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STANDING COMMITTEE ON FINANCE
(2017-18)

SIXTEENTH LOK SABHA

MINISTRY OF FINANCE
(DEPARTMENTS OF ECONOMIC AFFAIRS, EXPENDITURE, FINANCIAL SERVICES AND INVESTMENT & PUBLIC ASSET MANAGEMENT)

DEMANDS FOR GRANTS
(2018-19)

FIFTY-SEVENTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

March, 2018 / Phalguna, 1939 (Saka)

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(2018-19)

Presented to Lok Sabha on 09 March, 2018

Laid in Rajya Sabha on 09 March, 2018

LOK SABHA SECRETARIAT
NEW DELHI

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COMPOSITION OF STANDING COMMITTEE ON FINANCE – 2017-18

Dr. M. Veerappa Moily - Chairperson

MEMBERS

LOK SABHA

2. Kunwar Pushpendra Singh Chandel
3. Shri Bandaru Dattatreya
4. Shri Nishikant Dubey
5. Shri Venkatesh Babu T.G.
6. Shri P.C. Gaddigoudar
7. Shri C. Gopalakrishnan
8. Shri Shyama Charan Gupta
9. Shri Rattan Lal Kataria
10. Shri Chandrakant B. Khaire
11. Shri Bhartruhari Mahtab
12. Shri Prem Das Rai
13. Shri Rayapati Sambasiva Rao
14. Prof. Saugata Roy
15. Shri Rajiv Pratap Rudy
16. Shri Jyotiraditya M. Scindia
17. Shri Gopal Shetty
18. Dr. Kiritbhai P. Solanki
19. Dr. Kirit Somaiya
20. Shri Dinesh Trivedi
21. Shri Shivkumar Udasi

RAJYA SABHA

22. Shri Naresh Agrawal
23. Shri Rajeev Chandrasekhar
24. Shri A. Navaneethakrishnan
25. Shri Mahesh Poddar
26. Dr. Mahendra Prasad
27. Shri C.M. Ramesh
28. Shri T.K. Rangarajan
29. Shri Ajay Sancheti
30. Shri Digvijaya Singh
31. Dr. Manmohan Singh

SECRETARIAT

1.	Smt. Abha Singh Yaduvanshi	-	Joint Secretary
2.	Shri Rajesh Ranjan Kumar	-	Director
3.	Shri Ramkumar Suryanarayanan	-	Additional Director
4.	Shri Kh. Ginlal Chung	-	Executive Officer

INTRODUCTION

I, the Chairperson, of the Committee on Finance, having been authorised by the Committee, present this Fifty-Seventh Report (Sixteenth Lok Sabha) on 'Demands for Grants (2018-19)' of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services, and Investment and Public Asset Management).

2. The Demands for Grants (2018-19) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services, and Investment and Public Asset Management) were laid on the Table of the House on 09 February, 2018 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 Investment and Public Asset Management) on 15 February 2018. The Committee wish to express their thanks to the representatives of the Departments of Economic Affairs, Expenditure, Financial Services, and Investment and Public Asset Management 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 (2018-19).

4. The Committee considered and adopted this Report at their Sitting held on 8 March, 2018.

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

New Delhi;
09 March, 2018
18 Phalguna, 1939 (Saka)

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

REPORT

PART I

I. INTRODUCTORY

1. 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 NO.	DEPARTMENT
29	Department of Economic Affairs
30	Department of Expenditure
31	Department of Financial Services
32	Department of Investment and Public Asset Management
33	Department of Revenue
34	Direct Taxes
35	Indirect Taxes
36	Indian Audit and Accounts
37	Appropriation- Interest Payments
38	Appropriation- Payment of Debt
39	Pensions
40	Transfer to States

1.2. Demand no.. viz; 33,34, and 35 pertaining to Department of Revenue, Direct Taxes and Indirect Taxes respectively are examined and reported separately by the Committee since 1998-99.

Department of Economic Affairs

Demand No. 29

1.3 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.

DEPARTMENT OF ECONOMIC AFFAIRS

Statement showing increase/decrease (Major Head wise) over the last three years

Major Head	Budget Estimates (BE) 2014-15	Actual Expenditure 2014-15	Budget Estimates (BE) 2015-16	Actual Expenditure 2015-16	Budget Estimates (BE) 2016-17	Actual Expenditure 2016-17	Budget Estimates (BE) 2017-18	Actual expenditure up to Dec. 2017 2017-18
Revenue Section								
2052	140.22	104.63	162.45	115.97	182.42	149.76	224.38	104.84
2047	14.95	15.19	16.21	10.79	17.90	10.31	16.34	6.99
2070	39.67	24.38	7.00	4.97	8.75	5.75	19.47	5.56
2075	300.01	100.00	300.01	300.08	300.02	500.02	600.02	451.64
2235	1607.02	1107.00	2607.02	0.00	8.53	0.00	0.03	0.00
2250	0.00	0.00	0.00	0.00	0.00	389.16	0.00	64.43
2416	62.00	63.35	67.00	86.32	84.00	81.14	84.00	0.00
2810	4700.00	4700.00	4700.00	100.00	0.00	0.00	0.00	0.00
3054	2992.00	2992.00	3291.20	5015.20	0.00	0.00	0.00	0.00
3075	4699.30	4681.36	5393.53	4361.49	5120.80	3511.96	0.00	0.00
3465	435.00	435.00	0.00	0.00	4000.00	15.00	1200.00	17.36
3466	97.32	512.07	470.92	536.66	829.97	610.96	696.73	214.96
3475	588.26	87.27	130.74	506.25	651.03	822.50	707.56	539.65
3605	43.52	449.73	628.80	719.13	1131.97	624.76	754.26	578.03
Total	**15719.27**	**15271.98**	**17774.88**	**11756.86**	**12335.39**	**6721.32**	**4302.79**	**1983.46**
Capital Section								
4046	2000.00	1905.99	2500.00	2311.80	2500.00	2500.00	2500.00	748.66
4058	6.00	9.64	0.01	0.00	1.00	0.00	1.00	0.00
4216	0.00	0.00	0.00	0.00	0.00	0.19	40.00	3.94
5465	0.06	0.00	0.00	0.04	0.00	0.00	0.00	0.00
5466	1123.53	5186.10	1101.13	73339.50	4081.66	5673.62	4360.05	76.15
5475	2226.56	365.04	514.51	623.50	252.00	132.26	3102.00	49.41
7475	915.00	2427.59	1486.04	692.60	1486.04	0.00	1000.00	7.29
7610	200.00	149.13	200.00	121.87	150.00	64.77	150.00	46.99
Total	**6471.15**	**10043.49**	**5801.69**	**77089.31**	**8470.70**	**8370.84**	**11153.05**	**932.44**
Grand Total	**22190.42**	**25315.47**	**23576.57**	**88846.17**	**20806.09**	**15092.16**	**15455.84**	**2915.90**

Department of Expenditure

Demand No.30

1.4. 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 14 budgetary resources to States and implementing the recommendations of the Finance and Central Pay Commissions.

1.5. 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 Advisor 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).

1.6. 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.

1.7. 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.

1.8. 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.

Department of Financial Services

Demand No. 31

1.9. 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.

1.10. 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.

Demand No. 32

Department of Investment and Public Asset Management

1.11. The Department of Disinvestment was set up as a separate Department on 10th December, 1999 and was later renamed as Ministry of Disinvestment form 6th September, 2001. From 27th May, 2004, the Department of Disinvestment is one of the Departments under the Ministry of Finance.

1.12. The Department of Disinvestment has been re-named as Department of investment and Public Asset Management (DIPAM) with effect from 14th April, 2016.

1.13. Steps taken to accelerate the disinvestment process: The Department has taken following measures to accelerate the disinvestment process:

(i) Replacing annual plan with rolling plans.

(ii) Creating a pipeline of proposals for CPSEs to take advantage of better market condition without any loss of time. (iii) Disinvestment programme made more inclusive by following an approach to reserve 20 per cent of shares on PSUs-OFS transactions for retail investors on a case to case basis.

(iv) Based on the suggestion made by the Department, SEBI has reduced the notice period for an OFS transaction from T-2 to T-1 (T being the transaction day). This will help in minimizing the possibility of price hammering between the notice day and the transaction day and suitably protecting the interest of retail investors by providing them sufficient time to participate in the OFS transaction.

(v) As announced in the Budget, guidelines on “Capital Restructuring of CPSEs” have also been issued by this Department on 27th May, 2016. These guidelines supersede all previously issued guidelines by various Ministries/Departments from time to time and comprehensively deal with the inter-related issues on payment of dividend, buy back of shares, issue of bonus shares and splitting of shares. The focus of these guidelines is on optimum utilization of funds by CPSEs/Government to spur economic growth.

2016-17

(a) During 2016-17, there had been 16 transactions generating Revenue from investment management in CPSEs to the tune of Rs. 46,247 crore against the revised budget estimate of Rs. 45,500 crore.

2017-18

(b) The budget estimate (BE) for disinvestment during the year 2017-18 is Rs. 72,500 crore. This comprises Rs. 46,500 crore from disinvestment of Central Public Sector Enterprises (CPSEs). Rs. 15,000 crore from Strategic disinvestment and Rs. 11,000 crore from listing of Insurance Companies. This is the highest ever disinvestment target and far exceeds Rs.46,247 crore achieved during the year 2016-17.

(c) During the current financial year, Government has so far realized Rs. 53,882.60 crore, which include Rs. 32,371.47 crore through minority stake sale in 16 CPSEs, Rs.4,153.65 crore through disinvestment of strategic holdings in SUUTI and Rs. 17,357.48 crore through listing of Insurance Companies.

Demand No. 36

Indian Audit & Accounts Department

1.14. Statement showing approved provision in Budget Estimates, Revised Estimates from 2014-15 onwards and actual expenditure for the past three years showing separately plan and non-plan expenditure.

(Rs. in Crore)

Budget Estimates (Gross)				Revised Estimates (Gross)			Expenditure		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total (Final)	Plan	Non-Plan	Total
2018-19	-	4630.12	4630.12	-	-	-	-	-	-
2017-18	-	4322.24	4322.24	-	4400.56	4400.56	-	-	-
2016-17	-	3934.27	3934.27	-	4070.50	4070.50	-	4050.88	4050.88
2015-16	-	3677.39	3677.39	-	3453.59	3453.59	-	3433.73	3433.73
2014-15	-	3337.08	3337.08	-	3311.48	3311.48	-	3221.56	3221.56

Appropriation No. 37

Interest Payments

1.15. The entire expenditure included in the appropriation is classified as Non-Plan expenditure of the Central Government and is 'charged' on the Consolidated Fund of India in terms of article 112(3)(c) of the constitution of India. The Appropriation provides for interest charges on Central Governments' debt obligations both internal and external. It also includes provisions for interest payable on provident funds, special securities issued to National Small Savings Fund, special deposits with the Government besides depreciation and other reserve funds of commercial departments like Railways, provisions for management of debt and other liabilities of the Central Government.

Appropriation No. 38

REPAYMENT OF DEBT

1.16. This Appropriation includes provision for repayment of debt raised by Central Government as well as for discharge of treasury bills of different maturities, Cash Management Bills, Ways and Means advances, etc. This Appropriation is 'Charged' on the Consolidated Fund of India in terms of Article 112 (3) (c) of the Constitution of India.

1.17. Fiscal Deficit in a year is financed through borrowings from various sources, net of repayments and cash draw-down. In a fiscal deficit regime, repayment obligation is met out of fresh borrowings.

1.18. The Appropriation includes provision for discharge of Ways and Means Advances, Cash Management Bills including overdraft from RBI. These are short term funds availed mainly to meet intra-year mismatch between receipts and expenditure of the Government. 14 days Intermediate Treasury Bills (ITBs) provide an avenue to State Governments to invest their short term surplus funds. Given the difficulties in accurately estimating the cash flows and cash surplus of State Governments, requirement of funds under this Appropriation cannot be assessed with precision. It may be noted that any variation in this Appropriation does not impact the expenditure budget or the fiscal deficit of the Government.

Demand No. 39
Pensions

1.19. Grant No. 39 - Pensions is a Composite Grant relating to Central Civil Pension payments. The Budget Estimates are prepared on the basis of projections of expenditure received from various Civil Ministries/Departments and trend of expenditure booked by CPAO.

Demand No. 40

Transfers to States

Public Finance-States & FCD

<u>State Finances Division</u>

1.20. The State Finances (Public Finance-States) 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), releases of Additional Central Assistance for Externally Aided Projects (Grants and Loan Portion), Special Assistance to States, releases on recommendation of Finance Commissions and Assistance under NDRF under Demand No. 40.

1.21. Till 2014-15, PF-S Division was releasing the funds under both under Plan & Non-Plan. Plan Grants comprised of ‘Block Grants’ which consisted the 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 were provided as recommended by FC XIII for its award period 2010-15. With effect from 2015-16, the release of Non-Plan grants are being made as per the recommendations of Fourteenth Finance Commission (FFC) for its award period 2015-20 based upon the prescribed conditionality by FFC and accepted by Central Government. These Grants recommended by FFC are covered under Article 275(1) of the Constitution and are charged expenditure.

1.22. 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 former additional central assistance in the form of block grants namely NCA, SCA, SPA, etc. got subsumed in the higher tax devolution recommended by FFC.

1.23. The State’s share of Central Tax during 2017-18 BE is estimated to be Rs.6, 74,565.45 crore as compared to Rs. 6,08,000.31 crore in 2016-17 RE showing an increase of Rs. 66, 565.14 crore during 2017-18. Besides, as per the FFC recommendation, Grant-in-aid of Rs. 35,820.00 crore to cover revenue deficit of State, local body grants (rural and urban local bodies) of Rs. 56,288.38 crore & grants of Rs. 10,993.00 crore for augmenting the State Disaster Response Fund (SDRF) has also been provided during BE 2017-18.

1.24. An amount of Rs.1, 47,373.50 crore is estimated in 2018-19 (BE) in Demand No. 40 for transfer to States as Grants.

II BUDGET ALLOCATION, 2018 -19 AND COMMENTS FURNISHED BY THE

MINISTRY OF FINANCE

2.1.

Demand No. 29
(Deptt. of Economic Affairs)
MH: 2235
Social Security and Welfare

(Rupees in crore)

Year	BE	Actuals
2014-15	1607.02	1107.00
2015-16	2607.02	0.00
2016-17	0008.53	0.00
2017-18	0000.03	0.00

The Ministry gave the following comments on the issue:

"Out of a Budget provision of Rs.1607.00 crore, Rs.107.00 crore has been transferred to NSSF and Rs.1000.00 crore has been transferred to Nirbhaya Fund during 2014-15. During 2015-16, Budget provision of Rs.1607.00 crore kept for transfer to Nirbhaya Fund (Rs.1000.00 crore) and transfer to National Social Security Fund for Unorganized Sector Workers (Rs.607.00 crore) has been reduced to NIL at RE stage due to non requirement of funds. These schemes are proposed to transferred to other ministries with effect from 2016-17. The provision has also been kept for Social Security Network and Protected Savings Schemes. Nil expenditure incurred up to Dec., 2017 under MH-2235 against a provision of Rs.0.03 crore. "

2.2.

Demand No. 29
(Deptt. of Economic Affairs)
MH: 2250
Other Social Services

(Rupees in crore)

Year	BE	Actuals
2014-15	0.00	0.00
2015-16	0.00	0.00
2016-17	0.00	389.16
2017-18	0.00	64.43

The Ministry furnished the following:

"During 2016-17, provision was made under this head by obtaining supplementary demand for grants for transferring the unclaimed money to Senior Citizen Welfare Fund (SCWF) kept in the Public Account. Expenditure during 2016-17 was Rs.389.16 crore and Rs.64.43 crore up to December, 2017 for 2017-18."

2.3.

Demand No. 29
(Deptt. of Economic Affairs)
MH: 3465
General Financial and Trading Institutions

(Rupees in crore)

Year	BE	Actuals
2014-15	435.00	435.00
2015-16	0.00	0.00

2016-17	4000.00	15.00
2017-18	1200.00	17.36

The comments of the Ministry on the issue are as below:

"BE 2014-15 has been kept at Rs.435.00 crore and the whole amount was utilized. 'NIL' provision was made during 2015-16 as the work pertaining to NSDA has been transferred to Ministry of Skill Development and Entrepreneurship w.e.f 2015-16. A provision of Rs.4000.00 crore was kept towards National Investment and Infrastructure Fund (NIIF) during 2016-17 and Rs.1000.00 crore during 2017-18, however, up to Dec., 2017 only Rs.17.36 crore booked for this purpose. Another provision of Rs.200.00 crore made under this head of account was made for reimbursement of MDR charges. This provision was shifted to Major Head 2075-Misc. General Services on the recommendations of o/o Controller general of Accounts to set right the misclassification"

2.4. **Demand No. 29**

(Deptt. of Expenditure)

MH: 4046

Capital outlay of Currency, Coinage and Mint

(Rupees in crore)

Year	BE	Actuals
2014-15	2000.00	1905.99
2015-16	2500.00	2311.80
2016-17	2500.00	2500.00
2017-18	2500.00	748.66
2018-19	2800.00	

The Ministry gave the following comments on the issue:

"The provision is for purchase of coins from Security Printing and Minting Corporation of India Limited (SPMCIL). Rs.2500.00 crore was kept during 2015-16 and 2016-17 and 2017-18 for purchase of coins from SPMCIL. There would be no cash outgo as the entire amount will be deducted as recovery from the credit recovered from Reserve Bank of India on circulation of coins. Provision of Rs.2800.00 crore has been kept for this purpose due to upward revision of indent of coins for 2018-19."

2.5. **Demand No. 29**

(Deptt. of Economic Affairs)

MH: 5475

Capital outlay on other General Economic Survey

(Viability Gap Funding)

(Rupees in crore)

Year	BE	Actuals
2014-15	2226.56	365.04
2015-16	514.51	623.50
2016-17	252.00	132.26
2017-18	3102.00	49.41

The Ministry of Finance gave the following comments on the above issue:

"The provision is for Assistance for Infrastructure Development - Viability Gap Funding (VGF) for PPP. During 2014-15, Provision of Rs.500.00 crore has been made for implementation of People-Public-Private Partnership (PPPP), Rs.473.00 crore has been kept for various other programmes of Government and Rs.670.00 crore was made for Viability Gap Funding, however only Rs.365.00 crore was incurred during 2014-15. During 2015-16, Provision of Rs.80.00 crore was kept for People-Public-Private Partnership (PPPP), Rs.20.00 crore for other programmes of Government under Social & Infrastructure Capital Fund and Rs.412.50 crore for Assistance for Infrastructure Development - Viability Gap Funding (VGF) for PPP. Actual expenditure up to December, 2016 was Rs.102.27 crore against a Budget provision of Rs.250.00 crore towards Viability Gap Funding (VGF). The provision is also for India Infrastructure Project Development Fund (IIPDF) and activities for mainstreaming Public Private Partnership (PPP) projects. Actual expenditure during 2014-15 was Rs.0.04 crore against a Budget provision of Rs.5.65 crore. During 2016-17, no expenditure has been incurred up to December, 2016 against BE of Rs.2.00 crore which is kept for IIPDF.

During 2017-18, provision was made at Rs.3102.00 crore which includes Rs.3000.00 crore towards New Schemes-Accouchements in the Budget Speech, Rs.100.00 crore towards Assistance for Infrastructure Development-VGF, and Rs.2.00 crore for IIPDF, however, expenditure up to Dec., 2017 was Rs.49.41 crore."

2.6. Demand No. 30
(Deptt. of Expenditure)

Fund allocation for the last 3 years during XIIth Plan is as under(as furnished by the Ministry of Finance):

(Figure in Crore of Rs.)

Year	Budget Estimates	Budget Estimates + Supplementary	Revised Estimates	Actual Expenditure	Funds Surrendered	%age increase (+) /decrease(-) as compared to previous year
2014-15 (3rd year of XIIth Plan)	155.90	------	144.51	142.72	13.18	(+)2.60%
2015-16 (4th year of XIIth Plan)	156.84	193.84	196.03	166.79	27.05	(+)14.80%
2016-17 (5th year of XIIth Plan)	226.65	290.00	290.00	285.00	5.00	(+)12.23%
2017-18	480.00	482.00	304.49	148.79*		

***Actual expenditure upto December, 2017.**

Submission made by the Ministry of Fianace include the following:

"In BE 2014-15, a provision of Rs 155.90 crores (Rs. 4.00 crores under Revenue Plan and Rs. 151.90 crores under Revenue Non Plan) was made.

In BE 2015-16, a provision of Rs 156.84 crores (Rs. 4.00 crores under Revenue Plan and Rs. 152.84 crores under Revenue Non Plan) was made.

The expenditure upto March, 2016 was Rs.166.79 crores. This was 106% of BE and 85% of RE allocations.

In BE 2016-17, a provision of Rs 226.65 crores (Rs. 60.00 crores under Revenue Plan and Rs. 166.65 crores under Revenue Non-Plan) was made

The expenditure upto March, 2017 was Rs.285.00 crores. This was 125.74% of BE and 98.27% of RE allocations.

In BE 2017-18, a provision of Rs 480.00 crore (Rs. 300.00 crore under Revenue (Scheme) and Rs. 180.00 crores under Revenue (Non-Scheme) was made. The expenditure upto December, 2017 was Rs.148.79 crores. This is 31% of BE and 49% of RE allocations.

2.7. Demand No. 31
(Deptt. of Financial Services)

Recapitalisation Public Sector Banks (PSBs)

Government has decided to recapitalize PSBs to enable them to adhere to the regulatory capital adequacy norms and also to support credit growth. This entails mobilization of capital, with maximum allocation in the current year, to the tune of about Rs.2,11,000 crore over the next two years, through budgetary provisions of Rs.18,139 crore (balance capital infusion under Indradhanush), recapitalisation bonds to the tune of Rs.1,35,000 crore, and through capital raising by banks from the market while diluting government equity.

Department of Financial Services on the budgetary provisions for recapitalisation Public Sector Banks (PSBs) as furnished by Ministry of Finance (DFS) as below:

(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

(In crore rupees)

2015-16			2016-17			2017-18			2018-19
BE	**RE**	**Actual**	**BE**	**RE**	**Actual**	**BE**	**RE**	**Actual as on 31.12.2017**	**BE**
7,940.00	25,000.00	24,999.99	25,000.00	25,000.00	24,997.2	10,000.00	90,000.00	9,438.00	65,000.01

Stressed Assets Stabilisation Fund (SASF)

2.8. The Ministry of Finance has submitted the following on Redemption of Securities to SASF as below:

> "To address the issue of stressed assets of IDBI Bank Ltd. (previously IDBI Ltd.) Government of India had set up a Special Purpose Vehicle called Stressed Assets Stabilisation Fund (SASF) to take care of the bad assets of IDBI"

(In crore rupees)

2015-16			2016-17			2017-18			2018-19
BE	**RE**	**Actual**	**BE**	**RE**	**Actual**	**BE**	**RE**	**Expenditure as on 19.12.2017**	**BE**
0.00	150.00	100.00	0.00	140.00	140.00	0.01	150.00	0.00	0.01

Recapitalisation Of Regional Rural Banks (RRBs)

2.9. On the issue of Recapitalization of Regional Rural Banks (RRBs), the Ministry of Finance furnished the following:

> "Government had constituted a Committee under the Chairmanship of Dr. K.C. Chakrabarty, Dy. Governor, RBI to look into the financial aspects of

RRBs and to suggest measures to bring capital to risk weighted assets ratio (CRAR) of RRBs to 9% (the benchmark set by RBI). With a view to bringing the CRAR of RRBs to at least 9%, the Committee, inter-alia, recommended recapitalization support to the extent of Rs. 2,200 crore to 40 RRBs in 21 States, to be shared by the stakeholders in proportion to their shareholding in RRBs i.e. 50% by the Central Government, 15% by the State Government and 35% by the concerned sponsor banks. The Central Government share in the Scheme worked out to be Rs.1,100 crore. The Cabinet in its meeting held on 10.2.2011 approved the Scheme for recapitalization of RRBs as recommended by the Committee."

Budgetary provisions under the scheme are given below:-

(In crore rupees)

2015-16			2016-17			2017-18			2018-19
BE	RE	Actual	BE	RE	Actual	BE	RE	Expenditure up to Dec. 2017	BE
15.00	15.00	15.00	140.00	5.50	5.50	68.00	280.00	0.00	13.00

2.10. **CLARIFICATION/SBMISSION ON THE FOLLOWING SCHEMES ARE ALSO FURNISHED**:

(a) Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY):

"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 18-50 years (life cover up to age of 55 years) having a bank account who give their consent to join and enable auto-debit.

The Pradhan Mantri Suraksha Bima Yojana (PMSBY) is a one year personal accident insurance scheme, renewable from year to year, offering coverage for death/ disability due to an accident and 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."

The budgetary provisions under the schemes are given below:

(In crore rupees)

2015-16			2016-17			2017-18			2018-19
B.E.	R.E	Actual	B.E.	R.E.	Actual	B.E.	R.E.	Expenditure upto Dec., 2017	BE
-	-	-	50.00	5.00	5.00	20.00	20.00	6.00	20.00

(b) Varistha Pension Bima Yojana (VPBY)

"Varistha Pension Bima Yojana (VPBY) is a social security schemes for Senior Citizens intended to give an assured minimum pension to them based on an guaranteed minimum return on the subscription amount."

The budgetary provisions under the scheme are given below:-

(In crore rupees)

2015-16			2016-17			2017-18			2018-19
BE	RE	Actual	BE	RE	Actual	BE	RE	Expenditure upto December, 2017	BE
101.79	101.79	101.79	171.90	136.56	136.56	250.00	245.24	245.24	228.24

(c) Pradhan Mantri Vaya Vandana Yojana (PMVVY):-

"To protect elderly persons aged 60 years and above against a future fall in their interest income due to the uncertain market conditions, as also to provide social security during old age, government launched a simplified scheme of assured pension of 8% called the Pradhan Mantri Vaya Vandana Yojana (PMVVY)."

The budgetary provisions under the scheme are given below:-

(In crore rupees)

2017-18			2018-19
BE	RE	Expenditure upto December, 2017	BE
0.00	58.02	0.00	72.00

(d) Life Cover under Pradhan Mantri Jan Dhan Yojana (PMJDY):-

"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). For availing Life Insurance coverage of Rs.30,000/- under this scheme, a person should be between 18 to 59 years of age and he/she should have been enrolled under PMJDY between the above specified periods. The scheme through the envisaged exclusions, aims to provide security to families from economically weaker sections who cannot afford direct purchase of such insurance. The scheme is being implemented through Life Insurance Corporation of India (LIC) in the country."

The budgetary provisions under the scheme are given below:-

(In crore rupees)

2015-16			2016-17			2017-18			2018-19
BE	RE	Actual	BE	RE	Actual	BE	RE	Expenditure upto December, 2017	BE
100.00	10.00	10.00	100.00	10.00	10.00	50.00	0.00	0.00	0.00

III. FOREIGN FUNDS INFLOW AND BORROWINGS BY STATES

3.1. The Ministry of Finance furnished the following regarding details of foreign funds inflow into the country for the 3 years:

(US$ million)

Sl No	Item	2014-15	2015-16	2016-17
	Capital/Financial Account			
I	External Commercial Borrowings (net)	1,570	(-)4,529	(-)6,102
II	Foreign Direct Investment (net)	31,251	36,021	35,612
III	Portfolio Investment (net)	42,205	(-)4,130	7,612
IV	Others			
IV a	External assistance	2053	1966	2186
IV b	Rupee debt service	(-)81	(-)73	(-)99
IV c	NRI deposits	14057	16052	(-)12367
IV d	Other capital	(-)5472	(-)13297	4735

Source: Reserve Bank of India.

3.2. On being asked the reasons for rising State Government borrowings in spite of overall increase in central transfer to States, the Ministry submitted the following reply as given below:

"Year-wise total transfers to States

Total transfers (including devolution of taxes and grants) from Centre to States have been increasing over the years from Rs. 8,29,344 crore in 2015-16 (FA) to Rs. 12,62,935 crore in 2018-19 (BE), as shown in the table below:

Financial Year	2015-16	2016-17	2017-18 (BE)	2017-18 (RE)	2018-19 (BE)
Total transfers (Rs. in crore)	8,29,344	9,80,561	10,81,078	11,10,605	12,62,935

(Source: Union Budgets)

Borrowing and fiscal deficit of States

14th Finance Commission (FFC) has adopted the Fiscal Deficit (FD) threshold limit of 3 per cent of Gross State Domestic Product (GSDP) for the States. Further, FFC has provided a year to year flexibility for additional fiscal deficit to States. FFC, taking into account the development needs and the current macroeconomic requirement, provided additional headroom up to a maximum of 0.5 per cent over and above the normal limit of 3 per cent in any given year to the States that have a favourable debt-GSDP ratio and interest payments-revenue receipts ratio in the previous two years. However, the flexibility in availing the additional fiscal deficit will be available to State if there is no revenue deficit in the year in which borrowing limits are to be fixed and immediately preceding year.

If a State is not able to fully utilize its sanctioned fiscal deficit of 3 per cent of GSDP in any particular year during the 2016-17 to 2018-19 of FFC award period, it will have the option of availing this unutilized fiscal deficit amount (calculated in rupees) only in the following year but within FFC award period. For the purpose of calculating the unutilized borrowing space, the unutilized fiscal space as compared to FD limit of 3% of GSDP is to be reckoned. Similarly, any additional borrowings availed beyond the State's entitlements shall be adjusted from Net Borrowing Ceiling of the following year.

Gross borrowing ceiling fixed for all the States has increased from Rs. 4,58,385 crore in 2015-16 to Rs. 5,41,445 crore in 2016-17 and further to Rs. 6,27,588 crore in 2017-18. Against these ceilings, States have raised Rs. 4,25,879 crore in 2015-16, Rs. 4,96,197 crore in 2016-17 and Rs. 5,45,447 crore so far (till 15.1.2018) in 2017-18. **So overall, gross borrowings by the States, in aggregate, have been within the limits fixed.**

Further, under the Ujwal DISCOM Assurance Yojna (UDAY) launched in November, 2015, State Governments were allowed to raise borrowings to take over liabilities of the State DISCOMs during the financial years 2015-16 and 2016-17 over and above the fiscal deficit limit fixed as per the FFC recommendations.

Fiscal deficit of all the States as a percentage of Gross Domestic Product (GDP) was 2.3% in 2015-16 and projected to be 2.9% in 2016-17 (RE) and 2.7% in 2017-18 (BE). It may be observed from the Annexure that in aggregate, fiscal deficit of all the States has been within FFC projections. However, there are some variations among the States. As explained in the preceding paras, the roll over facility introduced as per FFC recommendations is expected to keep States within their fiscal deficit target over the years."

IV. GOLD POLICY OF THE GOVERNMENT.

4.1. India should manage its passion for gold in a manner that supports economic growth, and, at the same time, responds to the needs of all the stakeholders as gold is intrinsic to the nation's social and economic way of life.

4.2. With economic growth and rising prosperity, the demand for gold would rise. At present, there is no policy on gold but the Government is running three gold related schemes:

(i) Gold Monetisation Scheme (GMS)—a revamped version of an older Gold Deposit Scheme—to make idle gold productive, by getting consumers to either sell their gold or store it with banks, so it could merge into the formal economy and reduce the country's gold imports.

(ii) Sovereign Gold Bond (SGB) Scheme: SGBs are government securities denominated in grams of gold. They are substitutes for holding physical gold. Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity. The Bond is issued by Reserve Bank on behalf of Government of India.

(iii) Gold Coin Scheme: The gold coin bears national emblem Ashok Chakra on one side and Mahatma Gandhi's image engraved on the other side. Initially the coins will be available in denominations of 5 grams and 10 gm. A 20 gm gold bar will also be available through 125 MMTC outlets across the country.

NITI Ayog has set up a Committee to transform India's Gold Market under chairmanship of Shri Ratan P Watal, Principle Advisor, NITI Aayog. The final report of committee is awaited. In Budget 2018-19, Hon'ble Finance Minister announced that "The Government will formulate a comprehensive Gold Policy to develop gold as an asset class. The Government will also establish a system of consumer friendly and trade efficient system of regulated gold exchanges in the country. Gold Monetization Scheme will be revamped to enable people to open a hassle-free Gold Deposit Account." (para 132)

Gold Reserve Fund

The difference between the current borrowing cost for the Government and the interest rate paid by the Government under the medium/long term deposit will be credited to the Gold Reserve Fund. This Fund will be used to absorb the price risk of the gold and pay back the amounts due to the depositor, based on the gold rates prevalent at the time of redemption. The modalities for payment of the redemption amount from ‘Gold Reserve Fund’, on the due date for maturity for onward payment to the depositor, will be framed by RBI. The deposit will not be hedged for the risks by the Government of India (GoI). All risks associated with gold price and currency will be borne by GoI through the ‘Gold Reserve Fund’. The position may be reviewed in case the ‘Gold Reserve Fund’ becomes unsustainable.

Till December, 2017 approximately **6160 kilograms** of gold (1730 kgs under MTGD and 4430 kgs under LTGD) have been mobilised.

4.3. On being asked whether the policy is disincentivising smuggling of gold and bringing in revenue to the Government

➢ **Import duty structure of Gold**

a) Presently, Gold attracts 10% basic customs duty [BCD] and 3% IGST on imports.
b) In 2013, BCD on gold was increased to 10%. Since then the issue of BCD on gold was examined in successive Budgets and it was not to make any change after taking into consideration relevant facts.
c) Import of Gold by specified banks and PSUs is exempted from BCD when imported for the purposes of export.
d) In any case, exporters may also import gold at Nil BCD under advance license for the purpose of exports.

➢ **With respect to the anti-smuggling performance for prevention of smuggling of gold, data for seizure of gold is as under:**

i. Data for last three Financial years:

Year	Quantity of Gold seized (in Kg)	No. of persons convicted
2014-15	3242.71	184
2015-16	2241.84	168
2016-17	848.303	29

ii For the current financial year, details of seizures are as under:

Year	No. of cases	Quantity of Gold seized (in Kg)	No. of persons arrested
2017-18 (up to June 2017)	561	794.9	216

4.4. On the issue whether the Sovereign Gold Bond Scheme has fulfilled the objectives of the policy, the Ministry further added the following reply as stated under:

"The Sovereign Gold Bond Scheme was launched in November 2015 with an objective to develop a financial asset as an alternative to purchasing metal gold. Vide Press Release dated July 26, 2017, the Government has modified SGB scheme and incorporated new features and the specific changes have been made in the attributes of the scheme to make it more attractive and reduce the economic strains caused by imports of gold and reduce the Current Account Deficit (CAD).

i. The investment limit per fiscal year has been increased to 4 kg for individuals, 4 Kg for Hindu Undivided Family (HUF) and 20 Kg for Trusts and similar entities notified by the Government from time to time.

ii. The ceiling will be counted on financial year basis and will also include the SGBs purchased during the trading in the secondary market.

iii. The ceiling on investment will not include the holdings as collateral by Banks and Financial institutions.

iv. SGBs will be available 'on tap'. Based on the consultation with NSE, BSE, Banks and Department of Post, features of product to emulate 'On Tap' sale would be finalised by Ministry of Finance.

v. To improve liquidity and tradability of SGBs, appropriate market making initiatives would be devised. Market makers could be commercial banks or any other public sector entity, such as MMTC or any other entity as decided by GoI.

So far ten tranches of the Scheme have been floated through which an aggregated amount of Rs. 6,636.74 crore have been mobilized. The SGB Bonds deliver two streams of returns one in the form of regular interest (payable half-yearly at a fixed rate) and other in the form of capital gains at the time of redemption, in case the price at the time of redemption is higher. The sustained and encouraging response of the investors to the SGB Scheme, indicates that the product has now become popular and is in demand from the general public due to advantages it offers over physical gold, namely use as collateral for loans, Capital Gain Tax exemption on redemption, Zero risk of theft/ impurities associated with handling of physical gold; tradability through Stock Exchanges and also availability in DEMAT and paper form. The product, in addition, earns an interest rate of 2.5% per annum, semi-annually payable on initial investment. The aggressive marketing of the product by GoI, including through its receiving offices, namely Banks, Post Offices, NSE and BSE helped in mobilizing such encouraging response. The period of scheme is generally fixed keeping in view of the harvesting season, festival and marriage season with a view to serve the purpose of gifting also.

The year-wise mobilisation under SGB scheme is summarized as under:

Table: Summary of year-wise mobilisation under SGB scheme

Year	No. of Tranches	Amount mobilised (₹ in crore)	Average Price (₹ in gram)	Quantity (Kg.)
2015-16	3	1318.13	2,733	4,904.13
2016-17	4	3450.39	3,030	11,387.97
2017-18*	3	1868.22	2,873	6,374.25

*: The period of last tranche was spread over approx. 3 months on weekly basis i.e. From 9th October, 2017 to 27th December 2017 with 3 days subscription period every week.

V. NATIONAL INVESTMENT AND INFRASTRUCTURE FUND(NIIF)

5.1 (i) The National Investment and Infrastructure Fund (NIIF) was approved by the Union Cabinet on 29.7.2015, which is a trust registered with Securities and Exchange Board of India ("SEBI") as a Category II Alternate Investment Fund ("AIF"). The proposed corpus of NIIF is Rs. 40,000 Crores (around USD 6 Billion). GOI's contribution to the Fund shall be 49% of the total commitment at any given point of time.

(ii) Sources of Funds for NIIF: NIIF would solicit equity participation from strategic anchor partners. Like overseas sovereign/quasi-sovereign/multilateral/bilateral investors.

(iii) Human Resources: Mr. Sujoy Bose, the former Director and Global Co-Head, Infrastructure and Natural Resources, International Finance Corporation (IFC), Washington DC, has joined the NIIF Limited as the CEO of NIIF Ltd on 18.10.2016.

(iv) Incorporation of two companies: NIIFTL, the trustee of the fund was incorporated on 7th October, 2015 and NIIFL, the investment management company was incorporated on 28th Nov, 2015. At present both companies are 100% owned by GoI.

(v) Governing Council: A Governing Council has been set up under the chairmanship of the Hon'ble Finance Minister of India. It will act as an advisory council to NIIF. It comprises of Government representatives, international finance experts, economists & infrastructure professionals and may include other investors.

(vi) Investor Outreach and Fund Raising

Several meetings have been held with investors since 2015 during visits of the Finance Minister to Singapore (September, 2015), UAE, (November 15-17, 2015), Australia (March 29 - April 01, 2016), New York (April 18 – 19, 2016), Japan (May 30 – June 01, 2016), Canada, (Oct 2-4, 2016) Korea and visits of Secretary(EA) to Qatar (May 22, 2016), Singapore (8th July, 2016), Suadi Arabia (August 7-8, 2016).

A few investors have signed MoUs viz. Government of UAE (11th February, 2016), RUSNANO (2nd February, 2016), QIA (5th June, 2016), RDIF (15th October, 2016) and Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN) (11th November, 2016). In addition, DEA has signed terms for technical cooperation on the NIIF with the US Treasury and the UK Treasury.

Green Growth Equity Fund has been announced with a corpus of GBP 500 million in April, 2017 with Department of International Development (DFID), UK Government. DFID will contribute GBP 120 mn with equivalent amount committed from NIIF. The fund manager is to be finalised, and process for selection of the same is underway, jointly between NIIF and UK Government. Balance amount to be raised once the Fund Manager is selected.

(vii) First close of NIIF's Master Fund: Pursuant to the MoU between Department of Economic Affairs, Ministry of Finance, Government of India and the Government of United Arab Emirates (UAE), signed on 11th February, 2016 to mobilise long term investment into National Investment and Infrastructure Fund (NIIF); NIIFL has announced first close of NIIF's Master Fund for INR 4,166 Crore (approx. US$641 million). A subsidiary of Abu Dhabi Investment Authority (ADIA) has committed $250 million to the fund with another $750 million in co-investment rights. GOI has contributed 49% of the fund and the remaining investment has come from Indian private financial investors, with ICICI Bank, HDFC Group, Kotak Life Insurance and Axis bank contributing $75million in total on October 16, 2017.

(viii) First investment of NIIF: National Investment and Infrastructure Fund (NIIF) made its first investment on 22.01.2018 by partnering with DP World; a leading enabler of global trade and an integral part of the supply chain, to create an investment platform for ports, terminals, transportation and logistics businesses in India. The platform will invest up to US$ 3 billion of equity to acquire assets and develop projects in the ports sector, and beyond sea ports into areas such as river ports and transportation, freight corridors, port-led special economic zones, inland container terminals, and logistics infrastructure including cold storage."

5.2 The Committee wanted to know the reasons why Central Road Fund (CRF) has been taken over by the Ministry of Finance from Ministry of Road Transport and Highways. The Ministry of Finance inter alia in their post evidence reply submitted as stated under:

> "The utilisation of CRF is proposed to be widened by including categories other than Roads and Railways, and PSBs by including Energy, Water and Sanitation, Communication, Social and Commercial infrastructure for better resource utilisation to boost infrastructure development in the country. Ministry of Finance is best suited to perform the co-ordinating role essential for such scenario."

VI. BUSINESS SERVICE PRICE INDEX

6.1. The Committee in their earlier Report made the following recommendation on "Business Service Price Index" reflecting the steady increase in cost of various services, which states as under:

> ***"The Committee are of the view that the figures of retail inflation being relied upon may be understated because services sector inflation may not be adequately captured........even in the Consumer Price Index (CPI), the rising cost of education, healthcare, transportation, among others, are not fully reflected. The Committee believe that items of expenditure like medical and education, largely owing to their privatised nature and the widening supply-demand gap, may be rising disproportionately higher than what could be captured in the CPI. Accurate data on services inflation is thus crucial for understanding relative price movements, particularly since the services sector accounts for over half the GDP. Sectoral regulators also need better data on prices, production and quality of services to act in the consumer's interest. The Committee would therefore recommend a separate and distinct index namely, Business Service Price Index, which will accurately factor in and reflect the rising costs of different services in the economy, enabling the government to tailor their policy responses accordingly."***
> ***{46th Report (16th Lok Sabha) Standing Committee on Finance}***

6.2 In this regard, the Government inter alia furnished the following written reply as below:

> "In consultation with line Ministries/ Departments, ten sectors namely, i) Banking, ii) Trade, iii) Business Services, iv) Postal, v) Telecom (Cellular), vi) Air Transport, vii) Port Services, viii) Insurance, ix) Railway Transport and x) Road Transport (Freight) were identified for development of Experimental Service Price Indices. Out of these ten sectors, experimental indices for eight sectors viz., Rail Transport, Banking, Postal Services, Telecom (Cellular), Insurance, Port Services, Trade Services and Air Transport have already been developed. Compilation of experimental Indices for Road Transport (Freight) and Business Services are at various stages of development."

VII. SHIFT IN SAVINGS DEPOSIT AVENUES

7.1 Retail investors and domestic savers seem to have made a decisive shift from real to financial assets in recent times. While umpteen new equity-linked options have sprung up, namely, Mutual Funds, New Pension Scheme (NPS), market-led insurance plans etc., there is a notable dearth of debt options. The Committee wanted to know that due to paucity of options for savers to park their money safely, is whether it is possible to expand the retail fixed income menu for the saving classes by way of disintermediating public sector borrowings. The Government inter alia furnished the following written reply:

(i) Status of borrowings, of Public Sector Undertakings (PSUs) through bond issuances: Borrowings done by PSU issuers through corporate bonds, which subsequently get listed, is provided in the table below.

F.Y.	Amount raised through Private Placement (in Rs crore)	Amount raised through Public Issues (in Rs crore)
2014-15	2,90,616	1,972
2015-16	1,30,178	31,098
2016-17	1,96,428	0
2017-18*	1,37,498	0

* - Till December 2017

As can be seen from the table above, most of the bond based borrowing done by PSUs in all the years is through private placement route, where primarily institutions, corporates, HNIs etc. participate. The public issues have been far and few. Further, most of the public issues have been those of tax free infrastructure bonds (issued under section 10 of Income Tax Act), where the notification of CBDT mandated these issuers to undertake certain portion of their tax free bonds through public issue market.

(ii) Steps taken for improving Bond Issuances and access of retail investors in the bond market:-

a) **Mutual Funds as viable medium for investing in debt securities**: Mutual Funds as an investment vehicle has been taken up by the retail investors in a big way for both equity as well as debt investments. The table below provides the data related to the retail investments in the debt schemes of the mutual fund in last few years:

As on month ending	Retail AUM (In Rs Crore)
Mar-14	33,348
Mar-15	40,790
Mar-16	52,887
Mar-17	74,558
Dec-17	85,124

As is seen in the table above the total quantum of retail investment in the debt schemes of mutual funds has seen a steady increase in last 4 years.

Thus, mutual funds have been instrumental in providing a viable investment option for retail investors wishing to participate in fixed income securities.

b) Over the last three years, Government in coordination with the regulators have been taking concerted steps to develop the corporate bond market in India The Financial Stability and Development Council sub-committee constituted a working group under the former Reserve Bank of India (RBI) Deputy Governor Sh. H.R. Khan with representation from the government and other regulators to study and suggest ways to strengthen corporate Bond market in India. The working group on Development of corporate bonds market have made a number of recommendations, most of which have been implemented.

These include standardization of corporate bond issuance; allowing investment by FPIs in unlisted debt securities and pass through securities issued by securitization SPVs /Special Purpose Distinct Entity (SPDE); making mandatory issuance of private placement of debt securities worth Rs 500 crore or more through Electronic Book Mechanism; implementing trade repository for corporate bond; permitting market makers to undertake repo / reverse repo contracts in corporate debt securities; allowing investment in Basel III compliant perpetual bonds&in "Additional Tier 1 (Basel III compliant) Perpetual Bonds"; credit enhancements of bonds by increasing the aggregate exposure limit from the banking system to 50% of the bond issue size; framework for market making in corporate bonds; launch of Corporate bond index, reviewing the penalty structure in place for default in delivery of debt securities/funds for trades, subject to CCP clearing by the clearing houses of the stock exchanges; providing provisions pertaining to consolidation and re-issuance and ISIN restriction on debt securities; reduction of capital requirement for banks on account of Partial Credit Enhancement (PCE); revamping Bankruptcy Act and SARFAESI Act to strengthen the investor protection laws in the country, etc.

c) Exchange Traded Fund (ETF) on PSU Bonds: For the purpose of disinvestment, Government of India has come out with ETFs namely, Bharat-22 and CPSE-ETF, etc. These ETFs have seen huge retail participation. Union Budget of 2018-19 has, now proposed to utilize the ETF route for Central Public Sector Enterprises (CPSEs) debt issuances. An ETF on PSU bonds will help in expanding the universe of investment options to retail investors for investing in fixed income securities

d) Mandating 25% of the borrowing requirements to be raised from bond market: In order to provide an impetus to the corporate bond market and ease pressure on the banking sector Union Budget 2018 has proposed that large corporates including PSUs may mandatorily raise one-fourth of their borrowings from capital markets through issuance of corporate bonds. This will not only mandate PSUs to participate in bond market but will also increase investment options for retail investors.

In view of above it can be said that Government is taking several efforts to address the issues of bond market, both from demand as well as supply side in order to give it the required impetus to grow.

VIII. SENIOR CITIZEN SAVING SCHEME (SCSS)

8.1. In the Budget Speech 2018-19, the Government has stated that:

"We have taken up programmes to direct the benefits of structural changes and good growth to reach farmers, poor and other vulnerable sections of our society and to uplift the under-developed regions. This year's Budget will consolidate these gains and particularly focus on strengthening agriculture and rural economy, provision of good health care to economically less privileged, **taking care of senior citizens**, infrastructure creation and working with the States to provide more resources for improving the quality of education in the country.

A life with dignity is a right of every individual in general, **more so for the senior citizens**. To care of those who cared for us is one of the highest honours. "

The Senior Citizen Saving Scheme (SCSS) is meant for those over 60 years of age intended to give regular income and also provide tax saving option.

8.2. On being asked about the number of senior citizens who have availed the SCSS as on date.

The Government inter alia furnished the following written reply as below:

"The total number of accounts opened under Senior Citizens Savings Schemes (SCSS) as on 31.03.2017 is 1540250."

The rate of interest offered under SCSS in the last four quarter is as under:

Quarter	Rate of interest
01.04.2017 to 30.06.2017	8.4%
01.07.2017 to 31.09.2017	8.3%
01.10.2017 to 31.12.2017	8.3%
01.01.2018 to 31.03.2018	8.3%

"The interest rate on SCSS Amount is linked to the market rates, basing with the yields on the Government Securities of comparable maturity adding a spread of 100 basis points. It is calculated on quarterly basis."

IX. BANKING SECTOR- ISSUES AND CHALLENGES

9.1. The implementation of Basel III norms commenced in India from April 1, 2013 in a phased manner, with full compliance initially targeted to be achieved by March 31, 2018 but extended to March 31, 2019.

Compliance with Basel III framework:

(i) Basel III implementation increases the total capital requirements for banks significantly from 8% under Basel II to 10.5%.

(ii) The definition of various components of capital and its composition have been thoroughly revised to ensure that banks have adequate loss absorbing capital.

(iii) Further a capital conservation buffer (CCB) has to be met with common equity.

Banks were therefore required to mobilize capital internally or from the market to meet these regulatory requirements of capital. Increase in NPAs due to clean and transparent recognition, consequential increased provisioning, and simultaneous phasing in of the Basel III framework has posed a challenge for banks in meeting Basel III requirements.

Challenges faced by Indian Banking System in complying with the requirements of IFRS norms:

IFRS converged Indian Accounting Standards (Ind AS) – implementation will impact financial reporting systems and processes. The classification and measurement of financial assets and impairment provisions of Ind AS and related disclosures are major changes as compared to the current accounting framework. Such implementation of Ind AS represents a paradigm shift from the present incurred loss approach to the expected loss approach in the provisioning framework and it is expected to result in higher provisions to be made by banks.

9.2. On the sluggish growth in bank credit the Government inter alia furnished the following written reply as below:

> "The successful growth of the corporate bond market, particularly over the last three years (total debt raised increasing from Rs. 3,18,437 crore in 2013-14 to Rs. 6,70,263 crore in 2016-17), has enabled corporates with good credit ratings to access financing on better terms from the market. This has resulted in corresponding reduction in demand for credit from the banking system.
>
> The growth in the world trade remains less than half its level of a decade ago,

reducing the demand for credit related to cross-border trade.

Increase in NPAs due to clean and transparent recognition, consequential increased provisioning, and simultaneous phasing in of the Basel III framework has reduced available capital for a number of banks, reducing their capacity to lend. This is being addressed through massive recapitalisation."

9.3. On being asked about the details of Credit disbursed by the Public Sector Banks and Private Sector Banks (bankwise) for the last 3 years for the following sectors:

(i) Corporate
(ii) Micro, Small and Medium Enterprises (MSMEs)
(iii) Agriculture
(iv) Retail
(v) Educational loans
(vi) Others (please specify)

The Government inter alia furnished the following written reply as below:

"Credit flow from the banking system is tracked in terms of growth in gross advances and not in terms of disbursements. Sector-wise, bank-wise data on gross advances for the last three years is as given below"

Bank/Bank Group Name	Industry - Advances Outstanding *(Rupees in Cr.)*			
	31-Mar-15	31-Mar-16	31-Mar-17	30-Sep-17
Public Sector Banks	23,19,507	21,95,886	20,92,394	20,66,131
Private Sector Banks	4,79,952	6,03,768	6,98,038	7,42,997

Bank/Bank Group Name	Priority - MSE - Advances Outstanding *(Rupees in Cr.)*			
	31-Mar-15	31-Mar-16	31-Mar-17	30-Sep-17
Public Sector Banks	6,31,332	6,60,236	6,58,290	6,44,084
Private Sector Banks	2,05,341	2,58,957	3,03,289	3,17,212

Bank/Bank Group Name	Agriculture and Allied Activities - Advances Outstanding *(Rupees in Cr.)*			
	31-Mar-15	31-Mar-16	31-Mar-17	30-Sep-17
Public Sector Banks	6,69,529	7,51,022	8,84,996	8,02,489
Private Sector Banks	1,50,578	1,98,206	2,17,962	2,26,762

Bank/Bank Group Name	Retail Loans - Advances Outstanding *(Rupees in Cr.)*			
	31-Mar-15	31-Mar-16	31-Mar-17	30-Sep-17
Public Sector Banks	8,06,791	8,88,923	10,08,211	10,96,990
Private Sector Banks	3,63,861	4,44,545	5,37,373	6,02,538

Bank/Bank Group Name	Retail Loans - Education Loans - Advances Outstanding *(Rupees in Cr.)*			
	31-Mar-15	31-Mar-16	31-Mar-17	30-Sep-17

Public Sector Banks	59,892	65,335	69,509	74,479
Private Sector Banks	2,352	2,798	3,310	3,552

9.4. On being asked State-wise (bankwise) Credit-Deposit (CD) Ratio for the last 3 years (for both public sector and private banks)

The Government inter alia furnished the following written reply as below:

C-D Ratio of Scheduled Commercial banks- State and Bank group wise is given below:

C-D Ratio of Scheduled Commercial banks - State and Bank group wise

		C-D Ratio (Per cent)								
		Mar-15 (Quarter)			Mar-16 (Quarter)			Mar-17 (Quarter)		
Sl.No	**State/ UTs**	**PUBLIC SECTOR BANKS**	**PRIVATE SECTOR BANKS**	**ALL SCBs***	**PUBLIC SECTOR BANKS**	**PRIVATE SECTOR BANKS**	**ALL SCBs***	**PUBLIC SECTOR BANKS**	**PRIVATE SECTOR BANKS**	**ALL SCBs***
1	ANDAMAN & NICOBAR ISLANDS	42.1	12.6	40.1	44.3	18.5	42.4	40.5	14.00	38.23
2	ANDHRA PRADESH	105.9	107.1	105.7	103.0	125.5	104.5	97.99	125.02	100.21
3	ARUNACHAL PRADESH	27.5	10.4	26.9	29.5	11.3	28.6	24.53	10.08	23.83
4	ASSAM	34.1	51.4	36.9	36.2	76.8	41.1	34.05	76.34	39.88
5	BIHAR	30.9	31.2	33.3	29.8	46.3	33.1	27.37	42.41	30.71
6	CHANDIGARH	129.5	43.0	106.2	115.6	50.6	99.5	119.22	57.80	102.94
7	CHHATTISGARH	60.9	94.4	61.5	62.5	97.8	63.5	61.35	86.24	61.87
8	DADRA & NAGAR HAVELI	29.0	58.6	34.9	31.1	316.0	91.3	30.97	57.04	36.93
9	DAMAN & DIU	20.0	40.4	24.2	20.1	33.0	22.9	20.39	34.68	23.29
10	GOA	25.6	31.7	26.7	25.0	33.5	26.6	24.03	31.92	25.55
11	GUJARAT	69.4	87.9	72.9	68.7	100.8	75.1	60.43	95.18	67.80
12	HARYANA	84.4	52.2	74.3	77.2	53.7	70.3	60.12	50.40	57.78
13	HIMACHAL PRADESH	35.3	28.1	34.9	33.8	29.7	33.7	29.23	28.25	29.33
14	JAMMU & KASHMIR	27.1	48.4	42.2	28.7	49.8	43.7	27.21	44.79	39.75
15	JHARKHAND	27.6	41.0	29.0	26.7	51.3	28.7	24.55	49.89	26.71
16	KARNATAKA	71.8	53.1	68.1	73.1	58.2	69.7	70.82	59.29	66.90
17	KERALA	69.4	55.7	65.5	64.8	54.1	61.8	60.57	54.35	59.71
18	LAKSHADWEEP	9.1	0.0	9.1	9.0	0.0	9.0	8.40	0.00	8.40
19	MADHYA PRADESH	51.0	106.8	55.2	55.0	120.2	60.4	54.28	106.41	59.13
20	MAHARASHTRA	93.4	102.9	92.6	103.3	115.1	102.7	109.51	111.10	106.28
21	MANIPUR	35.3	22.5	33.9	42.4	32.5	41.2	39.18	33.13	38.55
22	MEGHALAYA	25.7	12.0	25.9	23.7	14.8	24.6	26.34	12.22	25.59
23	MIZORAM	34.5	24.0	37.6	36.0	21.5	39.8	32.41	18.87	36.07
24	NAGALAND	37.7	9.7	32.7	39.3	10.5	33.8	35.75	12.10	31.21
25	NCT OF DELHI	101.8	100.5	103.6	98.7	97.7	99.4	85.42	97.49	88.52
26	ODISHA	41.1	40.3	42.2	38.3	45.8	40.4	35.38	43.65	37.38
27	PUDUCHERRY	66.3	92.6	71.7	58.8	92.1	66.4	53.40	96.10	63.55
28	PUNJAB	74.0	79.7	75.0	68.2	78.9	70.1	55.45	82.42	60.17
29	RAJASTHAN	87.0	85.3	85.6	69.2	89.2	73.3	60.72	92.29	66.77
30	SIKKIM	27.5	17.4	25.6	28.5	19.6	26.8	28.52	21.70	27.08
31	TAMIL NADU	120.9	107.7	119.5	114.6	102.1	112.9	105.38	102.56	106.55
32	TELANGANA	108.1	86.8	102.4	111.6	85.6	103.6	107.19	87.25	99.56
33	TRIPURA	27.9	109.7	33.7	28.5	115.3	34.7	27.71	135.55	35.50
34	UTTAR PRADESH	44.1	41.7	44.9	42.0	45.1	43.7	37.46	41.92	39.41
35	UTTARAKHAND	32.3	47.0	34.5	32.1	48.0	34.5	30.80	56.37	33.73
36	WEST BENGAL	57.5	57.2	58.1	51.7	63.5	54.2	55.96	65.49	57.89
	ALL INDIA	76.0	82.2	77.4	75.0	87.5	77.9	69.97	85.63	73.73

Source: Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks

* Includes public sector banks, private sector banks, foreign banks and regional rural banks.

Note: Data are as reported by banks for the survey.

The growth trend of CASA deposit and term deposit in respect of both the Public Sector Banks and the Private Sector Banks for the last three years as given below:

CASA and term deposits for Public Sector Banks and Private Sector Banks, for the last three years are shown in the table below:

Amounts in crore Rs.

Public Sector Banks	Mar-15	Growth (%) YoY	Mar-16	Growth (%) YoY	Mar-17	Growth (%) YoY
CASA deposits	4,14,833	4.5%	4,57,610	10.3%	6,40,304	39.9%
Time Deposits	58,17,286	9.1%	61,92,775	6.5%	68,24,093	10.2%

Amounts in crore Rs

Private Sector Banks	Mar-15	Growth (%) YoY	Mar-16	Growth (%) YoY	Mar-17	Growth (%) YoY
CASA deposits	2,32,462	21.5%	2,73,450	17.6%	4,48,553	64.0%
Time Deposits	14,23,542	16.2%	16,73,157	17.5%	20,29,582	21.3%

Source: RBI

9.5. The Ministry of Finance furnished the details of the following for the last 3 years

(i) NPAs (Net as well as gross)
(ii) Stressed Assets
(iii) Sector-wise NPAs (Stressed Assets)
(iv) Cash recovery made
(v) Loans written off
(vi) Restructured loans (scheme-wise)

As per RBI primary reasons for spurt in stressed assets have been, inter alia, factors such as aggressive lending practices during upturn, laxity in credit risk appraisal and loan monitoring in banks and wilful default / loan frauds in some cases, and global economic slowdown. These created large stressed assets, which grew to 9.98% by March 2015 for Scheduled Commercial Banks. Asset Quality Review (AQR) carried out in 2015 for clean and fully provisioned bank balance-sheets revealed high incidence of NPAs. Expected losses on stressed loans, not provided for earlier under flexibility given to restructured loans, were reclassified as NPAs and provided for. Banks initiated cleaning up by recognising NPAs and provided for expected losses.

As a result, Gross NPAs (GNPAs) of Scheduled Commercial Banks (SCBs) rose from 4.28% (Rs.3,23,464 crore) of advances as of March 2015, to 9.31% (Rs.7,90,488 crore) as of March 2017. Over the same period, most of the earlier standard restructured advances were recognized as NPAs as they failed to meet RBI stipulated conditions. Standard restructured advances as percentage of advances, as of March 2015, were 5.70% (Rs.4,31,255 crore), which reduced to 2.30% (Rs.1,95,353 crore) as of March 2017, primarily on account of standard restructured advances being reclassified as NPAs. Details of NPAs(net as well as gross),stressed assets, sector-wise NPAs and stressed assets, cash recovery made, loans written off, and standard restructured loans (scheme-wise) for Scheduled Commercial Banks are given below.

(i) NPAs (net as well as gross)

(Amounts in crore Rs.)

Gross NPAs			Net NPAs		
31-Mar-15	**31-Mar-16**	**31-Mar-17**	**31-Mar-15**	**31-Mar-16**	**31-Mar-17**
3,23,464	6,11,619	7,90,488	2,31,126	3,53,815	4,31,994

Source: RBI Offsite returns, Global operations

(ii) Stressed Assets (Gross NPAs+ Standard Restructured Advances)

(Amounts in crore Rs.)

31-Mar-15	31-Mar-16	31-Mar-17
7,54,719	8,80,585	9,85,841

Source: RBI Offsite returns, Global operations

(iii) Sector-wise NPAs and Stressed Assets (domestic operations)

(Amounts in crore Rs.)

Items	31-Mar-15	31-Mar-16	31-Mar-17
Gross NPAs	**3,09,399**	**5,66,247**	**7,28,740**
Food Credit	249	6	8
Non-Food Credit:	3,09,067	5,66,240	7,28,732
Agriculture and Allied Activities	37,731	51,964	62,311
Industry	1,85,153	3,86,377	5,25,898
Services	61,911	92,905	1,03,009
Retail Loans	25,100	26,974	31,691
Other Non-food Credit	4,452	8,022	5,823
Restructured Standard Advances	**4,14,943**	**2,61,189**	**1,86,463**
Food Credit	0	0	1,403
Non-Food Credit:	4,14,943	2,61,189	1,85,060
Agriculture and Allied Activities	18,478	12,288	9,906
Industry	3,23,939	2,07,460	1,56,395
Services	66,450	31,886	16,236
Retail Loans	2,838	2,890	1,416
Other Non-food Credit	3,238	6,664	1,107
Stressed Assets (Gross NPAs + Restructured Standard Advances)	**7,24,342**	**8,27,435**	**9,15,203**
Food Credit	249	6	1,411
Non-Food Credit:	7,24,010	8,27,429	9,13,793
Agriculture and Allied Activities	56,208	64,252	72,217
Industry	5,09,092	5,93,837	6,82,294
Services	1,28,361	1,24,790	1,19,246
Retail Loans	27,938	29,864	33,108
Other Non-food Credit	7,691	14,686	6,929

Source: RBI Offsite returns, Domestic operations

(iv) Cash recovery made

(Amounts in crore Rs.)

FY 2014-15	FY 2015-16	FY 2016-17
49,466	50,473	70,380

Source: RBI Offsite returns, Global operations

(v) Loans written off

As per RBI guidelines, and policy approved by bank Boards, non-performing loans, including, *inter-alia*, those in respect of which full provisioning has been made on completion of four years are removed from the balance-sheet of the bank concerned. This is done, *inter-alia* for tax benefit and capital optimization. Borrowers of loans written off continue to be liable for repayment, and recovery of dues takes place on ongoing basis under legal mechanisms, which include, *inter-alia*, SARFAESI Act, Debts Recovery Tribunals and Lok Adalats.

(Amounts in crore Rs.)

FY 2014-15	FY 2015-16	FY 2016-17
58,786	70,413	1,08,373

Source: RBI Offsite returns, Global operations

(vi) Standard restructured loans (RBI has apprised that information is maintained only on standard restructured loans, and not all restructured loans)

Figures in the table below pertain to exposures of Rs.5 crore and above in a single bank.

(Amounts in crore Rs.)

Submission quarter	Total funded amount outstanding	CDR	Non-CDR
Mar-15	43,93,501	1,59,442	2,10,837
Mar-16	47,44,994	1,05,845	1,93,267
Mar-17	46,36,450	52,198	1,52,685

Source: CRILC

Figures in the table below are for all exposures, including those below Rs.5 crore.

(Amounts in crore Rs.)

Report date	Gross loans and advances	Standard restructured advances	Standard restructured advances to gross advances (%)
Mar-15	75,59,760	4,31,255	5.70
Mar-16	81,73,121	2,68,966	3.29
Mar-17	84,92,565	1,95,353	2.30

Source: RBI Offsite returns, Global operations

9.6. Details of recovery of loans made under SARFAESI Act and Debt Recovery Tribunals (DRTs) during the last 3 years and pendency thereof are as below:

Recovery of loan by Scheduled Commercial Bank (SCBs) which include Public Sector Banks, Regional Rural Banks, Foreign Banks and Private Banks, by action under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act2002, and through Debts Recovery Tribunals (DRTs) during the last 3 financial years, as per data received from RBI are given below:

(Amount in Rs. Crore)

Channels of Recovery	Year 2014-15	Year 2015-16	Year 2016-17
Cases in DRTs	4,208	6,365	16,719
Action under SARFAESI Act, 2002	25,600	13,179	9,777

Details of pending cases of (Original Application) in Debt Recovery Tribunals are as follows:

(Amount in Rs. Crore)

	No. of Cases
Cases pending as on 31.3.2017	78,961
Cases Disposed of by DRTs from 1.4.17 to 30.11.2017	13,279
New Cases filed from 1.4.17 to 30.11.2017	20,048
Pending cases in DRTs as on 30.11.2017	85,730

9.7 In response to specific queries on loan frauds and deterrent measures taken to prevent such frauds, the Ministry of Finance submitted the following in their post evidence reply:

> "As per information from PSBs, 226; 203; 249 and 175 cases of loan frauds involving an amount of Rs.5 crore and above were reported to RBI by them during FYs 2014-=15, 2015-16, 2016-17 and 2017-18 (till December 2017) respectively.
>
> RBI has also taken several steps to monitor and prevent fraud, such as new framework for dealing with loan frauds, a Central Fraud Registry, and legal audit of title documents in respect of large-value loan accounts.
>
> In addition, as per PSB Reform Agenda banks would ensure strict role segregation, online processing, clean consortium lending arrangements, Stressed Asset Management verticals for stringent recovery, and clean post-sanction follow-up for loans above Rs.250 crore."

X. INSURANCE PENETRATION/COVERAGE

10.1. The extent of life insurance penetration/coverage achieved during the last 3 years, are as given below: (Figures may be given for both public sector and private sector insurers separately for rural/semi-urban/urban areas).

The data in respect of life insurance penetration in India are as follows:

Year	Life Insurance penetration*(%)
2014	2.60
2015	2.72
2016	2.72

Source : IRDAI

**Insurance penetration is measured as a ratio of premium (in USD) to GDP (in USD)*

As the above data is being published by Swiss Re, Sigma annually for all countries across the world for the whole of life insurance industry, separate figures in respect of public and private sector or rural semi-urban areas are not available.

The data in respect of life insurance penetration (percentage of life insurance Premium to the GDP) in India as under:

Life Insurance Penetration							
F.Y.	GDP at current prices (in Rs. Cr)	Total Premium of the Industry (in Rs. Cr)	Life Insurance penetration (Life) of the Industry	Total Insurance Premium – LIC (in Rs Cr)	Life Insurance Penetration (LIC)	Total Insurance Premium - Pvt Co.(in Rs Cr)	Life Insurance Penetration (Pvt. Ins. Co.)
2016-17	15183709	418476.62	2.76%	300487.36	1.98%	117989.26	0.78%
2015-16	13682035	366943.23	2.68%	266444.21	1.95%	100499.02	0.73%
2014-15	12445128	328102.00	2.64%	239667.65	1.93%	88434.35	0.71%

Source : LIC

As per LIC, at present Urban/Semi-Urban/Rural sector wise insurance penetration data is not available with them.

The extent of penetration/coverage of health insurance/social insurance (product-wise) achieved during last 3 years are as given below (Separately for public sector and private insurers for urban/semi-urban/rural areas)

As reported by Insurance Regulatory and Development Authority of India (IRDAI), the number of persons covered under Health Insurance is 43.75 crores. Further, following Social Security Schemes of Government of India are being implemented in the country:-

i) Pradhan Mantri Jeevan Jyoti Bima Yojana (As on 31.01.2018, enrollments5.27 crore; 83,274 claims paid and Rs.1665.48 crores disbursed).

ii) Pradhan Mantri Suraksha Bima Yojana (As on 31.01.2018, enrollments 13.33 crore; 14,987 claims paid and Rs.299.74 crores disbursed).

LIC is administering the scheme for 'Life cover of Rs.30000/- under PMJDY'. All persons opening the PMJDY Bank Account between the period from 15.08.2014 to 31.01.2015 are eligible for insurance cover under the scheme, subject to certain conditions.

The object of Social Security Scheme being administered by LIC is to provide life insurance protection to the rural and urban poor persons living below poverty line and marginally above poverty line. Under the scheme insurance cover is provided to persons engaged in 48 approved occupations, subject to eligibility conditions. One of the occupations covered under Social Security Scheme is 'Rural Poor' and another is 'Scheme for the Urban Poor'. The coverage under these two Occupations during last three years is as under:

(Figures in Cr.)

Financial Year	Rural Poor	Scheme for Urban Poor
2014-2015	1.30	0.53
2015-2016	1.58	0.24
2016-2017	2.61	0.38

The percentage/ratio of claims settlement in life insurance over the last 3 years are as below (separate figures may be given for public sector and private sector insurers):

Percentage/Ratio of Individual Death Claims Settlement			
LIFE INSURER	**2014-15**	**2015-16**	**2016-17**
Private Sector	89.40%	91.48%	93.72%
Public Sector (LIC)	98.19%	98.33%	98.31%
Industry Total	**96.15%**	**97.43%**	**97.74%**

Percentage/Ratio of Group Death Claims Settlement			
LIFE INSURER	**2014-15**	**2015-16**	**2016-17**
Private Sector	91.20%	94.65%	99.03%
Public Sector (LIC)	99.64%	99.64%	99.73%
Industry Total	**96.15%**	**96.94%**	**99.31%**

The percentage / ratio of claims settlement in life insurance over the last 3 years both for public sector and private sector insurers for individual and group is 96.97%, 97.43% & 97.74% and 96.15%, 96.94% & 99.31% respectively

The state of agriculture/integrated crop insurance with specific reference to coverage/penetration in the country.

State of Crop Insurance in India

10.2. The penetration of crop insurance in India is around 30% during the F.Y. 2016-17 which is expected to be 40% during 2017-18 and 50% in 2018-19. During the F.Y. 2016-17, the Gross Direct Premium contribution by Crop Insurance segment to General Insurance Industry is around 16% as against previous year's contribution of around 6%.

10.3. In 2016-17, 30% of Gross Cropped Area (GCA) is covered under insurance in comparison to 23% in 2015-16. Further, during 2016-17, 518.11 lakh ha. area was insured which is 56.56 lakh ha. more than in the previous year.

10.4. In 2016-17, a total of 5.74 crore farmers were covered, including 1.35 crore non-loanees. Thus, there was an increase in total coverage of farmers by 18.23% in comparison to the previous year. Coverage of non-loanees has increased by 123.50%. In 2016-17, of total farmers insured, share of non-loanee farmers has increased from 5% to 22.5%.

Pradhan Mantri Fasal BimaYojana

10.5. Following the review of erstwhile crop insurance schemes, Pradhan Mantri Fasal Bima Yojana (PMFBY) has been formulated with simplified provisions and reduced premium for farmers which has resulted in increase in coverage of area and crops. The scheme aims at supporting sustainable production in agriculture sector by way of providing compensation to farmers suffering from crop losses/damage arising out of unforeseen events and to stabilize the income of farmers. It further aims to encourage farmers to adopt innovative and modern agriculture practices.

10.6. The scheme provides the farmers maximum financial protection against non-preventable natural risks. The PMFBY scheme is being implemented by 18 General Insurance companies on competitive basis and could procure Rs. 22,165.03 crore, gross premium making crop insurance the 3rd largest line of

Non-Life insurance business in India after Motor and health segments. The main features of the scheme are as follows:

a) Reduction in Premium

The farmers premium has been reduced for all food and oilseeds crops and kept at a maximum of 1.5% for Rabi, 2% for Kharif and 5% for annual horticultural/commercial crops.

b) Increase in sum insured

- Under PMFBY, in order to provide maximum risk coverage to farmers, sum insured has been equated to Scale of Finance (SOF) i.e. sum insured as a proportion to the size of loan. The farmers now get timely settlement of claims for entire sum insured, without any deduction and are being compensated for entire crop loss.
- In 2016-17, the total area covered has been insured for a sum of Rs.2,04,779 crore, which is 78.14% more than that of Rs.1,14,951.81 crore in 2015-16.

c) Use of Improved Technology

To eliminate delay and to promote transparency, it has been made mandatory, under the new scheme, to use smart phones/CCE Agri App for capture/transmission of yield data to the crop insurance portal in a time bound manner i.e. states are required to give Crop Cutting Experiment (CCE) data to insurance companies within one month of harvest and the companies have to settle the claims within three weeks of receiving the CCE data. Provision has also been made for use of advanced technology such as drone, remote sensing etc. for promoting transparency and immediate settlement of insurance claims. Further-

- In order to promote transparency and timeliness a Central Crop Insurance Portal has been developed which integrates farmers and other stakeholders and also provides for online registration of farmers.
- Approximately 12 lakh farmers have registered online for crop insurance during Kharif 2017.
- Common Service Centres (CSCs) has been engaged to facilitate enrolment of non-loanee farmers from Kharif 2017.
- Direct Benefit Transfer (DBT) has been initiated to facilitate transmission of claims amount directly to the farmers account.

Claim Settlement

- In 2016-17 (Kharif 2016 and Rabi 2016-17), which was a good monsoon year, against the gross premium of Rs.22,165.03 crore, total claims have been estimated at about Rs.15,100.68 crore. However, in 2015-16, against the gross premium of Rs.5,450.79 crore claims were to the tune of Rs.21,562.48 crore.

10.7 With respect to the mechanism the Government have in place to bring people who are below poverty line or on the verge of poverty line, the Ministry of Finance submitted the following in their post evidence reply:

> "Pradhan Mantry Suraksha Bima Yojna (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) are universal and affordable social security systems. The schemes address low penetration of life and accident insurance in the country and enable targeting in favour of the poor and the under privileged. They have been designed to provide convenient enrolment through auto-debit of premium from subscriber's bank account by providing an insurance cover of Rs.2 Lakh each for life and personal accident on payment of premium of Rs.330 and Rs.12 respectively for PMJJBY and PMSBY. In PMSBY 13,39,75,517 persons have been enrolled. 15,671 claims have been settled. In PMJJBY 5,29,67,938 persons have been enrolled. 85,819 claims have been settled.
>
> For PMFBY, as per information furnished by AICIL, for Kharif 2016 season, total number of farmers insured by all the implementing insurance companies is 391.14 lakh and total claims are of Rs.8417.30 crore till date. Further for Rabi 2016-17 season, total number of farmers insured by all implementing insurance companies is 162.52 lakh and total claims are of Rs.3715.42 crore till date. There is no sub-classification for BPL subscribers."

XI. OUTLAY ON CERTAIN MAJOR SCHEMES

11.1.

(Rupees in Cr.)

	2016-2017 Actuals	**2017-2018** Budget Estimates	**2017-2018** Revised Estimates	**2018-2019** Budget Estimates
Mahatma Gandhi National Rural Employment Guarantee Program	48215	48000	55000	55000
Umbrella Scheme for Development of Schedule Castes	4863	5114	5114	5183
Umbrella Programme for Development of Scheduled Tribes	3319	3490	3512	3806
Umbrella Programme for Development of Minorities	2790	4072	4075	4580
Umbrella Programme for Development of Other Vulnerable Groups	1507	1580	1630	2287
Pradhan Mantri Krishi Sinchai Yojna	5134	7377	7392	9429
Pradhan Mantri Gram Sadak Yojna	17923	19000	16900	19000
Pradhan Mantri Awas Yojna(PMAY)	20952	29043	29043	27505
National Rural Drinking Water Mission	5980	6050	7050	7000
Swachh Bharat Mission	12619	16248	19248	17843
National Health Mission	22870	27131	31292	30634
National Education Mission	27616	29556	29556	32613
National Programme of Mid Day Meal in Schools	9475	10000	10000	10500
Border Area Development Programme	1015	1100	1100	771
Crop Insurance Scheme	11052	9000	10698	13000
Interest Subsidy for Short Term Credit to Farmers	13397	15000	14750	15000
Price Stabilisation Fund	6900	3500	3500	1500
Equity Capital to Micro Units Development Refinance Agency (MUDRA Bank)	900	...	...	600
Pardhan Mantri Swasthya Suraksha Yojana	1953	3975	3175	3825
Border Infrastructure and Management	1614	2600	2040	1750
Metro Projects & MRTS	15327	18000	18000	15000
Employees Pension Scheme, 1995	4025	4771	5111	4900

Credit Support Programme	716	3002	2802	700

XII. FISCAL DEFICIT

12.1. Deficit Statistics

(Rupees in Cr.)

	2016-2017 Actuals	**2017-2018** Budget Estimates	**2017-2018** Revised Estimates	**2018-2019** Budget Estimates
1. Fiscal Deficit	535618 (3.5)	546531 (3.2)	594849(3.5)	624276 (3.3)
2. Revenue Deficit	316381 (2.1)	321163 (1.9)	438877 (2.6)	416034 (2.2)
3. Effective Revenue Deficit	150648 (1.0)	125813 (0.7)	249632 (1.5)	220689 (1.2)
4. Primary Deficit	54904 (0.4)	23453 (0.1)	64006 (0.4)	48481 (0.3)

12.2. Sources of Financing Fiscal Deficit

(Rupees in Cr.)

	2016-2017 Actuals	**2017-2018** Budget Estimates	**2017-2018** Revised Estimates	**2018-2019** Budget Estimates
1. Debt Receipts (Net)				
2. Market Borrowings (G-Sec + T Bills)	355206	350228	479864	407120
3. Securities Against Small Savings	67435	100157	102628	75000
4. State Provident Funds	17745	14000	15000	17000
5. Other Receipts (Reserve Fund, Deposit & Advances)	86130	53513	34318	84679
6. External Debt	17997	15789	2418	-2589
7. Draw Down of Cash Balance	**(-) 8895**	**12844**	**(-) 39379**	**43066**
8. Grand Total	**535618**	**546531**	**594849**	**624276**

XIII. CAPITAL EXPENDITURE OF GOVERNMENT OF INDIA

13.1.

(Rupees in Cr.)

	2016-2017 Actuals	**2017-2018** Budget Estimates	**2017-2018** Revised Estimates	**2018-2019** Budget Estimates
Gross Budgetary Support	284609	309801	273445	300441
Ministry of Railways (IEBR)	64703	76000	80000	93440
IEBR (excluding Ministry of Railways)	273394	309027	396859	384831
Total	**622706**	**694828**	**750304**	**778712**

XIV. SWACHH BHARAT MISSION

14.1. It was stated in the Budget (2018-19) that Swachh Bharat Mission has benefited the poor. Under this mission, Government has already constructed more than 6 crore toilets. The positive effect of these toilets is being seen on the dignity of ladies, education of girls and the overall health of family.Government is planning to construct around 2 crore toilets.

XV. MODEL OF DEVELOPMENT (115 Districts)

15.1. In the Budget Speech 2018-19, announcement was made with respect to identifying of 115 aspirational districts.

15.2 On being asked whether there is any consultation with the State Governments on the issue, and whether it is a model etc., the Ministry of Finance inter-alia furnished made the following written submission in their post evidence reply as stated below:

> "To give focused attention and to achieve our vision of an inclusive society, the Government has identified 115 aspirational district staking various indices of development in consideration. The Government aims at improving the quality of life in these districts by investing in social services like health, education, nutrition, skill upgradation, financial inclusion and infrastructure like irrigation, rural electrification, potable drinking water and access to toilets at an accelerated pace and in a time bound manner. We expect these 115 districts to become model of development."

XVI. NON-BANKING LENDING SOURCE

16.1. The Government made the announcement that Non-Bank Finance Companies (NBFCs) stepped up financing of MSMEs after demonetization. NBFCs can be very powerful vehicle for delivering loans under MUDRA. Refinancing policy and eligibility criteria set by MUDRA will be reviewed for better refinancing of NBFCs.

16.2. Use of Fintech in financing space will help growth of MSMEs. A group in the Ministry of Finance is examining the policy and institutional development measures needed for creating right environment for Fintech companies to grow in India.

16.3. Venture Capital Funds and the angel investors need an innovative and special developmental and regulatory regime for their growth. We have taken a number of policy measures including launching ‘‘Start-Up India’’ program, building very robust alternative investment regime in the country and rolling out a taxation regime designed for the special nature of the VCFs and the angel investors. We will take additional measures to 15 strengthen the environment for their growth and successful operation of alternative investment funds in India.

XVII. CESS

17.1. There was budget announcement (2018-19) which states that at present there is a three per cent cess on personal income tax and corporation tax consisting of two per cent cess for primary education and one per cent cess for secondary and higher education. In order to take care of the needs of education and health of BPL and rural families, I have announced programs in Part A of my speech. To fund this, I propose to increase the cess by one per cent. The existing three per cent education cess will be replaced by a four per cent "Health and Education Cess" to be levied on the tax payable. This will enable us to collect an estimated additional amount of Rs 11,000 crores.

17.2. The Committee made the following observations/recommendations in respect of cess in their 29th Report (2016-17) and again in 46th Report (2017-18) recommendations and the subsequent replies furnished by the Ministry of Finance are given below:

29th Report Recommendation para no. 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 46 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 during2010-11 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 insocio-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."

17.3. The Ministry of Finance inter alia furnished the following written reply as stated below:

"In so far as Research and Development Cess is concerned, Ministry of Finance has been working in consultation with Ministry of Science and Technology to expand the areas/sectors for utilization of the Technology Development/Research and Development Cess Fund. As regards, utilization of Secondary and Higher Education Cess, It is submitted that the budget allocation to Department of Higher Education is much higher than the actual collection of cess. However, Ministry of Finance has asked Ministry of Human Resource Development to move a Cabinet Note for creation of a non-lapsable fund namely; 'Madhyamik and Uchchatar Shiksha Kosh' It is pertinent to mention that in the Financial Year 2017-18 Budget, attempts will be made tomodify the receipt budget to transparently reflect collection of each cess.

As regards the recommendation that the government should disclose a deployment plan for all the cess proceeds already collected before the next such levy is accepted, the recommendations of the Committee are accepted."

Status of Budget Announcement And Implementation

Para no.	Budget Announcement 2016-17	Status of Implementation
152	*I propose to impose a Cess, called the Krishi Kalyan Cess, @ 0.5% on all taxable services, proceeds of which would be exclusively used for financing initiatives relating to improvement of agriculture and welfare of farmers. The Cess will come into force with effect from 1st June 2016. Input Tax credit of this cess will be available for payment of this cess.*	Enabling provision in Section 161 of the Finance Act, 2016 has come into force from 14.5.2016. Notifications have been issued on 26.5.2016 to give effect to the said Section in the Finance Act. Action completed
153	*The pollution and traffic situation in Indian cities is a matter of concern. I propose to levy an infrastructure cess, of 1% on small petrol, LPG, CNG cars, 2.5% on diesel cars of certain capacity and 4% on other higher engine capacity vehicles and SUVs.*	Implemented vide Section 162 of the Finance Act, 2016 read with the Eleventh Schedule read with Notification No. 1/2016-Infrastructure Cess dated 1.3.2016. Action completed
156	*I propose to rename the 'Clean Energy Cess' levied on coal, ligniteand peat as 'Clean Environment Cess' and simultaneously increase its rate from Rs 200 per tonne to Rs 400 per tonne.*	Implemented vide Tenth Schedule to the Finance Act, 2010 as amended by Section 235 (ii) of Finance Act, 2016. Action completed

17.4. 46th Report (2017-18) Recommendation para no. 9

"The Committee would like to refer to their 29th Report on the Demands for Grants (2016-17) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Investment & Public Asset Management), wherein they have observed that 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 income without any accompanying gain in socio-economic indicators as targeted". In the light of this observation, the Committee desire that the Government must observe strict financial prudence 55 and discipline with regard to the designated utilisation of various cesses being levied. In any case, the Committee would expect these cesses to be subsumed in the proposed GST regime."

17.5. The Ministry of Finance, inter alia submitted the following written replies below:

"The following cesses will continue to be levied under the GST w.e.f 1st July, 2017:

a) Education Cess on Imported Goods
b) Secondary and Higher Education Cess on Imported Goods
c) Cess on Crude Petroleum Oil
d) Additional Duty of Excise on Motor Spirit (Road Cess)
e) Additional Duty of Excise on High Speed Diesel Oil (Road Cess)
f) Special Additional Duty of Excise on Motor Spirit
g) NCCD on Tobacco and Tobacco Products and Crude Petroleum Oil

The cesses other than above have been abolished. The details are given in the notification of Ministry of Finance in PIB dated 07-June-2017."

PART II
OBSERVATIONS/RECOMMENDATIONS

1. The Committee note that under Major Head (MH): 2235 (Social Security & welfare) Demand no. 29 (Department of Economic Affairs), the actual expenditure for 2014-15 was Rs 1107.00 crore against the Budget allocation of Rs 1607.02 crore; for 2016-17 and 2017-18 also there was 'nil' expenditure (actuals) against allocation of Rs 8.53 crore and Rs 0.3 crore respectively. In MH: 3465 (General Financial and Trading Institutions) Demand No. 29 (Department of Economic Affairs), the actual expenditure in 2016-17 and 2017-18 were Rs 15.00 crore and Rs 17.36 crore respectively against the budget estimates/allocation of Rs. 4000.00 crore and RS 1200.00 crore for the respective fiscals (i.e. 2016-17 and 2017-18), registering gross under utilization of Rs 3985.00 crore and Rs 1182.64 crore for 2016-17 and 2017-18 respectively. The reasons put forth by the Ministry do not really explain or justify such huge mismatch between the Budget estimates and the actual expenditure in the above mentioned cases. Though the Committee concur with the view that sometimes there can be slight variations between the Budget Estimates (BE) and the Actuals (Expenditure), they cannot comprehend 'nil' expenditure against an outlay of crores of rupees, or Rs. 15.00 crores expenditure against an outlay of Rs. 4000.00 crore (Shortfall of Rs. 3985.00 crore) which they believe, is beyond the ambit of any financial norms or practice. The Committee are of the opinion that due diligence and seriousness and a sense of proportion while undertaking the budgetary exercise, could easily have pre-empted such gross under utilisation. The Committee would thus expect the Ministry

of Finance being the nodal Ministry of the Government, to observe elementary financial norms and maintain fiscal prudence while making budgetary allocations in future.

2. The Committee further find it pertinent to note instances of erratic allocation of Budget under MH: 5475, Demand no. 29 - *Capital outlay on other General Economic Services (Viability Gap Funding)* that Rs 623.50 crore were utilized in 2015-16 against the allocation/estimate of Rs 252.00 crore; in 2016-17, Rs. 132.26 crores was utilized against the budget outlay of Rs.252.00 crores; and in 2017-18 only Rs 49.41 crore was utilized against the allocation of Rs 3102.00 crore at BE. The Committee note that in 2015-16 the actual expenditure more than doubled the BEs whereas in 2017-18, there is a shortfall to the tune of Rs. 3052.59 crore in utilisation under MH 5475. Again, under MH: 2250- Demand No. 29- *Other Social Services*, Rs 389.16 crore was spent in 2016-17, and in 2017-18, Rs 64.43 crore was spent whereas there was 'nil' Budget allocation for both the fiscals under the same Head. The Committee are perturbed that the Ministry of Finance, which is the nodal Ministry for formulation and budgetary allocation for the entire Government did not seem to follow financial discipline while making allocations for the aforementioned Major Head of Accounts. The Committee would expect the Ministry of Finance to refrain from such erratic instances of allocations in their budgetary exercise as a whole. Further, the Committee find that some of the flagship Schemes of the Government like Swachh Bharat Abhiyan, Pradhan Mantri Gram Sadak Yojana, Sarva Shiksha Abhiyan, MNREGA etc. are also not well funded in the Budget, which may leave these well thought out Schemes in a limbo. The

Committee would thus recommend that all these flagship Schemes should be adequately provided for and nurtured systematically and implemented vigorously so that the desired objectives are fully achieved and do not become an ad-hoc or piecemeal exercise. An illustrative case in point would be the announcement that Rs. 17,000 crore would be spent on suburban railway system in Bengaluru. However, in the Budget, the Committee find that there is only a token provision to prepare the Detailed Project Report (DPR). This is the position not only for this scheme but also for many of the schemes which are announced in the Budget. If the State government is involved in the funding, the same has not been mentioned in the Budget. The Committee would like to be apprised about the status of all such major projects/schemes announced in successive Budgets. In the absence of Central budgetary support, the States may be much more laid back and not take any initiative. The Committee would thus urge the government to provide matching/corresponding budgetary allocations whenever flagship schemes are announced.

3. The Committee are extremely concerned about the recent fraud detected in the Punjab National Bank, which clearly reflects that a small group of individuals can manipulate such a gigantic Bank and compromise it despite such well laid out norms, guidelines, checks and balances. Allegedly so-called Letters of Undertaking, basically guarantees that helped the particular person, entity and companies to raise credit were issued. It is believed that they did so without making any entries in the bank's books or recording them in the Core Banking System. This raises a serious question about the internal control system of a bank and the regulatory

checks and balances including concurrent auditing provided to prevent frauds and the specific role of internal and statutory auditors as well as the government nominees on the Board and the Independent Directors. The regulatory supervisory role of the Board of the bank and the RBI also needs to be looked into. In such a scenario of regulatory failure, the current recapitalisation exercise of banks may end up as throwing 'good money after bad'. In fact, international branches of many other Indian banks, it is believed, as many as 30, including State Bank of India, Union Bank of India, Allahabad Bank, Axis Bank and some foreign banks lent money to a particular entity or many other entities or companies based on these alleged fraudulent guarantees. Although investigation by agencies is under progress, the Committee would like the Department of Financial Services to institute a comprehensive enquiry into the matter, encompassing both human as well as systemic elements including the role of all concerned officials at each level, and furnish their findings to the Committee within a month of the presentation of this Report to Parliament. The Committee feel that for better banking what is required is better reporting, appropriate supervision and proper use of technology for this purpose, besides optimum regulation (not over-regulation). In the context of auditing, claims of one bank should be matched against the other. Further, every SWIFT message sent out should alert the regulator at both times i.e. when Letter of Undertaking (LOU) is originated as well as when its receipts and lending against it are notified to the LOU issuing bank, by simply tagging the regulator. Technology should thus be put to better use. The Committee, however, caution the Ministry to make efforts to bring out regulations to

prevent such happenings in future and for taking other corrective measures. A balance has to be ensured to incentivise performance and build confidence of bankers as that determines the quality of banking. The Committee desire that bankers must be empowered and incentivised and a variable component be linked to their ST and LT performance. The Government should also instill confidence of customers and investors in credibility of PSBs and private banks and rub aside the cry to privatise PSBs. The time has also come to ensure scrutiny of large loans involving the cooperative sector.

4. In the context of the government's decision to infuse Rs 88,000 crore of fresh capital in Public Sector Banks, while linking it with a set of performance metrics, the Committee note that the banking sector may, require further infusion of capital towards incremental provisioning for advances while transitioning to new IFRS converged accounting standards (Ind AS) along with the volume of NPAs and implementation of Basel III norms, which would thus consume a large portion of the above recapitalisation funds. Further, the proposed SEBI guidelines stipulating the companies to raise funds upto 25% of their requirements in bond markets may further restrict lending by Public Sector Banks (PSBs) to the corporate sector. The Committee desire that the Department of Financial Services should evaluate the implications of this convergence for capitalisation of banks and their future ability to extend requisite credit to various sectors of the economy. The Committee would further suggest that the government should also review the need to comply with these norms, which are not actually legally binding. The Committee believe that a prompt

and faster bankruptcy process will also go a long way in strengthening the capital base of PSBs.

The figures of credit-deposit (CD) ratio of different banks made available to the Committee presents a sorry picture of lopsided growth and uneven credit disbursal across the country, with the economically backward states/regions, particularly the Eastern and North-Eastern Region clearly lagging behind in availability/extension of bank credit. The Department should clearly address this serious lacuna while formulating their strategies and policy responses for the banking sector, and reiterate that the objectives of nationalisation to develop backward regions is fulfilled.

5. The Committee note that the optimism set out with regard to disinvestment receipts at Rs.80,000 crore in the Budget lacks fiscal transparency, as the break-up into various components like equity selling, strategic disinvestment and others are not clearly provided. The Committee would like to be informed of the break-up of these components of disinvestment and the specific road-map ahead to mop up the huge estimated receipt, as the Government is banking heavily on receipts from non-tax sources to mobilize resources.

In this context, the Committee would also like to caution the Government to refrain from such ambitious targets of disinvestments. Further, such ambitious plans would only lead to laxity in making due diligence in the contemplated sale of stakes in respect of giant and steady PSUs like ONGC and HPCL.

6. The Committee believe that there is an urgent need to highlight the need for insurance among the masses and provide innovative, customised products and to spread awareness and increase insurance penetration in a big way. Even though about 25 to 30 crore people in the country had life cover in the country, the sum assured was way below the needs. While life insurance penetration in the country is at 3.49%, that of general insurance is less than 1%. The Committee note that Government schemes such as PM's Jeevan Jyothi Bima Yojana, Suraksha Bima Yojana, Fasal Bimal Yojana and the recently announced National Health Insurance Scheme have no doubt brought insurance to the forefront of national policy making, but these schemes have to be appropriately devised, dovetailed and adequately funded so that the benefits reach the intended beneficiaries while the premium rates remain nominal. It should be ensured that the insurance companies, particularly those in the private sector adhere to their commitments strictly with regard to both cash-less aspect of health insurance as well as settlement of claims.

7. In this context, the Committee would like to point out that it is also necessary to expand and improve primary public health care and services in a major way, as the private hospitals and nursing homes may not be in a position to fulfill the burgeoning health care requirements. For this purpose, the budgetary allocations for public health has to be substantially increased and sustained, as the present pattern of budgetary allocation (RE 2017-18 Rs.83,460.80 crores reduced to Rs.77,069.85 crores in BE 2018-19) is grossly insufficient to make any impact. Even for the proposed flagship National Health Insurance Scheme, no corresponding allocations have been

made in the Budget.

8. The Committee note that although there has been a 12% rise in capital investment in 2018, it is against the lower base of capital outlay in 2017, which had actually dipped vis-a-vis the previous year i.e. 2016. Thus, essentially there is no growth in absolute numbers in the capital outlay for 2018. This is made worse when one considers the fact that gross capital formation in the economy has been declining. For 2017-18, it was 26.4%, down from 30.8% in 2016-17 and 34.7% in 2013-14. This is a worrying trend, as fixed capital formation accounts for 70% of the total capital spend. Further, according to a CMIE study, implementation of 36 projects was stalled during the quarter ended September 2017 envisaging an investment of Rs 503 billion. The Committee also note that under the new fiscal architecture, capital expenditure may not enjoy the requisite pre-eminence. To compound matters further, there is also no sign yet of revival of private investment. The Committee are thus concerned as to how the government would revive both public as well as private investment in the economy against this scenario, which the budget does not seem to have addressed in a coherent way. It appears that the government is depending on the public sector undertakings to raise resources directly from the market and also extra-budgetary sources for various capital expenditure. In the Committee's view, there is a need to have a long-term strategy and policy for sustainable financial management, while budgeting for large-scale capital investment. This will also go a long way in providing gainful employment to our young population. They, therefore, desire that necessary fiscal and financial incentives be provided in strategic sectors

so that capital investments come forth in a big way.

9. The Committee note that the Fiscal deficit has been budgeted at 3.3% of GDP in 2018-19, although it exceeded the BE in 2017-18 substantially, with the RE in 2017-18 increasing to 3.5%, as the government had to resort to additional borrowings to meet their expenditure. One can expect a similar situation to develop in 2018-19 as well with uncertain revenue buoyancy. In such a scenario, the Committee are at a loss as to understand how the additional resources will be available to meet the expenditure for flagship schemes and programmes announced such as the National Health Protection Scheme (with approx. 50 crore beneficiaries and insurance coverage of upto 5 lakh rupees per family per year). The Committee may, therefore, be apprised of the funding details of the schemes and the manner of mobilisation of resources therefor.

10. The Central Road Fund (CRF) has been administered and well-utilised so far by the Ministry of Road Transport and Highways for 17 years. The Committee note that from the next fiscal, this fund is proposed to be transferred to the jurisdiction and control of Ministry of Finance. The Committee are not convinced as to the reasons behind bringing the Central Road Fund (CRF) under the jurisdiction of Ministry of Finance from the control of respective infrastructure Ministry. The Committee would, therefore, recommend that infrastructure funds such as this should naturally remain within the control and jurisdiction of the respective Ministry/Department dealing with the subject for more efficient implementation and effective monitoring thereof.

11. The Committee are of the view that the figures of retail inflation being

relied upon may be understated because services sector inflation may not be adequately captured. It is worth noting in this regard that the RBI shifted focus from wholesale prices to consumer prices for determining its monetary policy not merely because it would reflect the ground situation, but also because the wholesale price index did not include services in its basket. However, even in the Consumer Price Index (CPI), the rising cost of education, healthcare, transportation, among others, are not fully reflected. The Committee believe that items of expenditure like medical, education and transport, largely owing to their privatised nature and the widening supply-demand gap, may be rising disproportionately higher than what could be captured in the CPI. Accurate data on services inflation is thus crucial for understanding relative price movements, particularly since the services sector accounts for over half the GDP. Sectoral regulators also need better data on prices, production and quality of services to act in the consumer's interest. The Committee would therefore strongly press for a separate and distinct index namely, Business Service Price Index, which will accurately factor in and reflect the rising costs of different services in the economy, enabling the government to tailor their policy responses accordingly. The Committee would expect early action in this matter.

12. RBI had deregulated interest rate on Savings Bank (SB) accounts with banks a few years ago. Surprisingly, none of the Public Sector Banks is paying more than 4% per annum on such accounts. Although these deposits are the least cost-bearing deposits with banks, still very few banks appear to have followed the deregulation in letter and spirit. The Committee would therefore recommend that the savings banks accounts interest rate

should be linked to a base rate or index, while offering a slightly higher rate on such accounts at least to the senior citizens. The Committee would also recommend that all scheduled banks including the public sector banks should offer atleast one percentage higher interest than normal rate on the term deposits of senior citizens in keeping with the spirit of the senior citizens-friendly announcements made in the Budget. Accordingly, the special senior citizen scheme, offering a higher rate of senior citizens, presently operated only by SBI should be implemented by all Public Sector Banks forthwith. The ATM and MDR charges levied by banks should also be reduced/waived.

13. In this context, the Committee also desire that instead of wooing small savers into equities, the government should explore the bond route to channel household savings for economic development. The PSUs can thus be permitted and encouraged to opt for retail bond issues to meet their large capital needs. The government and the RBI should also promote direct retail participation in the primary and secondary market for government securities. Ideally, retail investors should be able to transact in government securities through the same on-line trading platforms they use to bid electronically for public issues. Such a facility will provide a safe channel for retail investors to get reasonable returns without the risks associated with stock markets.

14. The Committee note that usually Outcome Budget is presented to Parliament separately for each Ministry/Department. However, last year and this year, the outcome Budget has been presented as a single document in a consolidated manner along with the General Budget. This has resulted in

this important document becoming rather sketchy for each Ministry/Department without necessary details indicating the year-wise progress in implementation of various schemes/projects. It also does not give the year wise comparisons of performance, targets and achievements of the money spent/utilised/not utilised etc. for last 3 years. It only provides the name of the scheme, funds ear-marked, the purpose and the projections for next year. However, whether the money spent last year for a purpose has been spent and has actually achieved the objectives is not reflected. The Committee thus find that the outcome Budget so presented neither serves the intended purpose nor is transparent in so far as performance of the Government is concerned. The Committee would therefore recommend that the earlier practice of presenting the outcome Budget separately for each Ministry/Department along with the respective Detailed Demands for Grants may be restored for better appreciation of the implementation of various governmental schemes and projects.

15. Keeping in view the proposed model of development of 115 backward districts, the Committee desire that they should be apprised of the details of this development model/parameters and mode of funding of the identified 115 backward districts in the country as also the Sansad Aadarsh Gram Yojana (SAGY).

New Delhi;	**Dr. M. Veerappa Moily,**
08 March, 2018	**Chairperson**
17 Phalguna, 1939 (Saka)	**Standing Committee on Finance**

Minutes of the Eighth sitting of the Standing Committee on Finance (2017-18)

The Committee sat on Thursday, the 15 February, 2018 from 1100 hrs. to 1430 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Veerappa Moily - Chairperson

LOK SABHA

2. Shri Bandaru Dattatreya
3. Shri Nishikant Dubey
4. Shri Venkatesh Babu T.G
5. Shri P.C. Gaddigoudar
6. Shri Shyama Charan Gupta
7. Shri Chandrakant Khaire
8. Shri Bhartruhari Mahtab
9. Shri Prem Das Rai
10. Shri Gopal Shetty
11. Shri Kiritbhai P. Solanki
12. Shri Dinesh Trivedi
13. Shri Shivkumar Udasi

RAJYA SABHA

14. Shri Rajeev Chandrasekhar
15. Shri A. Navaneethakrishnan
16. Shri Mahesh Poddar
17. Dr. Mahendra Prasad
18. Dr. Manmohan Singh

SECRETARIAT

1.	Smt. Abha Singh Yaduvanshi	-	Joint Secretary
2.	Shri Rajesh Ranjan Kumar	-	Director
3.	Shri Ramkumar Suryanarayanan	-	Additional Director
4.	Shri Kulmohan Singh Arora	-	Deputy Secretary

WITNESSES

Ministry of Finance

Department of Economic Affairs

1. Shri Subhash Chander Garg, Secretary
2. Dr. Arvind Subramanian, Chief Economic Adviser
3. Dr. M.M. Kutty, Additional Secretary
4. Dr. Vinay Pratap, Joint Secretary (Infrastructure, Policy & Finance)
5. Shri Prashant Goyal, Joint Secretary (Budget)
6. Shri Anurag Agrawal, Joint Secretary (ACC)
7. Shri A.S. Sachdeva, Senior Adviser

Department of Expenditure

1. Shri Ajay Narayan Jha, Secretary
2. Shri Pramod Kumar Das, Additional Secretary
3. Ms. Annie George Mathew, Joint Secretary (Pers.)
4. Ms. Meera Swarup, Joint Secretary & FA (Finance)
5. Shri Rajeev Ranjan, Joint Secretary (PF-State)
6. Shri Nitesh K. Mishra, Chief Controller (Pension)

Department of Financial Services

1. Shri Rajiv Kumar, Secretary
2. Shri Ravi Mittal, Additional Secretary
3. Shri Amit Agrawal, Joint Secretary
4. Shri Suchindra Misra, Joint Secretary
5. Dr. N. Srinivasa Rao, Economic Advisor

Department of Investment and Public Asset Management (DIPAM)

1. Shri Neeraj Kumar Gupta, Secretary
2. Shri Nukala Venudhar Reddy, Joint Secretary

2. At the outset, the Chairperson welcomed the Members and the Witnesses to the sitting of the Committee. After the customary introduction of the Witnesses

and their introductory remarks, the Committee took their oral evidence in connection with the examination of Demands for Grants (2018-19) of the Ministry of Finance (Departments of Expenditure, Economic Affairs, Financial Service, and Investment and Public Asset Management. The Major issues discussed during the sitting included inadequate budgetary planning, control and foresight including under-budgetary allocation for important schemes / projects / sectors such as Swachh Bharat Abhiyan, Pradhan Mantri Gram Sadak Yojana (PMGSY), Madhyamik Shiksa Yojana (MSY), health sector, Education sector, Minimum Support Price (MSP), Farmer Producer's Organisation (FPO), identification of 115 aspirational districts, portfolio investments and NRI deposits, scams in Public Sector Banks, addressing the rising NPAs, disinvestment of status in PSUs, break-up of disinvestment proceeds, External Commercial Borrowings (ECBs), 42% devolution tax for the States, etc. The Chairperson then directed the representatives of Ministry of Finance (Departments of Expenditure, Economic Affairs, Financial Service, and Investment and Public Asset Management) to furnish written replies to the points raised by the Members during the discussion within 07 days to the Secretariat.

The witnesses then withdrew.

A verbatim record of the proceedings has been kept

The Committee then adjourned.

Minutes of the Thirteenth sitting of the Standing Committee on Finance

The Committee sat on Thursday, the 8 March, 2018 from 1500 hrs to 1645 hrs in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Veerappa Moily - Chairperson

<u>LOK SABHA</u>

2. Shri Nishikant Dubey
3. Shri P.C. Gaddigoudar
4. Shri Rattan Lal Kataria
5. Shri Bhartruhari Mahtab
6. Shri Prem Das Rai
7. Prof. Saugata Roy
8. Shri Rajiv Pratap Rudy
9. Shri Gopal Shetty
10. Dr. Kiritbhai P. Solanki
11. Dr. Kirit Somaiya
12. Shri Shivkumar Udasi

<u>RAJYA SABHA</u>

13. Shri Mahesh Poddar
14. Dr. Manmohan Singh

<u>SECRETARIAT</u>

1.	Smt. Abha Singh Yaduvanshi	-	Joint Secretary
2.	Shri Rajesh Ranjan Kumar	-	Director
3.	Shri Ramkumar Suryanarayanan	-	Additional Director
4.	Shri Kulmohan Singh Arora	-	Deputy Secretary

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

(i) Draft Report on Demands for Grants (2018-19) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Investment & Public Asset Management).

(ii) Draft Report on Demands for Grants (2018-19) of the Ministry of Finance (Department of Revenue).

(iii) Draft Report on Demands for Grants (2018-19) of the Ministry of Corporate Affairs.

(iv) Draft Report on Demands for Grants (2018-19) of the Ministry of Planning (NITI).

(v) Draft Report on Demands for Grants (2018-19) of the Ministry of Statistics and Programme Implementation.

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

The Committee then adjourned.