These States were informed that 14th Finance Commission (FFC) has made far-reaching changes in tax devolution that will move the country toward greater fiscal federalism, conferring more fiscal autonomy on the States. FFC has recommended biggest ever increase in vertical tax devolution/ share of the States in the Central Divisible Pool from 32% to 42% to fill the resource gap of each State to the extent possible. Accordingly, the additional central assistance in the form of block grants namely NCA, SCA, SPA, etc. got subsumed in the higher tax devolution recommended by FFC. In the entire FFC period, Tax Devolution and FC recommended Grants-in-aid (including Local

Bodies, State Disaster Relief Funds and Post Devolution Revenue Deficit Grant) to the States is estimated to be Rs. 44,77,472 crore i.e., 163% more than Rs. 17,16,669 crore recommended by 13th Finance Commission.

FFC has not adopted incremental approach while making its recommendations. FFC has taken a comprehensive view of the common factors that impact cost disability and fiscal capacity of States and special characteristics of individual States while making its assessment and recommendations. In its assessment of State resources, FFC have taken into account the disabilities arising from constraints unique to each State to arrive at the expenditure requirements. With regard to North-eastern and hill States, FFC has considered the several unique features that have a bearing on their fiscal resources and expenditure needs, such as low level of economic activity, remoteness and international borders. For inter-se determination of the shares of taxes to the States, FFC has *inter-alia*, used the criteria of Forest Cover for the first time which has benefitted North East and Himalayan States. FFC has endeavored to fill the resource gaps of each State to the extent possible through tax devolution. The post-devolution revenue deficit grants have been provided for the States where devolution alone could not cover the assessed gap. It is expected that availability of untied funds at the disposal of the States shall allow greater autonomy in financing and design of schemes as per state's local needs. Therefore, the States may inter-se prioritize the projects for the development of the State.

In addition, FFC has recommended local body grants (both to rural and urban local bodies) and grants for augmenting the State's Disaster Response Fund (SDRF) to the State. Besides, the Central Government has also continued with funding of several Centrally Sponsored Scheme (CSS) with modified funding pattern. Such CSS are administered by the respective line Ministries as per the extant scheme guidelines. The Committee Constituted in NITI Aayog for deciding on the Sharing pattern of CSS has recommended that the funding pattern of the schemes namely MGNREGA, NSAP, UMBRELLA Programmes for development of SC, ST, differently abled person, minorities, backward classes and vulnerable group will remain unchanged. The funding pattern of the 17 core schemes, which form part of the National Development Agenda, will be retained with the sharing pattern of 60:40 between the Centre and the States (90:10 for the 8 North-Eastern and 3 Himalayan States). All other schemes will be optional for the State Governments and their fund sharing pattern will be 50:50 between the Centre and the States (80:20 for the 8 North-Eastern and 3 Himalayan States).

Some States including Sikkim, Tripura and Uttarakhand raised the issue of lower transfer of central funds in 2015-16 as compared to previous year 2014-15. In the beginning of FFC, there was marginal reduction in flow of funds, but during FFC period (2015-20) funds transfer is estimated to be more than actual release of funds during the 13th FC period (2010-15). However, a provision Special Plan

assistance of Rs.12450 crore was kept in the Union Budget at RE stage for 2015-16 within under Demand No. 37 during 2015-16 considering the critical development needs, spill over liabilities and socio-economic factors etc. of the States. The budgetary allocation provided special assistance was earmarked to support the State(s) under various sub-heads which included provisions for the States to deal with the post 14th Finance Commission related issues, the requirement of funds towards support for State cover under Andhra Pradesh Re-organisation Act, 2014, assistance to areas covered under Sixth Schedule of the constitution, assistance for Modernization of State Police Forces and funds required for the projects already sanctioned and are reported to have under implementation under various sub-components of BRGF etc. After, making re-appropriation of Rs.1560 crore to disbursed assistance to the States under NDRF, the Union Government provided special assistance of Rs.10890 crore in total to the States during 2015-16. Similar Special Plan assistance of Rs. 10,000 has also been provided under Demand No. 32 of Ministry of Finance during 2016-17 (BE).

State of Sikkim also raised issue regarding denial of Grant-in-aid for Revenue Deficit due to over projection of States'GSDP, Tax-GSD Ratio and Own Tax Revenue by the FFC. The State was informed that FFC was an expert constitutional body which had finalised its recommendations after wide consultations with stakeholders including States. For inter-se determination of the shares of taxes to the States, FFC has used the criteria of Population, Demographic Change, Income Distance, Area and Forest Cover and assigned weights of 17.5, 10, 50, 15 and 7.5 respectively to these criterias. FFC deliberated on the possible demographic changes that have taken place since 1971, the obvious ones being the change in the composition of population and also migration. FFC assigned a 17.5 per cent weight to the 1971 population and assigned a 10 per cent weight to the 2011 population to capture the demographic changes since 1971. Recommendation of FFC has already been accepted and therefore it may not be feasible at this stage to modify any of the recommendation of the FFC.

Keeping in view the displeasure expressed by the States specially over the issue of Backward Region Grant Fund (BRGF), out of the total special assistance provided to the States, about half of the special assistance was made available to the State(s) to discharge spill over committed liabilities under sub-components of BRGF. "

VI. UTILISATION OF CESS PROCEEDS - CAG REPORT

39. While taking evidence of the representatives of Ministry of Finance on 29 March, 2016 in connection examination of the Demands for Grants (2016-17), the pointed out that money collected by way of cess were not being utilised for the designated purpose as per the C & AG Report No. 50 of 2015.

40. Some relevant portions/paras of the C & AG Report is reproduced

below:

"2.3.2 Under-utilisation of cess collected under Research & Development Cess Fund.

The Research and Development Cess Act was enacted in 1986 to provide for the levy and collection of a cess on all payments made for import of technology to

encourage commercial application of indigenously developed technology, for adapting imported technology to wider domestic application and for matters connected therewith or incidental thereto.....

The Act enables the creation of a Fund for Technology Development and Application to be administered by Technology Development Board (TDB). The Fund is maintained outside Government account. The Fund is credited with the grants released by the Government of India out of the cess collected on the import of technology by the industrial concerns under the provisions of the Research and Development Cess Act, 1986, as amended in 1995.

....**Rs 5,783.49 crore** were collected during the period from 1996-97 to 2014-15. Out of this, Rs **549.16 crore** (9.50 per cent) only was disbursed to TDB as Grants-in-aid during the same period. TDB, in turn, disbursed financial assistance and loans of **Rs 1,227.96 crore** to industrial concerns attempting commercial applications of indigenous technology or adapting imported technology to wider domestic applications out of the funds made available by the Government.

.... utilisation of the cess proceeds for the intended objectives is not optimum.

2.3.4 Accountal of Education Cess

(a) Primary Education Cess

A non-lapsable fund for elementary education known as Prarambhik Shiksha Kosh4 (PSK) was created in 2005-06 under non-interest bearing section of the reserve funds in the Public Account. This fund is meant to meet the expenditure requirement for elementary education under the schemes of Sarva Shiksha Abhiyaan and Mid-Day Meal Scheme. Through the Finance Act (No. 2) of 2004 a primary education cess of 2 per cent was levied on all central taxes...

... Scrutiny of Union Finance Accounts for the period 2004-05 to 2014-15 showed that against the total collection of Rs 1,54,818 crore of primary education cess in the CFI, only Rs 1,41,520 crore was transferred to the PSK, resulting in short transfer of Rs 13,298 crore.

(b) Secondary and Higher Education Cess

The Secondary and Higher Education Cess (SHEC) was introduced in the Finance Act, 2007 to fulfil the commitment of secondary and higher education.

Scrutiny of the Union Finance Accounts for the period 2006-15 showed that a total collection of SHEC of Rs 64,228 crore had been made. However, unlike the creation of PSK in the case of primary/elementary

education cess, neither a fund was designated to deposit the proceeds of SHEC thereto nor schemes identified on which the cess proceeds were to be spent. Consequently, the commitment of furthering secondary and higher education as envisaged in the Finance Act was not transparently ascertainable from the Union Accounts. Thus, the possibility of the diversion of funds for purposes not mandated under the Finance Act cannot be ruled out.

2.3.10 Short transfer of cess to Central Road Fund (CRF) in Public Account

Para 4 of the Central Road Fund Act, 2004 stipulates that the proceeds of the cess levied under Section 3 shall first be credited to the Consolidated Fund of India, and the Central Government may, if Parliament by appropriation made by law in this behalf so provides, credit such proceeds to the CRF from time to time, after deducting the expenses of collection, for being utilized exclusively for the purposes of this Act.

Examination of Statement No. 810 and Statement No. 1311 of Union Government Finance Accounts for the years 2010-11 to 2014-15 showed that against the total collection of **Rs 1,01,142.27 crore, only Rs 99,922.39 crore** was transferred to the CRF (Head 8224.00.101) in Public Account resulting in short transfer of **Rs 1,219.88 crore**.

2.3.11 Short transfer of cess to earmarked funds in Public Account

Scrutiny of statements No. 8 and 13 of Union Government Finance Accounts for the financial year 2014-15 showed that cess collected on features films and tea during the year were not transferred fully to the earmarked funds in the Public Account....."

41. Replying to the points raised on the issue of cess collection and utilization of the same during the sitting of the Committee held on 29 March, 2016, the Ministry of Finance submitted the following post evidence submission as stated below:

" The comments made by the C&AG of India, in brief, are as follows:

'Public Fund lying outside Government accounts': This has reference to the observations of Audit made in paragraphs 2.1.3 of Report No.1 of 2015 (on Union Government Finance Accounts for 2013-2014) and 2.2.3 of Report No.50 of 2015 (on Union Government Finance Accounts for 2014-2015) on the public funds lying outside Government accounts. The emphasis is on non-operationalization of the Funds in Public Account in respect of regulatory bodies viz. by Securities and Exchange Board of India (SEBI) and Insurance Regulatory Authority of India (IRDA). This Division had already issued broad accounting guidelines for operationalizing the SEBI Fund and IRDA Fund in Public Account of India. This Ministry has been pursuing with the administrative units for operationalizing the SEBI and IRDA Funds in the

Public Account.

2. **'Universal Service Obligation Fund'**: The observations made by the Audit in its Report No.1 of 2015 (Para 2.2.1) and Report No.50 of 2015 (Para 2.3.1) are on short transfer of Universal Access Levy (collected as part of license fee from telecom service providers) to Universal Service Obligation Fund (USOF) kept in the Public Account of India. While the main issue relating to short transfer of UAL to USOF relates to Department of Telecommunications, the issue raised by Audit was contested by this Ministry on the following grounds:

- ✓ While considering the proposal of Department of Telecommunications seeking amendment of Indian Telegraph Act, 1885 for constitution of USOF, the Cabinet in its meeting held on 10.7.2003 directed the Department of Telecommunications to consult the Ministry of Finance for transferring the amount to USOF. Hence, the Ministry of Finance decides, in consultation with Department of Telecommunications, the quantum of fund to be transferred to USOF;
- ✓ The Indian Telegraph Act, 1885 states *"the sums of money received towards the Universal Service Obligation under section 4 shall first be credited to the Consolidated Fund of India, and the Central Government may, if Parliament by appropriation made by law in this behalf so provides, credit such proceeds to the Fund from time to time for being utilized exclusively for meeting the Universal Service Obligation"*. Accordingly, the Central Government may credit such proceeds to the Fund from time to time for being utilized exclusively for meeting the Universal Service Obligations. It does not say all such proceeds will be credited to the Fund. Further, keeping money locked in Public Account may not be the most prudent way to utilize resources. In addition to the above, an outlay of Rs. 20,100 crore approved for implementation of National Optical Fiber Network (NOFN) is required to be financed from USOF. As and when the scheme gathers pace, the requisite amount will be provided through USOF for implementation of the scheme.

3. It is incorrect to say that funds remain unutilized and unaccounted. Such receipts are credited to Consolidated Fund of India and due appropriation authorised by Parliament, funds as considered necessary are transferred to dedicated reserve/corpus funds kept in the Public Account.

4. As regards short transfer of cesses/levies to specific funds kept in the Public Account, the following generic views, as part of the fiscal management, may be seen, which are observed while determining the eligibility for transferring the sums to reserve/corpus funds kept in the Public Account for dedicated purpose:

- (i) While it is true that the cesses/levies are levied for specific purposes, it is also the responsibility of the Government, as custodian of public money, that the resources realized are productively spent and deployed for the purpose for which they were levied;
- (ii) While rationally applying the resources, the capacity of the Ministry/Department or the progress of the scheme/programme is also required to be taken into account;
- (iii) Funds parked in the reserve/corpus funds operated in the Public Account without being utilized create a liability to the Government on one

hand, the scarce resources of the Government are held in the Public Account without productive application;

(iv) Keeping the money in the Public Account unutilized would deprive the sectors/schemes/programmes where resources are needed for effective implementation;

(v) Financial Management requires prudent distribution of scarce resources among various competing needs of the Government depending on the requirement/progress of the Government schemes;

(vi) Transfer to the dedicated Fund such as PSK kept in the Public Account is based on the estimated collection of education cess, which is approved by Parliament through Appropriation Act. In case of excess collection over estimated collection, the difference in the estimated collection and actual collection cannot be transferred to the account without valid appropriation;

(vii) Universal Access Levy, which is transferred to USOF, is not a cess and UAL forms part of non-tax receipt of the Government. USOF has a huge commitment towards implementation of National Optical Fibre Network and Government will finance the expenditure on NOFN as and when the scheme picks up;

(viii) It has been explained to the Public Accounts Committee by Ministry of Finance, vide this Ministry's letter dt. 30.1.2016, that Government may credit such funds to USOF for being utilized exclusively for meeting Universal Service Obligation;

(ix) Government, while discharging its fiduciary functions, exercises its financial prudence by striking a balance between commitment towards fulfilling its obligation towards society and distribution of scarce resources available to it.

5. There has been increase of 13.1% in estimated collection of cesses, additional duties and surcharges assumed in BE 2016-17 over RE 2015-16.

6. Based on the recommendations of the Expenditure Management Committee for discontinuing the cesses which yield minimal collection, amendments were proposed in Finance Bill, 2016 for repeal of 8 (eight) Acts which levy cesses on 11 items."

VII. SMALL SAVINGS - DECLINE IN DOMESTIC SAVINGS

42. The Economic Survey 2015-16 has stated that:

"Small" savings schemes were initially created to mobilise saving by encouraging "small earners" to save, and offered above market deposit rates in accessible locations like post offices for this purpose. Recent discussions have focused on one efficiency cost of "small" savings schemes – how they hinder monetary policy transmission. Because small savings schemes offer high and fixed deposit rates (within year) and compete with banks, it is difficult for banks to reduce their own deposit rates and hence pass on policy rate cuts to consumers in form of lower lending rates. Recently, the government has reduced rates on some small savings schemes to make them more responsive to market conditions.

It is misleading to characterise these savings schemes as "small", because in fact there are at least three types of schemes, only one of

which can really qualify as “small.” This first set of “actually small” schemes ranges from postal deposits to schemes for the elderly and women. The second set is of “notso-small” schemes, which includes the most important of all – the Public Provident Fund (PPF). And the third category is “not-small-atall” schemes, which includes tax-free bonds issued by designated public sector companies like IRCL, IIFCL, PFC, HUDCO, NHB, REC, NTPC, NHPC, IREDA, NHAI and others, supposedly to finance infrastructure projects.

The interest rates on most of these schemes are fixed (for year), but they vary in magnitude and periodicity. Whatever the terms, the key determinant of their real return is their tax treatment. Ideally, savings schemes should be taxed according to the “EET principle”. The first “E” stands for tax exemption of the contribution, the second E for exemption of interest income, while T stands for taxation of the principal (and interest) when it is withdrawn. The logic of this principle is explained in the Box 1 at the end of this section."

43. During the sitting held on 29 March, 2016 in connection with examination of the Demands for Grants 2016-17, the Committee raised specific queries on the issue of small savings such as the reasons why the Government has ignored certain aspects of the Shyamla Gopinath Committee Report on interest rates on small savings, and that why the rates of long-term schemes have been slashed steeply by as much as 90 basis point etc.. The Ministry of Finance inter alia furnished the following written submission in their post evidence replies as stated below:

"The small savings interest rates were perceived to limit the banking sector's ability to lower deposit rates in response to the monetary policy decisions of the Reserve Bank of India. In the context of easing the transmission of the lower interest rates in the economy, the Government has taken a comprehensive view on the social goals of certain National Small Savings Schemes. Accordingly, it has been decided that the following shall be implemented with effect from 1.4.2016 with regard to National Savings Schemes:

(i). The SukanyaSamriddhiYojana, the Senior Citizen Savings Scheme and the Monthly Income Scheme are savings schemes based on laudable social development or social security goals. Hence, the interest rate and spread that these schemes enjoy over the G-sec rate of comparable maturity viz., of 75 bps, 100 bps and 25 bps respectively have been left untouched by the Government.

(ii). Similarly the spread of 25 bps that long term instruments, such as the 5 yr Term Deposit, 5 year National Saving Certificates and Public Provident Fund (PPF) currently enjoy over G-Sec of comparable maturity, have been left untouched as these schemes are particularly relevant to the self-employed professional and salaried classes. This will encourage long term savings.

(iii). The 25 bps spread that 1 yr., 2yr. and 3 yr. term deposits, KVPs and 5 yr Recurring Deposits have over comparable tenure Government securities, shall stand removed w.e.f. April 1, 2016 to make them closer in interest rates to the similar instruments of the banking sector. This is expected to help the economy move to a lower overall interest rate regime eventually and thereby help all, particularly low-income and salaried classes.

(iv). The interest rates of all small saving schemes would be recalibrated w.e.f. 1.4.2016 on a quarterly basis as given under, to align the small saving interest rates with the market rates of the relevant Government securities;

Sr. No.	Quarter for which rate of interest would be effective	Date on which the revision would be notified	Rate of interest to be based on FIMMDA month end G-Sec. rate pertaining to
1.	April to June	15 th March	Dec.-Jan.-Feb.
2.	July to September	15 th June	Mar.-Apr.-May.
3.	October to December	15 th September	Jun.-Jul.-Aug.
4.	January to March	15 th December	Sep.-Oct.-Nov.

(v). The compounding of interest which is biannual in the case of 10 yr National Saving Certificate (discontinued since 20-12-2015), 5 yr National Saving Certificate and KisanVikasPatra, shall be done on an annual basis from 1.4.16.

(vi). Premature closure of PPF accounts shall be permitted in genuine cases, such as cases of serious ailment, higher education of children etc,. This shall be permitted with a penalty of 1% reduction in interest payable on the whole deposit and only for the accounts having completed five years from the date of opening.

2. Interest rates on various small savings schemes were decided based on the average FIMMDA month-end yields on Government Securities over the preceding three months. The formula for deciding interest rates of various small savings schemes (w.e.f. 01.04.2016) are given below:-

TABLE 1

S.No.	Instrument	Benchmark	Spread
1	Saving Deposits	No benchmark -4% (fixed)	
2	5 Year Recurring Deposits	Linear interpolation between 364- day- T-Bill and 5 year G-sec	at 3 Year
3	1 Year Time Deposit		at 1 Year
4	2Year Time Deposit		at 2 Year
5	3 Year Time Deposit		at 3 Year
6	5 Year Time Deposit		at 5 Year
7	5 Year SCSS	5 year G-sec	25bps
8	5 Year MIS	5 year G-sec	100bps
9	5 Year NSC	5 year G-sec	25bps
11	15 Year PPF	10 year G-sec	25bps
12	100 Months KVP	10 year G-sec	

13	SukanyaSamridhi Account Scheme	10 year G-sec		75bps
----	--------------------------------	---------------	--	-------

3. The incentives (interest rates) on various small savings schemes w.e.f. 1st April, 2016 to 30th June, 2016 are given as:-

TABLE 2

Scheme	Tenure	Spread over G-Sec for 2015-16	Rate of intt. w.e.f. 1.4.15	Spread over G-Sec w.e.f. 1.4.16	Compounding frequency, (change w.e.f. 1.4.16)	Rate of intt. w.e.f. 1.4.16	Upper deposit limit	Tax Treatment
(1)		(2)	(3)	(4)	(5)	(6)	(7)	
Savings Deposit		-	4.0	-	Annually	4.0	No limit	Interest earned tax free upto Rs. 10,000/- per year
1 Year Time Deposit	1 yr.	25 bps	8.4	0	Quarterly	7.1	No limit	--
2 Year Time Deposit	2 yrs.	25 bps	8.4	0	Quarterly	7.2	No limit	--
3 Year Time Deposit	3 yrs.	25 bps	8.4	0	Quarterly	7.4	No limit	--
5 year Time Deposit	5 yrs.	25 bps	8.5	25 bps	Quarterly	7.9	No limit	Qualifies under section 80C of IT Act
5 Year Recurring Deposit	5 yrs.	25 bps	8.4	0	Quarterly	7.4	No limit	--
5 year SCSS	5 yrs.	100 bps	9.3	100 bps	Quarterly and paid out	8.6	Rs. 15 lakh	Qualifies under section 80C of IT Act
5 Year MIS	5 yrs	25 bps	8.4	25 bps	Monthly and paid out	7.8	Rs. 4.5 lakh per person	--
5 Year NSC	5 yrs.	25 bps	8.5	25 bps	Annually (earlier half-yearly)	8.1	No limit	Qualifies under section 80C of IT Act
10 Year NSC		Scheme discontinued from 20.12.2015						
PPF	15 yrs.	25bps	8.7	25 bps	Annually	8.1	Rs. 1.5 lakh per year	Interest completely tax free, Qualifies under section 80C of IT Act
Kisan Vikas Patra	8.3 yrs.	25 bps	8.7	0	Annually (earlier half-yearly)	7.8	No limit	--
Sukanya Samridhi Account Scheme	21 yrs.	75 bps	9.2	75 bps	Annually	8.6	Rs. 1.5 lakh per year	Interest completely tax free Qualifies under section 80C of IT Act

The Ministry of Finance further added that:

"The ShyamalaGopinath Committee, inter alia made the following recommendation:

"The committee also agrees with the recommendation made by the

Rakesh Mohan Committee on placing a cap of 100 basis points so that the administered rates are neither raised nor reduced by more than 100 basis points from one year to the next, even if the average benchmark interest rates rise or fall by more than 100 basis points. This would reduce the year-to-year volatility in the administered rates”.

This was not part of the set of recommendation approved by Government of India in this context.

The quarterly revision of interest rates will be strictly based on parameters stated above and there will be no discretion to the Government in this regard.

The Government has taken steps to popularise the Schemes by carrying out publicity through print and electronic/Audio Visual media on an all India basis."

VIII. RECAPITALISATION OF PSBs AND CONSOLIDATION BANKING SECTOR

44. On the capital adequacy of the public sector banks it has been stated in Economic Survey 2015-16 as below:

"During 2014-15, the capital to riskweighted assets ratio (CRAR) of SCBs remained well above the stipulated minimum of 9.0 per cent. However, the CRAR of SCBs declined to 12.7 per cent from 13.0 per cent between March and September 2015. Given the deterioration in asset quality and gradual implementation of Basel III, banks will have to improve their capital positions to meet unforeseen losses in future. The estimated capital requirement (excluding internal generated profit) for the next four years up to FY 2018-19 is likely to be about R1,80,000 crore. Of this total requirement, the Government of India proposes to make R70,000 crore available out of budgetary allocations during the current and succeeding years. During 2015-16 the government has so far released a sum of R19,950 crore to 13 public sector banks (PSB).

The asset quality of SCBs have come under stress in recent times. Gross nonperforming advances (GNPA) of SCBs as a proportion of gross advances increased to 5.1 per cent from 4.6 per cent between March and September 2015. Restructured standard advances as a proportion of gross advances declined to 6.2 per cent from 6.4 per cent in the same period, while the stressed advances to total gross advances ratio increased to 11.3 per cent from 11.1 per cent. PSBs had the highest level of stressed assets (gross plus restructured assets) at 14.0 per cent of the total, followed by private sector banks (PVB) at 4.6 per cent and foreign banks (FB) at 3.4 per cent at end-September 2015. The net nonperforming advances (NNPA) as a proportion of total net advances for all SCBs increased to 2.8 per cent from 2.5 per cent during the period from March 2015 to September 2015. At the bank group level, the NNPA ratio of PSBs increased from 3.2 per cent to 3.6 per cent, whereas, in the case of PVBs and FBs, it remained unchanged at 0.9 per cent and 0.5 per cent respectively during the same period.

The contribution of five sub-sectors, namely mining, iron and steel, textiles, infrastructure and aviation (which together accounted for 24.2

per cent of the total advances of SCBs as of June 2015) to the total stressed advances was 53.0 per cent. Stressed advances in the aviation sector increased to 61.0 per cent in June 2015 from 58.9 per cent in March 2015, while stressed advances of the infrastructure sector increased to 24.0 per cent from 22.9 per cent during the same period. The performance of these sectors and their impact on the asset quality of banks continue to be a cause for concern."

45. In reply to a specific query Public Sector Banks/ INDRADHANUSH, the Ministry of Finance furnished the written reply which include:

" A budgetary allocation of Rs 25,000 crore in BE 2016-17 has been proposed towards recapitalisation of PSBs.

Road map for Capitalisation of Public Sector Banks (PSBs):

Under the "Indradhanush" plan for revamping PSBs, the Government has estimated how much capital will be required this year and in the next three years till FY 2019. If the internally generated profit is excluded (based on the estimate of average profit of the last three years), the capital requirement of **extra capital** for the next four years **up to FY 2019 is likely to be about Rs 1,80,000 crore**. This estimate is based on credit growth rate of 12% for the current year and 12 to 15% for the next three years depending on the size of the banks and their growth ability. The remaining amount is expected to be raised from the market.

2. Out of the total requirement, the Government of India proposes to make available Rs 70,000 crores out of budgetary allocations during current and next three financial years as under:

(i)	Financial Year 2015 -16	-	Rs 25,000 crore
(ii)	Financial Year 2016-17	-	Rs 25,000 crore
(iii)	Financial Year 2017-18	-	Rs 10,000 crore
(iv)	Financial Year 2018-19	-	Rs 10,000 crore
	Total	-	Rs 70,000 crore

It is estimated that PSBs' market valuations will improve significantly due to (i) far-reaching governance reforms; (ii) tight NPA management and risk controls; (iii) significant operating improvements; and (iv) capital allocation from the government. Improved valuations coupled with value unlocking from non-core assets as well as improvements in capital productivity, will enable PSBs to raise the remaining Rs 1, 10,000 crore from the market.

3. The Government has already infused a sum of Rs 19950 crore in 13 PSBs during the current financial year. Remaining amount of Rs 5050 crore is proposed to be released within the current financial year. A provision of Rs 25000 crore has been proposed in the BE 2016-17.

46. On being asked further details about a comprehensive plan for revamping Public Sector Banks - INDRADHANUSH - as announced in the Budget Speech 2016-17, the Ministry of Finance *inter alia* made the following written

submission:

"For revamping of PSBs a plan namely "INDRADHANUSH" covering 7 points viz. Appointments, formation of Bank Board Bureau, Capitalization, De-stressing PSBs, Empowerment, Framework of Accountability and Governance Reforms was launched on 14.08.2015.

The steps taken by the Government are as follows:-

i. Appointments :

- Government has already modified rules of selection for both non-official directors and whole time directors introducing element of transparency. For non-official directors, a Search Committee has been constituted. To select whole time directors, three separate Boards interview the same candidates to remove any error of judgment. Posts of Chairman and Managing Director have been separated in terms of best global practices.
- To promote lateral induction of talent. Government has approved the guidelines for appointment of MDs in five major banks, i.e. Bank of Baroda, Bank of India, IDBI Bank, Canara Bank and Punjab National Bank, where MDs are hired from open market based on merit.

ii. Bank Board Bureau :

Bank Board Bureau has been created and Chairman/members of the Board have been selected. The Board will be physically housed in Mumbai and will start functioning from 01.04.2016. The non-official members of Bank Board Bureau include Shri Vinod Rai, Ex. CAG as Chairman and Smt. Rupa Kudwa, Ex. MD, CRISIL; Shri H.N. Sinor, Ex. Joint MD, ICICI and Shri A.K. Khandelwal, Ex. CMD, Bank of Baroda as Members.

Road map for Capitalisation of Public Sector Banks (PSBs):

Under the "Indradhanush" plan for revamping PSBs, the Government has estimated how much capital will be required this year and in the next three years till FY 2019. If the internally generated profit is excluded (based on the estimate of average profit of the last three years), the capital requirement of **extra capital** for the next four years **up to FY 2019 is likely to be about Rs 1,80,000 crore**. This estimate is based on credit growth rate of 12% for the current year and 12 to 15% for the next three years depending on the size of the banks and their growth ability. The remaining amount is expected to be raised from the market.

2. Out of the total requirement, the Government of India proposes to make available Rs 70,000 crores out of budgetary allocations during current and next three financial years as under:

(i)	Financial Year 2015 -16	-	Rs 25,000 crore
(ii)	Financial Year 2016-17	-	Rs 25,000 crore
(iii)	Financial Year 2017-18	-	Rs 10,000 crore
(iv)	Financial Year 2018-19	-	Rs 10,000 crore
	Total	-	Rs 70,000 crore

It is estimated that PSBs' market valuations will improve significantly

due to (i) far-reaching governance reforms; (ii) tight NPA management and risk controls; (iii) significant operating improvements; and (iv) capital allocation from the government. Improved valuations coupled with value unlocking from non-core assets as well as improvements in capital productivity, will enable PSBs to raise the remaining Rs 1, 10,000 crore from the market.

iii. 3. The Government has already infused a sum of Rs 19950 crore in 13 PSBs during the current financial year. Remaining amount of Rs 5050 crore is proposed to be released within the current financial year. A provision of Rs 25000 crore has been proposed in the BE 2016-17

iv. De-stressing PSBs. :

➤ Various Departments of Government have taken various important steps to make economy grow.

v. Framework for measuring performance of public sector banks.

➤ A new framework of Key Performance Indicators (KPIs) to measure the performance of PSBs has been announced which focuses basically on efficiency and profitability to ensure financial health of Banks so that they are able to serve the nation better.

vi. Empowerment :

➤ Government has already issued instructions not to interfere in the matters of the banks and they have been encouraged to take their decisions independently in the commercial interest of the bank.

vii. Governance Reforms

1. Annual organization of Gyan Sangam to generate next year reform agenda.
2. Engagement with Banks on improving HR practices and Risk Management.
3. Creating enabling atmosphere for the board driven governance structure."

47. On being asked about the proposed roadmap for consolidation of PSBs and to whether there is timeline provided in this regard the Ministry of Finance *inter alia* made the following written submission:

"Various options are being explored to strengthen the PSBs including consolidation of PSBs."

48. On being asked to specify whether the banking regulator in India has prescribed the capital ratios for banks higher than the minimum level prescribed by the BASEL III, the Ministry of Finance in their post evidence reply *inter alia* stated as under:

"Yes. The details are as under:

Regulatory Capital Limits (as a % of RWAs) prescribed by Basel-III and RBI

	By March 2019	
Regulatory Capital	Basel-III	RBI
Minimum Common Equity Tier 1 Ratio	4.50%	5.50%
Capital Conservation Buffer	2.50%	2.50%
Minimum Common Equity Tier 1 Ratio + Capital Conservation Buffer	7.00%	8.00%
Additional Tier 1 Capital	1.50%	1.50%
Minimum Tier 1 Capital Ratio	6.00%	7.00%
Tier 2 Capital	2.00%	2.00%
Minimum Total Capital Ratio	8.00%	9.00%
Minimum Total Capital Ratio + Capital Conservation Buffer	10.50%	11.50%

49. On INDRADHANUSH, the Ministry further added the following:

"In budget 2016-17, Rs.25,000 crore has been allocated towards recapitalisation of Public Sector Banks. The Banks are recapitalised based on need in respect of regulatory requirement to support credit need of a growing economy. In the year 2015-2016, the money was allocated on the twin principles of ensuring 7.5% CET 1 at the end of the FY 2016 and growth capital to five major banks. Government proposes to revise the criteria for capital allocation based on cost of operations, recovery and quality of credit on the basis of risk weighted assets."

50. In a press report captioned "Unions, employees oppose merger of 27 public sector banks into six" (Hindustan Times dated 07 March 2016, net edition), it has been stated:

"The consolidation exercise among public sector banks may not be an easy one with unions and employees voicing their concerns...unions have threatened to resort to strikes if the process is kicked off. According to unions, if the government's plan was to avoid "large number" of banks, why did it issue licences to companies to set up payments and small finance banks?

The consolidation exercise could bring down the number of public sector banks to about six from the current 27....

Issues such as mergers of weak banks, chalking out a career path for the chairman of the merged banks, cultural fitment of lenders will also have to be dealt with, analysts said, even though the government seemed confident of the merger exercise"

PART - II

OBSERVATIONS/RECOMMENDATIONS

Budgetary Allocation / Utilisation

1. The Committee have been repeatedly urging the Ministry of Finance for realistic and accurate Budget Estimates year after year. The Committee, however, feel constrained to note that there have been wide variations / mismatch in budgetary estimates and actual expenditure in respect of the Demands for Grants (2015-16) of the Ministry of Finance. The Committee note that under Demand No. 29, Major Head 2235 - Social Security and Welfare - Other Programmes - the BE Rs. 1,000 crore for 2015-16 has been drastically reduced to Rs. 48 crore at RE stage, which eventually remained unutilised at the end of March 2016. The Ministry explained that the reasons for non-utilisation of the funds was due to "non-finalization of any such scheme..... under this Head in the year 2015-16". Again under Demand No. 29, Major Head 2810 Rs. 4,700 crore allocated at BE (2015-16) has been steeply reduced to Rs. 100 crore at RE (2015-16). The Ministry have explained that such drastic reduction at RE stage has been made after taking into account the balance of Rs. 5,152.51 crore available as on 1.4.2015 in the Fund. The Committee thus observe that in both the aforementioned cases, fund allocation has been made without any financial principle/method which resulted in drastic reduction at RE Stage and eventual non-utilisation of the funds at the end of the fiscal. This reflects poorly on the planning acumen of the Ministry of Finance. The Committee would expect better budgetary discipline from the Ministry of Finance, which is pivotal to the entire budgetary exercise of the government, so that they are exemplary before the other Ministries/Departments in so far as realistic, rational and accurate budgeting is concerned.

2. Under Demand No. 29, Major Head 3465 (detailed Head 0200.63) inter account transfer to National Infrastructure Investment Fund (NIIF), Rs. 500 crore has been allocated at RE stage, which remained unutilized at the end of the financial year. The Committee note that the NIIF was incorporated as a company under Companies Act, 2013 on December 28,

2015, just three months away from the end of the financial year. Again under Demand No. 30, Major Head 5465 - Detailed Head XX.00.54 - Investment (India Aspiration Fund), Rs. 500 crore has been allocated at RE (2015-16) stage, which eventually remained unutilized and the obvious reason was admitted by the Ministry of Finance, that "Question (of utilization) does not arise as fund is not yet approved". The Committee further understand that the allocation made under the Head is meant "to provide funding support to startups...Fund of Funds, which means that it would not invest directly into startups, but would participate in the capital of SEBI registered Alternate Investment Funds (AIF)". The Committee believe that such instances of fund allocation at RE stage seem to indicate lack of planning at the budget formulation stage. It is expected that the budgetary Demands for Grants of the Ministry should be wholesome and not piecemeal, adhoc and without foresight, so that the funds/ requirement for the entire year can be provided for at the initial stage. There can be flexibility no doubt, but it should ideally take care of unforeseen exigencies also. Even if the Government seeks to create a Fund for a specific purpose, allocations for the same can be made and clearly shown under the respective Demands for Grants at the budgetary stage itself. Utilisations from such Funds can also be part of the budget by reflecting them appropriately in the Expenditure or Outcome Budget. The Committee desire that ambiguities in this regard should be avoided in the interest of greater budgetary transparency and executive accountability.

3. The Committee find that the announcements made in Budget Speech no doubt make the public happy and also hopeful for a better future. However, these announcements, in certain cases, do not result in matching allocations and purposeful utilisation. For instance, Union Budget 2014-15 announced "Rs. 10,000 crore fund allocation to act as a catalyst to attract private capital by way of providing equity, quasi-equity...soft loans and other risk capital for start-up companies". However, there was no commensurate allocation in 2014-15 under the relevant Head of Account - Investment (India Aspiration Fund). In

January, 2016 Rs. 500 crore was allocated, which remained unutilised till 31 March, 2016. Similarly, budget announcement was made in 2015-16 for agriculture sector; accordingly, Rs. 1,800 crore was allocated for Pradhan Mantri Krishi Sinchai Yojana Scheme, out of which, only Rs. 1,223 has been released as on 20 January, 2016 and out of Rs. 300 crore allocated for 2015-16 under Paramparagat Krishi Yojana, only Rs. 197 crore has been released till 12 January, 2016. The Government, "in order to support programmes for women security, advocacy and awareness" decided to "provide another Rs. 1000 crore to the Nirbhaya Fund" (as per Budget 2015-16). However, as on January 2016, only Rs. 10.71 crore and Rs. 13.92 crore have been utilised for funding 'One Stop Centre' and 'Women Helpline' respectively towards women safety. Similar is the position on the achievement vis-a-vis targets under social security schemes such as Atal Pension Yojana (about 10% as on January, 2016). There are also announcements like the setting up of AIIMS in States like Jharkhand which have not materialised so far despite large time lag.

4. The Committee are of the view that such instances of budgetary allocations as well as actual expenditure not living up to the budgetary announcements cannot but reflect on the credibility of the Government in implementing these steps on ground. It also reflects lack of efficiency of the administrative machinery and inadequate followup. The Committee would, therefore, expect the Ministry of Finance to constantly monitor and follow-up on the implementation of the well intended budgetary announcements of the Government (such as the afore-mentioned instances) so that outcomes and visible results are shown without undue time-lag to the beneficiaries in specific and people in general.

Fund transfer to States

5. From the reply furnished by Ministry of Finance, the Committee understand that the additional central assistance in the form of block grants has got subsumed in the higher devolution recommended by the Fourteenth Finance Commission which has endeavoured to fill the resource gaps of each state to the extent possible. Tax Devolution and Grants-in-aid to the States is estimated to be Rs. 44,77,472 crore i.e. 163%

more than Rs. 17,16,669 crore recommended by the 13th Finance Commission. It was also stated that "availability of untied funds at the disposal of the States shall enable greater autonomy, flexibility in financing and design of schemes as per State's local needs". The Committee, however, believe that the more needy and backward States may prefer an arrangement of scheme-specific transfer of funds from the Centre, as they may not have the desired capability to formulate and fund their own schemes and at times need hand-holding from the Centre in implementation of many schemes/areas of activity for development. Such curtailing of Central share has put States in difficulty.

6. The capacity to absorb funds within a particular State varies from State to State depending on local disparities. The Committee would suggest that issues of both inter-State and intra-State inequality and disparity should be addressed while devising arrangements for financial transfers. The Finance Commission award to States can no doubt be deployed to good effect. However, the Committee feel that a smooth transition should be worked out in funding arrangements, particularly with regard to long-term policy initiatives such as irrigation, crop insurance etc., which would require generous central support till the coverage improves.

7. In this context, the Committee note that the additional transfers to States (Rs. 1.78 lakh crore more this year) under the Finance Commission might have been somewhat nullified by substantial reduction in the Centre's share of Centrally Sponsored Schemes, compelling the States to allocate additional funds to sustain these ongoing schemes. Furthermore, the fund sharing pattern of Centre vs. States have been changed in many of the Centrally Sponsored Schemes, leading to incomplete projects/leaving the implementation of the scheme midway as the State Governments do not have adequate resources, (which now require higher contribution from the States) to carry on. The Committee desire that the Ministry of Finance and the NITI should hold deliberations with the affected States on this issue and suitably address their difficulties including the change in sharing pattern of the ongoing programme. The

States should also be provided necessary assistance and expertise to develop capabilities to evolve and formulate their own programmes / schemes based on local needs / priorities.

8. In this connection, the Committee would like to reiterate their earlier recommendations in their previous year's Demands for Grants (2015-16) Report that incremental Central funds committed under Tripartite Agreements, such as that involving the Gorkhaland Territorial Administration (GTA) should be earmarked and transferred separately along the lines of North Eastern and Himalayan States.

Utilization of Cess proceeds

9. The Committee are constrained to express their displeasure over the fact that money collected by way of cess was not being utilised for the designated purpose. For instance, as per findings of C&AG Report, cess collected under Research and Development Cess Fund from 1996-97 to 2014-15 was Rs 5,783.49 crore; out of this only Rs. 549.16 (9.6 per cent) was disbursed as Grants-in-aid to Technology Development Board during the same period. Similarly, cesses collected under Primary Education cess and Central Road Fund cess during 2010-11 to 2014-15 have reported shortfall in transfer/utilisation to the tune of Rs. 13,298 crore and Rs. 1,219.88 crore respectively; cess proceeds were collected during 2006-15 under Secondary and Higher Education Cess to the tune of Rs. 64,228 crore, but neither a fund was designated to deposit the cess proceeds nor schemes identified on which the cess proceeds were to be spent. There were other funds as well where the cess proceeds have been lying unutilised with detrimental impact on national finances. The rationale of a cess is that the money it generates can only be used for the designated purpose, which makes it an effective policy tool in theory. However, if the money is not spent for the designated purpose or is diverted, it simply stagnates and distorts the economy further, as the additional tax brings down real incomes without any accompanying gain in socio-economic indicators as targeted. With the Fourteenth Finance Commission increasing States share of the common pool of resources, cesses are being used for the Centre to shore up its own finances.

Without disapproving of this fiscal objective, the Committee would recommend that the government should disclose a deployment plan for all the cess proceeds already collected under various heads with a view to achieving the intended outcomes from respective cess collections before the next such levy is imposed.

Small Savings

10. The Government has recently announced a significant reduction in 'small savings' interest rates comprising of postal savings schemes, senior citizen savings scheme and Public Provident Fund to bring them in line with comparable bank fixed deposit interest rates. While resetting these administered rates for 2016-17, the Government has chosen to prune them across the board tilting the scales against the small saver. It has moved to a quarterly reset of rates instead of the annual reset specifically suggested by the Shyamala Gopinath Committee to shield savers from excessive rate volatility. With rates on even long-term schemes such as the Public Provident Fund now set to float up and down every quarter, savers will find it difficult to make long term financial plans. This drastic reset in rates also appears to have been triggered by the demand from bankers for a level playing field *vis-a-vis* bank deposit rates. However, in the view of the Committee, this threat from small savings may be over-stated, as small savings schemes (with about Rs 7 lakh crore) manage only a fraction of the funds parked as bank deposits (about Rs 90 lakh crore). However, with individual ceilings on investments in schemes such as the senior citizen's savings scheme, PPF, Monthly Income Scheme etc., savers cannot possibly allocate unlimited funds to these schemes in any case. The Committee would therefore recommend that the Government should address the genuine concern of small savers, particularly senior citizens and PPF holders while reviewing the interest rates. It is to be understood that in the absence of a workable social safety net, the interest earnings from accumulated savings serve as the only available means to protect the real income of senior citizens. Such drastic reduction in interest rates would thus adversely impact upon

the social security of senior citizens depending upon interest earnings for their survival. Therefore, the Committee would strongly recommend that with a view to upholding equity and progressive principles of public finance for a just and humane society, interest rate on at least the Senior Citizens Savings Scheme (operated by banks and post office) and PPF holders should be pegged one percent higher than the floating rate. A review by the government in this regard will also help arrest the declining household savings rate.

State of Public Sector Banks (PSBs)

11. The Committee note that the banking regulator in India has prescribed the capital ratios for banks higher than the minimum level prescribed by the BASEL III and that the Government has accordingly proposed to make available Rs 70,000 crore out of budgetary allocations during the current and subsequent three years for recapitalisation of Public Sector Banks. However, the Committee find that the requirement of additional capital for the subsequent years up to Financial Year 2019-20 is likely to be about Rs. 1.80 lakh crore. Therefore, implicit in the government's plan was the expectation that the PSBs would be able to tap the capital markets for their remaining funding requirements, when the market environment becomes more conducive. The Committee desire that the government should chalk out a coherent and realistic road map for infusing / raising additional capital into PSBs including alternate channels with a view to making them strong and vibrant for the larger economic and social development of the country.

12. Similarly, apex credit institutions such as NABARD should also be strengthened and provided with long-term finance to ensure flow of adequate funds to agricultural cooperatives and boost capital formation in agriculture sector. NABARD's pre-eminent role on this count should be recognised and steps taken accordingly.

13. The Committee will be further dealing with the NPA issue and the extent of efforts made by banks to scale up their loan recoveries in their Action Taken Report on the action taken by government on their 27th Report (16th LS) on the subject. The other pertinent issues concerning

the PSBs, such as consolidation of banks with all its ramifications, internal governance structures, human resource challenges, credit-mechanisms etc. may be separately dealt with and commented upon in the course of Committee's ongoing examination of the subject - "Banking Sector- Challenges and Way Forward" later. *However*, the Committee feel constrained to make certain recommendations in this Report on INDRADHANUSH-revamping of the banking sector in the country. With a view to revamp the banking sector, the Government has opened the door for lateral induction of talent from the open market/private banks based on 'merit' . The Committee are unable to comprehend the rationale of the assumption that "talent" from the private sector banks are better to shoulder the responsibilities of MDs and CEOs in Public Sector Banks through lateral induction. The Committee note that the objectives of nationalisation of banks include channelisation of banking resources and services for social priorities unlike that of the private banks that are mainly focused on making profits. They, therefore are of the view that talents that have been acquainted with national objectives for years cannot be inferior to talents in private sector banks especially when private banks are also loss making and not free from NPAs etc. either. On the contrary, one who has been groomed for years in the PSBs, who has been acquainted with national priorities having the exposure of field service under a public sector bank, will have a better skill, heart and talent to lead the bank than the other who might be equally qualified but never had the experience and exposure to national priorities and schemes in that way. The Committee are of the view that lateral entry from the open at senior level in PSBs will give rise to the level of non-cooperation from the colleagues/subordinates, encouraging unhealthy work atmosphere, snuffing out the flames of motivation of the officers and employees of the banks. In this regard, the Committee desire that the banking policy should rather focus on capacity building programmes/training for its officers, and equip them to shoulder bigger roles and responsibilities of the bank where they work.

14. The Committee observe that mergers of banks have been done in

the country in the past with lot of clamour. Mergers always have led to issues such as suitable alignment of officers and employees of the merged banks from the HR perspective. Apart from these, officers and employees have no financial incentives/benefits and career progression to gain from mergers. In such a scenario, the Committee are more inclined to assume that mergers may result in employee productivity ratio to dip lower. In view of this, they desire that the Government should be more cautious when merger of banks is considered. In the present scenario of high NPAs in public private sector banks there is a general feeling of low confidence among the bankers to take dynamic decision to bail out the banks from the losses. The Committee are apprehensive that the proposal to make "strong banks" through such merger may create resentment amongst large section of employees due to the perceived negative impact upon their career prospects. The Committee would, therefore, expect the government to weigh all the pros and cons, in the matter before taking their decision. In the meantime, the PSBs should be encouraged to function with complete professional autonomy, which will help them smoothly tide over the present difficult phase in their evolution.

New Delhi;
26 April, 2016
06 Vaisakha, 1938 (Saka)

Dr. M. Veerappa Moily,
Chairperson
Standing Committee on Finance

Minutes of the Twelfth sitting of the Standing Committee on Finance

The Committee sat on Tuesday, the 29 March, 2016 from 1100 hrs. to 1715 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Veerappa Moily - Chairperson

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Venkatesh Babu T.G.
4. Shri Nishikant Dubey
5. Shri Shyama Charan Gupta
6. Shri Chandrakant B. Khaire
7. Shri Rattan Lal Kataria
8. Shri Bhartruhari Mahtab
9. Prof. Saugata Roy
10. Shri Jyotiraditya M. Scindia
11. Shri Gopal Shetty
12. Shri Anil Shirole
13. Dr. Kiritbhai Solanki
14. Dr. Kirit Somaiya

RAJYA SABHA

15. Shri Naresh Agrawal
16. Shri Naresh Gujral
17. Shri A. Navaneethakrishnan
18. Dr. Mahendra Prasad
19. Shri C.M. Ramesh
20. Shri Ajay Sancheti
21. Dr. Manmohan Singh

SECRETARIAT

- | | | |
|---------------------------------|---|---------------------|
| 1. Smt. Abha Singh Yaduvanshi | - | Joint Secretary |
| 2. Shri P.C. Tripathy | - | Director |
| 3. Shri Ramkumar Suryanarayanan | - | Additional Director |
| 4. Shri Kulmohan Singh Arora | - | Deputy Secretary |

PART - I

(1100 hrs. to 1415 hrs.)

WITNESSES

Ministry of Finance (Department of Expenditure)

1. Shri Ratan P. Watal, Finance Secretary & Secretary (Expenditure)
2. Shri A.N. Jha, Special Secretary (Expenditure)
3. Shri Girish C. Mumu, Additional Secretary (PF-I)
4. Ms. Annie George Mathew, Joint Secretary (Pers.)
5. Shri Arunish Chawla, Joint Secretary (PF-II)
6. Shri Vivek Joshu, JS (PPD)
7. Shri Rajesh Chaturvedi, JS, Pay Implementation Cell, (7th Pay Commission)

Ministry of Finance (Department of Economic Affairs)

1. Shri Shaktikanta Das, Secretary (EA)
2. Shri Dinesh Sharma, Additional Secretary (EA)
3. Shri Ajay Tyagi, Additional Secretary (Investment)
4. Dr. H.A.C. Prasad, Senior Economic Adviser
5. Dr. Archana S. Mathur, Senior Adviser
6. Ms. Meena Swarup, Joint Secretary & FA (Finance)
7. Shri Praveen Garg, Joint Secretary (FM)
8. Shri S. Selvakumar, Joint Secretary (ABC)
9. Shri Prashnat Goyal, Joint Secretary (Budget)
10. Ms. Sharmila Chavaly, Joint Secretary (I&E)
11. Shri Rajkumar, Joint Secretary (MI)
12. Shri Sanjeev Shrivastava, Chief Controller of Accounts (Finance)
13. Shri Arvinder Sachdeva, Advisor
14. Shri G.S. Negi, Advisor
15. Shri Rohit K. Parmar, Advisor

Ministry of Finance (Department of Financial Services)

1. Smt. Anjuly Chib Duggal, Secretary
2. Smt. Snehlata Shrivastava, Special Secretary
3. Shri Alok Tandon, Joint Secretary

4. Shri Rajesh Aggarwal, Joint Secretary
5. Dr. Shashank Saxena, Economic Advisor

Ministry of Finance (Department of Disinvestment)

1. Shri Neeraj Kumar Gupta, Secretary (Disinvestment)
2. Ms. Meera Swarup, Joint Secretary and Financial Adviser
3. Shri Ravi Agrawal, Joint Secretary
4. Shri Manish Singh, Joint Secretary

2. At the outset, the Chairperson welcomed the Members and the Witnesses to the Sitting of the Committee.

3. After the welcome, the Principal Witness briefed the Committee on Demands for Grants (2016-17) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment).

4. Once the briefing was over, the Members sought clarifications on a wide range of issues which include Capital adequacy - BASEL III norms, quantum of funds allocated for funds allocated for major expenditure to be incurred such as Pay Commission Implementation, OROP etc., non-utilisation of cesses / surcharges for the stated purpose, funds allocated for startup & stand up India etc., shortfall in utilisation of Nirbhaya Fund, variations in Budget Estimates and Actuals, buy back of shares by public sector firms, HR Policy of Public Sector Banks, fund transfer from Centre to States, funding of needy areas not covered under the 6th Schedule such as Gorkhaland Territorial Administration (GTA), Atal Pension Yojana (APY), Aam Admi Bima Yojana (AABY), legislations related to Collective Investment Schemes (CIS), NPAs and restructuring of stressed assets, No. of DRTs and the require reforms in DRTs, micro finance initiatives, Bharat Mahila Bank, funds surrendered *vis-a-vis* the promises made in the Budget Speech etc.

The Chairperson directed the representatives of Ministry of Finance to furnish written replies to the points raised by the Members which could not be answered to / adequately responded to during the discussion within 10 days to the Committee Secretariat.

(The witnesses then withdrew).

The Committee then adjourned for lunch break.

1. XX XX XX XX XX

1. XX XX XX XX XX

The Committee then adjourned.

Minutes of the Fourteenth sitting of the Standing Committee on Finance

The Committee sat on Tuesday, the 26 April, 2016 from 1530 hrs. to 1810 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Veerappa Moily - Chairperson

LOK SABHA

2. Shri Venkatesh Babu T.G.
3. Shri Nishikant Dubey
4. Shri P.C. Gaddigoudar
5. Shri Shyama Charan Gupta
6. Shri Chandrakant B. Khaire
7. Shri Rattan Lal Kataria
8. Shri Bhartruhari Mahtab
9. Shri Rayapati Sambasiva Rao
10. Shri Gajendra Singh Sekhawat
11. Shri Gopal Shetty
12. Shri Anil Shirole
13. Dr. Kiritbhai Solanki
14. Dr. Kirit Somaiya
15. Shri Shivkumar Udasi

RAJYA SABHA

16. Shri Satish Chandra Misra
17. Shri Ajay Sancheti
18. Shri Digvijaya Singh
19. Dr. Manmohan Singh

SECRETARIAT

- | | | | |
|----|------------------------------|---|---------------------|
| 1. | Smt. Abha Singh Yaduvanshi | - | Joint Secretary |
| 2. | Shri P.C. Tripathy | - | Director |
| 3. | Shri Ramkumar Suryanarayanan | - | Additional Director |

PART - I

(1530 hrs. to 1645 hrs.)

WITNESSES

1. XX XX XX XX XX

(The witnesses then withdrew).

PART-II

(1645 hrs. to 1700 hrs.)

The Committee then took up for consideration and adoption the following draft Reports.

- (i) Draft Report on Demands for Grants (2016-17) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment).
- (ii) Draft Report on Demands for Grants (2016-17) of the Ministry of Finance (Departments of Revenue)
- (iii) Draft Report on Demands for Grants (2016-17) of the Ministry of Statistics and Programme Implementation.
- (iv) Draft Report on Demands for Grants (2016-17) of the Ministry of Corporate Affairs.
- (v) Draft Report on Demands for Grants (2016-17) of the Ministry of Planning.

The Committee adopted the above draft Reports with some minor modifications as suggested by Members. The Committee authorised the Chairperson to finalise the Reports in the light of the modifications suggested and present the same to Parliament.

The Committee then adjourned.