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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 AND PUBLIC ASSET MANAGEMENT)

[Action taken by the Government on the recommendations contained in Forty-Sixth Report of the Standing Committee on Finance on **'Demands for Grants (2017-18)]**

FIFTY-FIRST REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

December, 2017 / Agrahayana, 1939 (Saka)

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STANDING COMMITTEE ON FINANCE
(2017-2018)

(SIXTEENTH LOK SABHA)

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

***[Action taken by the Government on the recommendations contained in Forty-Sixth Report of the Standing Committee on Finance on* 'Demands for Grants (2017-18)]**

Presented to Lok Sabha on 20 December, 2017

Laid in Rajya Sabha on 20 December, 2017

LOK SABHA SECRETARIAT
NEW DELHI

December, 2017 / Agrahayana, 1939 (Saka)

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Dr. M. Veerappa Moily - Chairperson

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2. Kunwar Pushpendra Singh Chandel
3. Shri Bandaru Dattatreya
4. Shri Nishikant Dubey
5 Shri Venkatesh Babu T. G.
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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 - Committee Officer

INTRODUCTION

I, the Chairperson of the Standing Committee on Finance, having been authorized by the Committee, present this Fifty-first Report on action taken by Government on the Observations / Recommendations contained in the Forty-sixth Report of the Committee (Sixteenth Lok Sabha) on Demands for Grants (2017-18) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Investment and Public Asset Management).

2. The Forty-Sixth Report was presented to Lok Sabha / laid on the table of Rajya Sabha on 17 March, 2017. The Action Taken Notes on the Recommendations were received from the Government *vide* their communication dated 20 June, 2017.

3. The Committee considered and adopted this Report at their sitting held on 16 November, 2017.

4. An analysis of the action taken by the Government on the recommendations contained in the Forty-sixth Report of the Committee is given in the Appendix.

5. For facility of reference, the observations / recommendations of the Committee have been printed in bold in the body of the Report.

NEW DELHI
<u>18 December, 2017</u>
27 Agrahayana, 1939 (Saka)

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

REPORT

CHAPTER – I

This Report of the Standing Committee on Finance deals with action taken by Government on the recommendations/observations contained in their 46th Report (Sixteenth Lok Sabha) on Demands for Grants (2017-18) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Investment and Public Asset Management) which was presented to Lok Sabha / Laid in Rajya Sabha on 17 March, 2017.

2. The Action Taken Notes have been received from the Government in respect of all the 12 recommendations contained in the Report. These have been analyzed and categorized as follows:

(i) Recommendations/Observations that have been accepted by the Government:

Recommendation Nos. 1,2,4,5,6,7,8,9,10,11&12

(Total 11)
(Chapter- II)

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:

NIL

(Total NIL)
(Chapter- III)

(iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee:

Recommendation No. 3

(Total 01)
(Chapter -IV)

(iv) Recommendations/Observations in respect of which final replies by the Government are still awaited:

NIL

(Total - NIL)
(Chapter- V)

3. The Committee desire that the replies to the observations/recommendations contained in Chapter-I may be furnished to them expeditiously.

4. The Committee will now deal with and comment upon the action taken by the Government on some of their recommendations.

Recommendation (Sl. No.3)

UNDER-UTILIZATION OF FUNDS IN THE INSURANCE SCHEMES

5. In respect of APY (Atal Pension Yojana), Rs. 29 crore had been released against the BE 2016-17 of Rs. 200 crore ; in respect of Prime Minister Jan Dhan Yojana (PMJDY),Rs 1 crore had been utilised against the RE of Rs 100.00 crore in 2014-15; Rs 10.00 crore against BE of Rs 100.00 crore in 2015-16; Rs 0.00 crore against Rs BE of Rs 100 crore in 2016-17; in respect of PMJJBY (Pradhan Mantri Jeevan Jyoti Bima Yojana) and PMSBY (Pradhan Mantri Suraksha Bima Yojana) no fund had been utilised till Dec 2016 under the schemes; in respect of AABY (Aam Aadmi Bima Yojana) also, the BE of Rs 450 crore for 2016-17 remains unutilised till Dec 2016 and in respect of VPBY (Varistha Pension Bima Yojana) no expenditure had been incurred under this scheme till December 2016 against the RE of Rs 109.32 crore. From the above, it appeared that various schemes had been launched without undertaking effective exercise for accurate estimation of requirement of funds under these schemes and also without having proper plan for utilisation of the allocations. The Budget allocations thus made under these heads, resulted in the funds lying idle and the schemes remaining bereft of achieving the desired objectives and social outcomes. The Committee had, therefore, urged the concerned officials to be more diligent in estimation of requirements and strive for utilisation of the funds allocated for implementing these schemes which are fundamentally meant for providing much needed social security cover to the people in distress. The Committee desired that these schemes need to be popularised through a regular pro-active public awareness campaign through electronic and print media. The Committee further suggested the Ministry to explore the possibility of having a single comprehensive social security scheme to cater to the needs of varied beneficiaries in place of numerous existing schemes and thus avoid thin spread of resources. Furthermore, the Committee had expected the Schemes for optimal utilisation of the

Budgetary allocations for Welfare of SC, ST, Other Vulnerable Groups, Women, Children etc. to be pursued vigorously, as emphasized in the Budget speech document (2017-18).The Committee also recommended in this regard that a separate legislation for the SC & ST component of the expenditure might be brought, as done by some of the States, particularly at this stage when the distinction between plan and non-plan components had been done away with. A similar trend of large under-utilisation of budgeted estimate/allocation had been noticed with respect to Viability Gap Funding (VGF) for infrastructure development as well, with the actual expenditure (upto December 2016) remaining only Rs. 102.27 crore against the allocated amount of Rs. 250.00 crore meant for India Infrastructure Project Development Fund and activities for mainstreaming PPP projects. As such non-utilisation or under-utilisation had an adverse impact upon infrastructure development, special monitoring of expenditure was urgently warranted.

6. In their action taken reply the Ministry of Finance has furnished the following written submission:

(VGF, Infra and Energy Division, Department of Economic Affairs)

"Demand for grants are made on the basis of projects granted In -principle approval and final approval of projects and disbursements are made during construction period based on the amount of debt disbursed by the financial institutions and after the private developer has contributed his entire share of equity. Hence, the actual VGF requirement cannot be predicted accurately. The actual draw down is done by the implementing agency (including State Governments/Central Line Ministries) and they had, at all review stages, including R.E., confirmed that the projected expenditure was on schedule. Non-receipt of the grant, which is done *pari-passu* with debt drawdown after expending of equity jeopardies project implementation. Hence, there is no option but to wait until 31st March for such requests. Therefore, while care is taken to ensure formulating the BE requirement, it is essential that construction of the infrastructure does not suffer due to shortage of funds. If intimation of delayed draw down is received from the Sponsoring Authorities, the BE projections can be amended under RE.

It is further informed that in view of the lower requirements received from Sponsoring Authorities Final Requirement under this Head was reduced to Rs. 132.2639 crore.

(Department of Financial Services)

The Report highlights the overall under utilisation of funds in the Department of Financial Services during 2016-17. In respect of the Atal Pension Yojana, B.E. for 2016-17 was Rs.200.00 crore including:-

- Rs.120.00 crore for Government contribution to the eligible subscribers,
- Rs.72.00 crore for payment of incentive to Banks for enrolment under APY,
- Rs.8.00 crore for Media Campaign for the Scheme.

The amount budgeted for Government contribution under APY was not be fully utilized because of savings available with PFRDA.

Fund requirement for Incentive to Banks for enrolment under APY was also revised to Rs. 32.00 crores in RE 2016-17, after observing the trend of enrolment in APY.

In respect to Media Campaign only Rs.4.00 crore was utilised and got released to PFRDA, as balance bill of Rs 4.00 cores could not get settled between PFRDA and DAVP.

Pradhan Mantri Jan Dhan Yojana (PMJDY): Under the PMJDY scheme, life cover of Rs.30,000 is extended to members in the age group of 18 to 59 years who have opened PMJDY Bank account during the period of 15.08.2014 to 31.01.2015 subject to certain conditions. The premium subscription of Rs.90/- per eligible PMJDY account holders under the scheme is fully borne by the Central Government.

LIC proposed to create a Life Fund with initial corpus of Rs.100 crore. This Fund is to be replenished from time to time by the Central Government to meet any shortfall. Accordingly, based on initial estimates, an amount of Rs.100 crore was provided in Revised Estimates (RE) 2014-15. PMJDY scheme having inbuilt benefit of life insurance cover of Rs.30,000/- was launched in August 2014, became very popular within a short span of time. Keeping in view the growing popularity of the scheme, it was expected that large number of accounts will be opened under PMJDY and inter-alia, large number of claims would be expected. Keeping in view the number of accounts and probable future claims, provisions of Rs.100 crore each were made by the Govt. of India in BE 2015-16 and BE 2016-17 respectively for reimbursement of estimated future claims settled by LIC and to replenish the fund for any shortfall. Based on the actual total claims settled, demand was raised by LIC in the last quarter of the FYs.Accordingly, Rs.1.00 crore was released during 2014-15 and Rs.10 crore each during 2015-16 and 2016-17 respectively. Considering the pattern of demand raised by LIC in last three years, for FY 2017-18 provision of Rs. 10.00 crores has been made.

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

The Union Cabinet, in its meeting held on 6.5.2015, had approved the proposal for providing Budget for building awareness on Pradhan MantriJeevanJyotiBimaYojana (PMJJBY) and Pradhan MantriSurakshaBimaYojana (PMSBY).For popularising these schemes through public awareness, a budget provision of Rs.50 crore was made in BE 2016-17. For the purpose of awareness campaign, resources from LIC, SIDBI & PFRDA were also utilised to minimize the duplication of effort. Accordingly, in RE 2016-17 an amount of Rs.5 crore was provided, which was fully utilised. For the FY 2017-18, an amount of Rs.20 crore has been earmarked under BE."

7. From the reply furnished by the Ministry of Finance on under-utilization of funds in various insurance schemes viz Atal Pension Yojana (APY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Aam Aadmi Bima Yojana (AABY) and Varistha Pension Bima Yojana (VPBY), the Committee find that no serious or requisite effort has been made in respect of implementation of these schemes, which has consequently resulted in huge shortfalls in utilisation of funds allocated and non-realization of objectives and social outcomes. The Committee, would therefore, expect the concerned officials to be more diligent in estimation of requirements and strive for full utilisation of funds allocated for implementing of these schemes, which are fundamentally meant for providing much needed social security cover to people in distress. Moreover, as the Ministry has chosen to be silent on the issue of having a single comprehensive social security scheme the Committee would, therefore, also reiterate that the Government should explore the feasibility of having a single comprehensive social security scheme to cater to the needs of varied beneficiaries in place of the existing dispersed schemes so as to avoid thin spread of resources.

Recommendation (Sl. No.5)

REGIONAL RURAL BANKS (RRBs)

8. The Budget allocation for RRBs in 2014-15 was Rs 50.00 crore but it was left unspent at the end of the year. The allocation of Rs 140.00 crore in 2016-17 was revised to Rs 5.50 crore at RE stage. However only Rs 2.60 crore had been spent till 2016. From the way the Budget Allocations for RRBs have been left unspent or under-utilised, the Committee apprehended that RRBs, which have been set up primarily to provide credit and related facilities to the small and marginal farmers, agricultural labourers, artisans and entrepreneurs in rural areas, had not been treated with due seriousness. The Committee therefore recommended that the Government should take all steps to improve the state of affairs of the RRBs with urgency and focus on bringing

them in the mainstream core banking by incentivising them adequately. As the RRBs are one of the main instruments for financial inclusion/rural credit delivery, they are required to be strengthened with adequate capital, especially considering the paucity of credit available in the rural hinterland.

9. In their action taken reply the Ministry of Finance has stated as under:

" (i) As per the RBI guidelines, RRBs are required to maintain Capital to Risk Weighted Assets Ratio (CRAR) level of not less than 9% on an ongoing basis which is calculated on the basis of audited financial position of RRBs as on 31st March every year.

(ii) 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%. 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.

(iii) Since the proposal for extending the Scheme for Recapitalization of RRBs beyond 2013-14 could not be approved during 2014-15, Rs.50 crore, allocated in BE 2014-15, could not be utilized.

(iv) Approval to continue the process of Recapitalisation of RRBs for next three years beyond 2013-14 was accorded on 16th July, 2015 and Rs.15.00 crore allocated in BE 2015-16, which was fully utilized.

(v) As per the proposal for recapitalisation of RRBs from NABARD for 4 RRBs viz. Rajasthan Marudhara Gramin Bank (RMGB), Odisha Gramya Bank (OGB), Manipur Rural Bank (MRB) and Arunachal Pradesh Rural Bank (APRB), the total fund requirement was to the tune of Rs.281.57 crore. Government share worked out to about Rs.140.00 crores, which was duly provided in BE 2016-17. Later, based on a re-assessment of need for re-capitalisation of RRBs by NABARD, the requirement of funds for Central Government's Share was revised in RE 2016-17 to Rs.5.50 crore, which was completely utilized.

(vi) It is the constant endeavour of Government and NABARD to strengthen the RRBs, as per their requirements, to assist in effective credit delivery in rural areas."

10. The Committee had pointed out that the Budget Allocation (BE) for 2016-17 for Regional Rural Banks (RRBs) was Rs 140 crore which was reduced to Rs 5.50 crore at RE stage and till December 2016, only Rs 2.60 had been released/utilised. From the action taken reply furnished by the Government, the Committee understand that the RE of Rs. 5.50 had been fully utilised by end of the fiscal. The Committee, in this regard expect the Government to fully utilise the allocation of

Rs. 68.00 crore made for 2017-18. The Committee would re-emphasise that RRBs have been set up primarily to provide credit and related facilities to small and marginal farmers, agricultural labourers, artisans and entrepreneurs in rural areas. The Committee, therefore, reiterate that the Government should take all steps to streamline the functioning of the RRBs with urgency and focus on bringing them in the mainstream core banking. The RRBs, being one of the main instruments for financial instruments for financial inclusion/rural credit delivery, should therefore be strengthened with adequate capital, especially considering the paucity of credit available in the rural hinterland.

Recommendation (Sl. No.11)

IMPLEMENTATION OF BUDGET ANNOUNCEMENTS RELATING TO AIIMS AND UMPP

11. In 2015-16 Budget Speech, it was announced that AIIMS-like institutions are to be set up in J&K, Punjab, Tamil Nadu, Himachal Pradesh and Assam. The Committee had expected the Government to implement these announcements with tangible development and progress at the ground level. Similarly, the announcement made with regard to setting up of AIIMS-like institutions in the states of Gujarat and Jharkhand as announced in the Budget 2017-18 should also be acted upon and the project implemented within a given time frame. Similarly, with regard to the setting up of the proposed five ultra-mega power projects (UMPPs), the budget announcements (2015-16), have not been followed through. The Committee would like to be kept apprised of the concrete progress made towards this end.

12. In their action taken reply the Ministry of Finance has furnished the following written submission as stated under:

(i) **"Action Taken on Establishment of AIIMS announced in Budget Speech 2015-16:-**

AIIMS in J&K

Hon'ble Prime Minister had announced development package for Jammu & Kashmir on 7th November, 2015 which includes creation of AIIMS (2 AIIMS) like institutions for health care in capital cities of J&K. The sites at Vijaypur in Samba district in Jammu region and at Awantipora, Pulwama in the Kashmir region have been finalized for the establishment of AIIMS in Jammu division & Kashmir division of J&K. CPWD has been appointed as the agency for the Construction work of these new AIIMS in the State. Draft EFC note for the two

AIIMS circulated on 27.10.2016. Comments received from DoE & NITI Aayog, Govt. of J&K has been requested for waiver of 12.6% J&K works tax.

AIIMS in Punjab

The Cabinet has approved the proposal for the establishment of New AIIMS at Bathinda in Punjab on 27.07.2016.The Location for the new AIIMS is at Village Jodhpur Romana (180 acres). Pre-investment activities of soil investigation and Topographical survey has been completed. Work of construction of Boundary wall under progress. Memorandum of Understanding has been signed with Govt. of Punjab.Executing Agency for the main work has also been appointed.

AIIMS in Tamil Nadu

Govt. of Tamil Nadu had identified locations at (i) Chengalpattu in Kancheepuram District (ii) Pudukkottai town in Pudukkottai District (iii) Sengipatti in Thanjavur District (iv) Perundurai in Erode District, and (v) Thoppur in Madurai District for setting up of new AIIMS in Tamil Nadu. A Central Team has inspected the sites, offered by Government of Tamil Nadu. State Government has been requested to assess and identify three to four locations keeping in view the criteria under challenge method.

AIIMS in Himachal Pradesh

Government of Himachal Pradesh has furnished details in the prescribed check List. A Central Team has also visited the sites, offered by the H.P. Govt for inspection. The report is under consideration.

AIIMS in Assam

Site at Village Jalah, Mouza Sila Sinduri Ghopa in Kamrup District has been finalized for establishment of AIIMS in Assam.

AIIMS in Bihar

For setting up one more AIIMS like institution in Bihar, the Chief Minister, Bihar was requested to identification of land. The reminders have been issued on 10.12.2015, 06.05.2016, 08.12.2016& 12.04.2017. Response of state government is awaited.

(ii) Action Taken on Establishment of AIIMS announced in Budget Speech 2017-18

AIIMS in Jharkhand

Site at Deoghar, offered by the Govt. of Jharkhand, has been finalized for establishment of an AIIMS in Jharkhand, subject of fulfilment of certain conditions. Commitment from State Govt. has been obtained.

AIIMS in Gujarat

State Government has been asked to identify and offer three to four suitable alternative sites so that Central team could be deputed to inspect the sites

(iii) Action Taken on Establishment of Ultra Mega Power Projects (UMPPs) announced in Budget Speech 2015-16:-

The updated status of UMPPs to be implemented in plug-and-play mode. The updated status is as follows:-
The Ministry of Power had tentatively identified following five UMPPs for bidding:

i) Cheyyur UMPP, Tamil Nadu.
ii) Bedabahal UMPP, Odisha.
iii) Bihar UMPP.
iv) Deoghar UMPP, Jharkhand.
v) Chhattisgarh UMPP.

Later, Chhattisgarh Government vide letter dated 05.04.2016 informed that the Govt. of Chhattisgarh is not keen on setting up 4000 MW Chhattisgarh UMPP as they shall be having balance between demand and supply of power till 2022-23. Subsequently, Chhattisgarh UMPP has been closed.

Bihar UMPP has issues of firm allocation of suitable coal block to infra SPV (Special Purpose vehicle) and land acquisition through LAAR Act 2014 & these are under progress and it may take some more time.

Sufficient water availability could not be ensured by State Government for Deoghar UMPP. Further, allocation of suitable coal block to infra SPV (Special Purpose vehicle) and land acquisition is pending & these issues are under process of resolution.

Presently, the Ministry of Power is focussing upon two UMPPs and tentatively identified following UMPPs to bid out in plug-and-play mode:

i) Cheyyur UMPP, Tamil Nadu.
ii) Bedabahal UMPP, Odisha.

Bid process for Bedabahal UMPP would be initiated after finalisation of Standard Bidding Documents (SBDs) and firm allocation of coal blocks by Ministry of Coal. Cheyyur UMPP was originally envisaged to be setup on imported coal. However, recently Ministry of Power is examining the possibility of setting up Cheyyur UMPP on domestic coal instead of imported coal."

13. The Committee had desired the Government to expedite the implementation and establishment of AIIMS like institutions in J&K, Punjab, Tamil Nadu, Himachal Pradesh and Assam as per the Budget announcement of 2015-16 as well as the establishment of similar institutions in Jharkhand and Gujarat as

per the Budget announcement of 2017-18. The Committee understand from the reply furnished by the Government that sites for the AIIMS-like institutions have been either finalised, or in the process of being finalised. In respect of the announcement made in the recent Budget of 2017-18, the site for the institution has been finalised in Jharkhand, and the site for Gujarat AIIMS is also being identified. The Committee would like the Government to vigorously pursue the implementation of afore-mentioned of budget announcements and avoid undue delay therein. The concerned Ministry are urged to speed up the work relating to establishment of AIIMS in various States. The Committee, therefore, reiterate that the Government must implement the project in all earnest within a time-frame and apprise the Committee accordingly.

14. With respect to Ultra-Mega Power Projects (UMPPs) the Committee were informed that five UMPPs have been considered. Out of these five projects, one proposal has been declined by Chhattisgarh Government due to demand-supply mis-match in the State. From the action taken reply, the Committee gather that none of the UMPPs proposed/considered have been finalised or operationalised till date and the information furnished by the Government on the Deoghar project in Jharkhand is outdated and contrary to the original approval in 2012. The Committee have received reliable information that water from the Ganges, sufficiently available for the aforementioned project, may be utilised for the commissioning of the project at the earliest, as it has been unduly delayed for more than five years now. The Committee thus while reiterating their earlier recommendation, urge the Government to speed up the implementation of the UMPPs and apprise them of the concrete progress made towards this end.

CHAPTER - II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 1)

BUDGETARY ALLOCATIONS- DEMAND WISE

The Ministry of Finance is the nodal Ministry/agency for formulation and budgetary allocation for the entire Government. However, the Committee are surprised to note that there have been instances of inconsistencies in the budget allocations and occurrence of wide variations between the Budget estimates and Actuals. In respect of Demand no. 29 (Department of Economic Affairs), the Committee note a jigsaw-like inconsistent trend of BEs for 2014-15, 2015-16, 2016-17 and 2017-18 i.e. Rs 219910.42, Rs 23576.57, Rs 20804.09 and Rs 15,455.84 respectively. The Committee also note in the same Demand no. 29, that there was a huge mismatch between the BE and Actuals in 2015-16 (BE Rs 23,576.57 crore, RE Rs. 73,668.11 crore and the Actuals, Rs 88,846.16 crore). Thus, the actual expenditure exceeded the budget estimates to the tune of Rs 65,296.59 crore i.e. 3.75 times of BE. The Budget Estimates allocated for 2017-18 for Demand No. 31 (Department of Financial Services) is Rs 19,618.01 crore as against Rs 33,755.52 crore allocated for 2016-17, which is a steep reduction by about 42% i.e. Rs 14,137.51 crore. There has also been a yawning gap between the BE and RE in 2016-17 under Demand no. 38 (Appropriations - Repayment of Debt), wherein, the BE of Rs 44,06,431.08 crore has been drastically increased to Rs 54,91,868.78 crores; amounting to a steep increase to the tune of Rs 10,85,437.70 crore at RE stage for the year 2016-17. From the above instances of inconsistent budgeting and recurring occurrences of wide variations between the budget estimates, revised estimates and the Actuals, the Committee cannot but conclude that the budgetary exercise should have been done with greater due diligence. The Committee, would once again urge that the standard rules and guidelines may be strictly applied and if required, objective parameters may be devised for this purpose so as to avoid inconsistencies and mismatch in their estimates in future and put forth realistic and need based demands.

Reply of the Government

(Budget Division, Department of Economic Affairs)

The primary reasons of steep increase in the budgetary provision to the extent of ₹ 10, 85,437.70 crore at RE stage for the year 2016-17 was on account of providing of funds for repayment of amount raised by issuing Cash Management Bills(CMBs) under Market Stabilization Scheme(MSS) for absorbing the excess liquidity from the system and for redemption of Inter mediate Treasury Bills(ITBs) where the state Governments were invested / parked a large amount from their surplus accumulations.

It is pertinent to mention that since the additional repayments are matched by receipts, there will not be any additional outgo. Apart from this, under this Appropriation (Repayment of Debts) repayments would not have the same meaning as would otherwise have been for other areas of expenditure.

(Department of Financial Services)

The gross budgetary allocation for Department of Financial Services for Financial Year 2016-17 (BE) was Rs.33755.52 crore and for Financial Year 2017-18(BE) is Rs.19618.00 crore. The recapitalization of Public Sector Banks (PSBs) is being carried out as per the approved INDRADHANUSH Plan to enable PSBs to comply with regulatory norms of capital adequacy. The INDRADHANUSH Plan, inter-alia, envisages capital infusion of a total sum of Rs.70,000 crore to the PSBs through budgetary allocation over a four year period starting from 2015-16 as indicated below:

(Rs in crore)

S.No.	Year	Budget allocation
1	2015-16	25,000
2	2016-17	25,000
3	2017-18	10,000
4	2018-19	10,000

The budgetary allocation during 2017-18 for “Recapitalisation of Public Sector Banks” is Rs.10,000 crore as against Rs.25,000 crore for 2016-17 - is primarily need based as per the approved plan of INDRADHANUSH (above table). Thus budget requirement is less for 2017-18 as compared to 2016-17 in budgetary allocation of Department of Financial Services.

[Ministry of Finance (Department of Economic Affairs, Department of Expenditure, Department of Financial Services & DIPAM)O.M No. 34011/4/2017/FC dated 20.06.2017]

Recommendation (Sl. No. 2)

CHANGES IN BUDGETARY SCHEDULE

The Committee agree with the decision of the government in advancing the budget date so that the financial business of the government finishes before 31st March of each year and the respective ministries/departments/organizations are able to spend their allocated money as per the underlying policy/scheme/activity etc. right from the beginning of the financial year. The Committee however find that shifting the budget by one month leads to non-availability of comparative data for almost a quarter and in the process, the utilization of funds, achievement of physical and financial targets cannot be determined and therefore the performance of the ministry/departments /other schemes/policies cannot be assessed in proper perspective. The Committee, therefore, believe that greater preparations and adequate groundwork should have been made before hastening this exercise. The Committee would thus expect a more thorough exercise next year onwards. Keeping in view the above constraints, the Committee would suggest that the financial year may also be correspondingly shifted to calendar year and the budget date be further advanced correspondingly.

Reply of the Government

The Government has set up the Committee under the Chairmanship ofDr. Shankar Acharya to examine the issue of change in Budgetary Schedule. The Committee has submitted its report in December, 2016 and the same is under consideration of the Government.

[Ministry of Finance (Department of Economic Affairs, Department of Expenditure, Department of Financial Services & DIPAM)O.M No. 34011/4/2017/FC dated 20.06.2017]

Recommendation (Sl. No. 4)

"UNSPENT BALANCES" INSTEAD OF "SAVINGS"

The Committee further note that in the Demands for Grants document, the Ministry of Finance termed the allocation which has been left unutilised at the end of every fiscal as "savings", which is mis-leading, as such unutilised allocations are not actually any 'savings' but 'unspent' or 'unutilised' funds, which have therefore to be expressed as such in all future financial documents. After utilising the funds for the intended purpose, what remains should be actually defined as 'Savings', distinguishing it thus from unspent balance which relates to non-achievement of the budgeted objectives.

Reply of the Government

On examination of the said recommendation, it is observed that there is no indication of 'savings' either in the Demands for Grants or in the Detailed Demands for Grants or in the Annual Report of this Ministry. Generally, such details of 'savings' are not brought out as part of Budget Documents.

In the Appropriation Accounts of the Ministry / Department compiled by the office of the CGA, the 'savings' or 'excess' is brought out after comparing the total appropriation authorized by Parliament and the amount spent by that Ministry. A copy each of the Grant No. 22 – Defence Pensions and Grant No. 34 – Department of Economic Affairs is enclosed herewith for reference**(Annex I)**.

[Ministry of Finance (Department of Economic Affairs, Department of Expenditure, Department of Financial Services & DIPAM)O.M No. 34011/4/2017/FC dated 20.06.2017]

Recommendation (Sl. No. 5)

REGIONAL RURAL BANKS (RRBs)

The Budget allocation for RRBs in 2014-15 was Rs 50.00 crore but it was left unspent at the end of the year. The allocation of Rs 140.00 crore in 2016-17 was revised to Rs 5.50 crore at RE stage. However only Rs2.60 crore has been spent till 2016. From the way the Budget Allocations for RRBs have been leftunspent or under-utilised, the Committee apprehend that RRBs, which have been set up primarily to provide credit and related facilities to the small and marginal farmers, agricultural labourers, artisans and entrepreneurs in rural areas, have not been treated with due seriousness. The Committee therefore recommend that the Government should take all steps to improve the state of affairs of the RRBs with urgency and focus on bringing them in the mainstream core banking by incentivising them adequately. As the RRBs are one of the main instruments for financial inclusion/rural credit delivery, they are required to be strengthened with adequate capital, especially considering the paucity of credit available in the rural hinterland.

Reply of the Government

(i) As per the RBI guidelines, RRBs are required to maintain Capital to Risk Weighted Assets Ratio (CRAR) level of not less than 9% on an ongoing basis which is calculated on the basis of audited financial position of RRBs as on 31st March every year.

(ii) 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%. 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.

(iii) Since the proposal for extending the Scheme for Recapitalization of RRBs beyond 2013-14 could not be approved during 2014-15, Rs.50 crore, allocated in BE 2014-15, could not be utilized.

(iv) Approval to continue the process of Recapitalisation of RRBs for next three years beyond 2013-14 was accorded on 16th July, 2015 and Rs.15.00 crore allocated in BE 2015-16, which was fully utilized.

(v) As per the proposal for recapitalisation of RRBs from NABARD for 4 RRBs viz. Rajasthan MarudharaGramin Bank (RMGB), Odisha Gramya Bank (OGB), Manipur Rural Bank (MRB), and Arunachal Pradesh Rural Bank (APRB), the total fund requirement was to the tune of Rs.281.57 crore. Government share worked out to about Rs.140.00 crores, which was duly provided in BE 2016-17. As per the scheme, the release of Central Government share (50%) is contingent upon the release of proportionate shares by State Government (15%) and sponsor bank (35%). Later based on a re-assessment of need for recapitalisation of RRBs by NABARD, the requirement of funds for Central Government's Share was revised in RE 2016-17 to Rs.5.50 crore, which was completely utilized.

(vi) It is the constant endeavour of Government and NABARD to strengthen the RRBs, as per their requirements, to assist in effective credit delivery in rural areas.

[Ministry of Finance (Department of Economic Affairs, Department of Expenditure, Department of Financial Services & DIPAM)O.M No. 34011/4/2017/FC dated 20.06.2017]

Comments of the Committee

(Please see Para No. 10 of Chapter I)

Recommendation (Sl. No. 6)

PUBLIC SECTOR BANKS-RE-CAPITALISATION, CD RATIO etc.

In the backdrop of rising NPAs, stressed assets, large provisioning anddeclining profitability, the Committee find that the PSBs are not in a state of sound financial health. With the recent upsurge in deposits post-demonetisation, the Committee would expect greater flow of credit to industry, particularly MSMEs. The Committee would also expect the CD ratios of PSBs which are particularly low in the eastern andNorth-eastern region, to improve and also become more equitable and evenly spread across different regions of the country. The fresh capital infusion in PSBs through budgetary allocations viz. Rs. 10,000 crore and deposits due to demonetisation should be thus well-utilised for boosting affordable credit to different sectors of the economy.

[Ministry of Finance (Department of Economic Affairs, Department of Expenditure, Department of Financial Services & DIPAM)O.M No. 34011/4/2017/FC dated 20.06.2017]

Recommendation (Sl. No. 7)

It is also necessary that the government also imposes accountability on thebanks for the funds being infused. Given the strain on its fiscal resources, it would be difficult for the Government to periodically infuse capital into these banks. It is therefore expedient that the Government should enforce certain minimum performance parameters in this regard, while rewarding efficiency. As the PSBs account for a substantial chunk of the resources for the commercial sector, the Indian economy needs a strong and vibrant banking system in the public sector. Since NPAs/stressed assets have been steadily increasing in spite of several restructuring schemes, we find the credit growth at an all-time low. The Government should, therefore, instil dynamism and confidence in the banking sector so that rational decisions can be made keeping in view profitability and prudent investment, without fear of disciplinary action even in cases of judicious decisions. It has thus become necessary that the morale of bankers is maintained so that credit growth picks up.

Reply of the Government

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

The steps taken by the Government are as follows:-

Capitalization scheme for Public Sector Banks (PSBs):

The Government of India had proposed to make available Rs.70,000 crores out of budgetary allocations for four years as per the figures given 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**

The Government infused a sum of Rs.25000 crore in 19 PSBs during financial year 2015-16. Further, a sum of Rs.24,997.19 crore has been infused in 16 PSBs during 2016-17 to enable them to comply with the Basel-III norms for capital adequacy.

A capital of Rs.10,000 crore has been proposed for Re-capitalization of PSBs for the FY 2017-18.

De-stressing PSBs

The infrastructure sector and core sector has been the major recipient of PSBs' funding during the past decades. But due to several factors, projects are increasingly stalled/stressed thus leading to NPA burden on banks.

In view of this, following steps have been taken by the Government:

Strengthening Risk Control measures and NPA Disclosures

Besides the recovery efforts under the DRT & SARFAESI mechanism, the following additional steps have been taken to address the issue of NPAs:

i. RBI has released guidelines dated 30 January, 2014 for "**Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders: Framework for Revitalizing Distressed Assets in the Economy**" suggesting various steps for quicker recognition and resolution of stressed assets:

- ❖ **Creation of a Central Repository of Information on Large Credits (CRILC**), which requires reporting of loan accounts before they turn into NPA by creating a sub-asset category viz. 'Special Mention Accounts' (SMA).

- ❖ **Formation of Joint Lenders Forum (JLF**), **Corrective Action Plan (CAP), and sale of assets** in case of consortium lending as soon as an account is reported to CRILC as SMA-2, the lenders, should form a lenders' committee to be called Joint Lenders' Forum (JLF) under a convener and formulate a joint corrective action plan (CAP) for early resolution of the stress in the account.

ii. Flexible Structuring of Loan Term Project Loans to Infrastructure and Core Industries – RBI issued guidelines on July 15, 2014 and December 15, 2014–

- ❖ Long term financing for infrastructure has been a major constraint in encouraging larger private sector participation in this sector. On the asset side, banks will be encouraged to extend long term loans to infrastructure sector with flexible structuring to absorb potential adverse contingencies, (also known as the 5/25 structure).

iii. Wilful Default/Non-Cooperative Borrowers:

- ❖ RBI has now come out with new category of borrower called Non-Cooperative borrower. A non-cooperative borrower is a borrower who does not provide information on its finances to the banks. Banks will have to do higher provisioning if they give fresh loan to such a borrower.

iv. Establishment of six New DRTs:

- ❖ Government has established six new Debt Recovery Tribunals (DRT) (at Chandigarh, Bengaluru, Ernakulum, Dehradun, Hyderabad, Siliguri) to speed up the recovery of bad loans of the banking sector.

- ❖ Empowerment:
- ❖ The Banks are encouraged to take their decision independently keeping the commercial interest of the organization in mind and have been asked to build robust Grievances Redressal Mechanism for customers as well as staff to ensure accountability.
- ❖ Framework of Accountability:
- ❖ The Government has formulated Key Performance Indicators (KPI) for Public Sector Banks in August, 2015 to be eligible for cash incentives. These are basically related to operational and capital efficiency and include of capital use, diversification of business processes and NPA management etc.
- ❖ The performance Evaluation Matrix under KPI contain the Quantitative parameters and Qualitative parameters for evaluation.
- ❖ To take the issue of efficiency further in the year 2016-17 a capital of Rs.22,915 crore was allocated to 13 PSBs out of which 75% (50% for IOB) i.e. Rs.16,414 crore was infused upfront and the remaining 25% was to be infused based on the performance of the banks on certain benchmarks. Rs.8586 crore was allocated to 10 banks and Rs.541 crore to Union Bank of India based on Memorandum of Understanding MOU signifying transformation process for banks.
- ❖ Affordable credit MCLR:
- ❖ RBI has deregulated the interest rate on advances sanctioned by Scheduled Commercial Banks (excluding Regional Rural Banks) and the same are now determined by banks with the approval of their Board of Directors subject to regulatory guidelines on interest rate on advances issued by RBI from time to time.
- ❖ With effect from April 1, 2016 banks have to compute interest rates on advances based on the marginal cost of funds for which the Marginal Cost of Funds based Lending Rate (MCLR) will be the internal benchmark.
- ❖ Interest Subvention Schemes:
- ❖ The Interest Equalization Scheme on 'Pre and Post Shipment Rupee Export Credit' has been formulated by Ministry of Commerce and Industry, Government

of India. RBI has framed operational procedure to be followed by banks for claiming reimbursement from Government of India under the scheme.

<u>Demonetization & Current Account, Saving Account (CASA) growth effect on credit growth</u>

The increase in CASA deposits and growth in gross advances for Public Sector Banks (PSBs) and at the system level are tabulated below:

Bank Group	Growth in CASA Deposits (%)					Growth in Gross Advances (%)				
	FY16	H1FY17	Oct-16	Nov-16	Dec-16	FY16	H1FY17	Oct-16	Nov-16	Dec-16
PSBs	9.20	1.94	-2.24	19.90	3.17	3.71	-1.88	-1.85	-2.78	3.88
All Banks	11.83	2.61	-2.87	18.10	3.30	8.11	0.13	-1.39	-2.50	3.41

(For global operations)

- It is observed that the CASA deposits increased significantly during Nov-16, and the growth was much higher than H1FY17 or even FY16. However, the Gross Advances for PSBs and the banking system had declined during Oct-16 and Nov-16.
- While significant growth in deposits may be attributed to demonetization drive, decline in credit may be due to rebalancing of portfolio to manage risk.

<u>CD Ratio - dependence on supply/demand</u>

A snapshot of Credit-Deposit (CD) Ratio trends observed by Public Sector Banks and All SCBs in general is provided as under.

Bank Group (Amt in Rs. crore)	Gross Loans and Advances (GLA)			Total Deposits (TD)			CD Ratio (GLA as % of TD)		
	Mar-16	Sep-16	Dec-16	Mar-16	Sep-16	Dec-16	Mar -16	Sep- 16	Dec- 16
PSBs	58,23,907	57,14,271	56,64,443	74,86,178	76,48,013	81,48,249	77.80	74.72	69.52
All Banks	81,73,121	81,83,658	81,36,919	1,00,92,651	1,04,85,392	1,10,21,063	80.98	78.05	73.83

(For global operations)

Besides capital infusion to Public Sector Banks (PSBs) and upsurge in deposits post-demonetisation, Reserve Bank of India (RBI) has issued guidelines/instructions to all banks including PSBs from time to time to facilitate flow of credit to micro, small and medium enterprises (MSMEs). These measures are expected to enhance flow of credit to various sectors of the economy including states in Eastern and North Eastern region.

As regards CD Ratio, the RBI has advised the banks including PSBs to achieve a CD Ratio of 60% in respect of their rural and semi-urban branches separately on an all India basis. The banks are also to ensure that wide disparity in the ratios between different State/Region is avoided in order to minimize regional imbalance in credit deployment. RBI has also advised banks that the CD ratios should be monitored at different levels viz banks' head office level, State Level Bankers Committee (SLBC) and District Consultative Committee (DCC). Special Sub-Committee (SSC) of DCC is to be set up in the districts having CD ratio less than 40, in order to monitor the CD ratio and to draw up Monitorable Action Plans (MAPs) to increase the CD ratio.

[Ministry of Finance (Department of Economic Affairs, Department of Expenditure, Department of Financial Services & DIPAM)O.M No. 34011/4/2017/FC dated 20.06.2017]

Recommendation (Sl. No. 8)

DIGITALISATION OF ECONOMY

The Committee note the statement made in the Budget Speech 2017-18 stating that promotion of digital economy will help *"clean the system and weedout corruption and black money. It has a transformative impact in terms ofgreater formalisation of the economy and mainstreaming of financial savings intothe banking system. A shift to digital payments has huge benefits for thecommon man".* The Committee also note that the Government have launched various initiatives and apps such as JAM trinity(Jan Dhan- Aadhaar- Mobile) BHIM (Bharat Interface for Money App) etc to push towards digitalisation of economy. However, the Committee desire that the Government must also take serious cognizance of the rising cyber crimes in the country, so that these crimes are nipped in the bud and the process of digitalisation is not stymied on this count. They are also apprehensive that with growing digitisation, these cyber crimes may further increase. In this regard, the government should alsoadequately incentivise and smoothen the processes of transactions through the digital mode by making them attractive to the common man by way of fiscal concessions, low-cost high speed internet connectivity etc. Digital payment systems cannot grow without a robust and stable digital infrastructure, high speed and stable data connectivity to the last mile, and finally data security. Further, for better adoption of electronic payments, digital transactions should not be more expensive than cash. Therefore, the focus will have to shift to reducing transaction costs through technological innovations, greater volumes and sharing of savings generated from dealing with less cash. Thus, moving to a largely cashless or less-cash economy from the abysmally low current level, cannot obviously be achieved overnight or hastened through a fiat. It would require a massive technological and attitudinal change and for this, improving financial literacy, especially among the rural population becomes the need of the hour. The Committee, therefore, believe that providing low-cost, broad-based and secured digital infrastructure, reducing the costs of transaction, and promoting financial literacy on a large scale should now become the focus areas for the government, as it seeks to achieve its laudable objectives

Reply of the Government

(Department of Financial Services)

A number of steps have been taken to address the concerns flagged by the Standing Committee. These include the following:

(i) To address the issue of cyber security, Reserve Bank of India (RBI), vide Circular dated 2nd June 2016, has issued cyber security framework to all banks. In addition, RBI has issued instructions to all authorised entities and banks issuing pre-paid instruments regarding cyber security on 9th December 2016.

(ii) Union Budget 2017-18 speech has an announcement for the establishment of a Computer Emergency Response Team for the Financial Sector (CERT-Fin), which will work in close coordination with all financial sector regulators and other stakeholders. Government has set up a Working Group to study and recommend measures for setting up CERT-Fin.

(iii) National Payments Corporation of India (NPCI) has launched Unified Payment Interface (UPI) to enable customers to transfer funds securely using virtual payment address, or bank account number and Indian Financial System Code

(IFSC), or mobile number, or Mobile Money Identifier, or quick response (QR) code, or Aadhaar number.

(iv) NPCI has also introduced Unstructured Supplementary Service Data (USSD) for "*99#" service for mobile banking. It is an interoperable payment platform which provides basic banking services to accountholders in 12 different languages across the country. USSD works on both smart phones and feature phones, without Internet connectivity.

(v) NPCI has launched BHIM Aadhaar, which is a mobile application for Aadhaar-based payments to merchants, using the Aadhaar enabled Payment System (AePS). It allows the customer to make purchases using their Aadhaar number linked with their bank account. The transaction requires only the customer's fingerprint for authentication. At present, over 30 banks are participating and 17 banks are live on BHIM Aadhaar.

(vi) Government introduced Lucky GrahakYojana and DigiDhanVyaparYojana for merchants to promote means of cashless transactions. The scheme especially focussed on bringing the poor, lower middle class and small businesses into the digital payment fold.

(vii) Government has launched two new schemes, Referral Bonus Scheme for individuals and a Cash-back Scheme for merchants, to promote the usage of BHIM app.

(viii) Bank Mitras have been deployed in rural areas for providing interoperable banking services.

(ix) Banks are committed to open bank accounts, seed Aadhaar and mobile numbers in bank accounts, based on voluntary customer consent, promote the use of RuPay cards, and impart financial literacy. Through this, account holders are enabled to access Aadhaar-enabled, mobile-based as well as card-based payment options.

(x) Banks have added 18.61 lakh additional merchant acceptance points since 30.11.2016 till 24.4.2017, to expand card acceptance infrastructure and provide a fillip to digital transactions.

(xi) National Bank for Agriculture and Rural Development (NABARD) has extended support to banks from the Financial Inclusion Fund for deployment of Aadhaar-ready Point of Sale (PoS) terminals in villages in Tier 5 and Tier 6 centres. Support for 2.23 lakh PoS terminals has been sanctioned by NABARD.

(xii) NABARD has extended support from the Financial Inclusion Fund to banks to convert Kisan Credit Cards (KCCs) to interoperable RuPay KCCs, to enable farmers to make digital transactions on PoS machines, micro ATMs and ATMs.

(xiii) The Office of Controller General of Accounts has communicated to Departments/Ministries under the Central Government that the Merchant Discount Rate (MDR) charges on debit cards for payment to Government up to Rs. 1 lakh shall be absorbed by the Government.

(xiv) Department of Public Enterprises has advised Central Public Sector Enterprises (CPSEs) to ensure that transaction fee, MDR charges associated with payment through digital means shall not be passed on to the consumers, and that all such expenses shall be borne by CPSEs.

(xv) The Central Government, vide Press Release dated 8.12.2016 announced a package of incentives and measures for promotion of digital and cashless economy in the country, which include the following:

(a) Central Government's Petroleum PSUs shall give incentive by offering a discount at the rate of 0.75% of the sale price to consumers on purchase of petrol/diesel if payment is made through digital means.

(b) Railways through its sub-urban railway network, shall provide incentive by way of discount up to 0.5% to customers for monthly or seasonal tickets from January 1, 2017, if payment is made through digital means.

(c) Railway passengers buying online ticket shall be given free accidental insurance cover of up to Rs. 10 lakh.

(d) Public sector insurance companies will provide incentive, by way of discount, up to 10% of the premium in general insurance policies and 8%

in new life policies of Life Insurance Corporation sold through the customer portals, in case payment is made through digital means.

(xvi) To strengthen the grievance redressal mechanism in banks and to ensure that maximum numbers of complaints are resolved at the bank's level, RBI in May 2015, advised 35 banks comprising of all public sector banks, select private and foreign banks to appoint Internal Ombudsman (IO). The IO examines grievances not resolved by the bank's internal grievance redressal mechanism.

(xvii) RBI, vide its Circular dated 1st July, 2016, has issued policy guidelines on the issue and operation of Prepaid Payment Instruments (PPIs) like e-wallets in India. According to the guidelines, in case of PPI issued by banks, customers shall have recourse to the Banking Ombudsman Scheme for grievance redressal. The non-bank PPI issuers shall put in place an effective mechanism for redressal of customer complaints along with escalation matrix and publicise the same for the benefit of customers.

(xviii) To address connectivity issues, as on 16.4.2017, 18,297 gram panchayats have been integrated and tested on Bharatnet.

(xix) Banks have adopted several strategies to impart financial literacy as a part of their responsibility by organizing financial literacy counters in various camps organized from time to time to impart basic awareness of financial products and services. They have imparted financial literacy through meeting in panchayats, Gram Sabhas to cater to the rural and semi-urban population. They have also imparted financial literacy through Financial Literacy Centres.

(xx) As on 31st August 2016, financial literacy sessions were conducted in 9,197 skilling centres, imparting financial literacy to 7.07 lakh students. 34,012 schools were also covered, and 31.17 lakh students participated. Financial literacy materials have been converted in 10 regional languages and are available on website.

(Investment Division, Department of Economic Affairs)

Digitization of transactions is an imperative for India; it will benefit the economically disadvantaged, the middle class, the businesses and the government.

Digitization will create a multiplier benefit in efficiency of capital use through greater transparency, traceability of transactions, enforceability of law and significantly buoyed tax revenues for social welfare. In addition to accelerating financial inclusion, opening up new business models and markets, digital payments will improve the State's ability to curb tax leakages and reduce cash related costs.

The Government has in the Union Budget for 2017-18 taken several initiatives to promote a digital payment ecosystem. The key budget announcements relating to digital payments are listed at Annexure-II. The Government has announced the setting up of a Mission with a target of 2,500 crore digital payment transactions during the Financial Year through Unified Payment Interface (UPI), Unstructured Supplementary Service Data (USSD), Aadhaar Pay, Immediate Payment Service (IMPS) and debit cards.

Promotion of Payments through Cards and Digital means: - The Finance Minister in his 2015-16 Budget speech had announced “To introduce several measures that will incentivise credit or debit card transactions and disincentivize cash transactions”.

In February, 2016, the Cabinet approved 19 short terms measures (to be implemented within a year) and 4 medium terms measures (to be implemented within two years). Accordingly, Cabinet Secretariat had formed a task force under the chairmanship of Secretary DIPAM for implementation of the Cabinet decision on Promotion of Payments through Cards and Digital means The task force had submitted its final reports on 19 short term measures in May, 2016 in which the policy prescriptions and the indicative time lines had been outlined along with responsibility of the different Departments.

DEA had constituted a committee under the chairmanship of former Finance Secretary and Principal Advisor NITI Aayog Shri R. P. Watal to suggest the medium terms measures to strengthen the Digital Payments Eco-System. Committee had submitted 13 recommendations,categorised into three groups viz. legislative, executive & regulatory in December, 2016. The activities are under implementation by the different Ministries/Departments/Institutions.

NITI Aayog had constituted a Committee of Chief Ministers on digital payments on 30th November 2016, with Sh. Chandra Babu Naidu, Hon’ble Chief Minister of Andhra Pradesh as the Convener, which submitted its interim report to the Hon’ble Prime Minister on 24th January 2017. The Committee has, inter-alia, recommended various incentives for consumers and merchants in the form of cash back on digital spends, discounts on government payments via digital means, incentives to banking correspondents (BCs) and small merchants for digital transactions.

As a follow-up to this recommendation NITI Aayog has prepared a booklet titled ‘Measurement of Digital Payments, trends, issues and challenges ’. This booklet is an interim report on the trends in Digital Payments, proposed classification and indicators. It provides valuable information on the list of authorized service providers and prevailing challenges in the Digital Payments Ecosystem of the Country.

Review of the PSS Act, 2007:- The Finance Minister in his 2017 Budget speech had announced that “The Government will undertake a comprehensive review of the Payment and Settlement System (PSS) Act, 2007 and bring about appropriate amendment”.

Accordingly a Group of Officers, from DFS, DoLA, DEA, Meity, RBI & DEA, was constituted to review the Payment and Settlement Systems Act, 2007 for suggesting the appropriate amendments. The Group of Officers has had five meetings so far and final report is expected shortly.

Digital Finance for Rural India: Creating Awareness and Access

A new component titled 'Digital Finance for Rural India: Creating Awareness and Access through Common Service Centres’ (CSCs) under the Digital SakshartaAbhiyan (DISHA) Scheme was approved in November 2016 for conducting awareness sessions on digital finance options available for rural citizens as well as enabling various mechanisms of digital financial services such as Aadhaar Enabled Payment System (AEPS), Unstructured Supplementary Service Data (USSD), Unified Payments Interface(UPI), Immediate Payment Service(IMPS), e-wallets, Point of Sale (PoS), etc. Under this programme, 1 crore rural citizens across the country and 2.5 lakh merchants were to be enabled to transact through electronic payment systems. This was implemented by CSC e-Governance Services India Limited.

Under the programme, a total of 2 Crore rural citizens were registered and trained on Electronic Payment Systems

Over 25 Lakh shopkeepers/hawkers/traders etc were trained and enabled on the Electronic Payment System mode

Sensitization drives were organised in 650 Districts & 5735 Blocks.

A separate portal was created at http://www.digitaljagriti.in/

Training content in the form of handbook and presentation was prepared.

An impact movie and 6 training video was also made available

Pradhan MantriGramin Digital SakshartaAbhiyan (PMGDISHA)

The Government has approved a scheme titled "Pradhan MantriGramin Digital SakshartaAbhiyan (PMGDISHA)" to usher in digital literacy in rural India by covering 6 crore rural households (one person per household) by 31.03.2019. This is in line with the announcement made in the Union Budget 2016-17. To ensure equitable geographical reach, each of the 2,50,000 Gram Panchayats would be expected to register an average of 200-300 candidates. Special focus of the above Scheme would be on training the beneficiaries on use of Electronic Payment Systems. The outcome measurement criteria would include undertaking at least 5 electronic payments transactions by each beneficiary using UPI (including BHIM App), USSD, PoS, AEPS, Cards, Internet Banking. The total outlay of the above Scheme is Rs. 2,351 crore. It will be implemented as a Central Sector Scheme by the MeitY through an implementing agency namely CSC e-Governance Services India Limited, with active collaboration of all the State Governments and UT Administrations.

The Scheme has been approved on 20.02.2017 and detailed guidelines issued on 27.02.2017. The guidelines include the Composition and Terms of reference of two State Level Committees to be chaired by Principal Secretary, IT and District Magistrate respectively. MeitY has written to all the Chief Secretaries of the States and all the District Magistrates/ Collectors on 28.02.2017 and forwarded the Scheme guidelines.

The Implementing Agency i.e. CSC e-Governance Services India Ltd., has conducted 31 state level workshops and 81 district level workshops. They have started the empanelment of the Training Partners/Centres for the PMGDISHA Scheme and so far affiliated 23,682 Training Centres. More than 11 lakh candidates have been enrolled, out of which training has been imparted to more than 9 lakh candidates.

Cyber security initiatives:

MeitY has set up a Digital Payments Division to focus on security of digital payments. Computer Emergency Response Team (CERT-In) regularly sends advisory to Reserve Bank of India, National Payment Corporation of India (NPCI) and Payment Card Industry organisations regarding the threats targeting banking and ATM Systems. In addition, CERT-In has issued 23 advisories including merchants of Payment Channels, Cards, Data, Device, Browser and Operating System & Network Security for security safeguards of users covering POS, Micro ATMs, Electronic Wallets, online banking, smart phones, Unified Payment Interface, wireless access points / routers, mobile banking, cards and cloud. All organizations providing digital payment services have been mandated to report cyber security incidents to CERT-In expeditiously.

RBI vide circular dated 9.12.2016 on “Security and Risk Mitigation measure - Technical Audit of Prepaid Payment Instrument issuers” has instructed all authorised entities / banks issuing PPIs in the country to carry out a special audit by the empanelled auditors of CERT-In on a priority basis and take immediate steps thereafter to comply with the findings of the audit report. RBI also issued a circular earlier in June 2016 covering comprehensive guidelines on Cyber Security Framework in Banks.

Two workshops have been conducted regarding security of digital payments for participants from banks, Internet Service Providers and entities offering Prepaid Payment Instruments. CERT-In has also recorded cyber security awareness sessions under the DigiShala Awareness Campaign, a free Doordarshan DTH channel, for educating citizens and creating awareness amongst internet users so that they do not fall prey to online frauds. Regular workshops with Institute for Development and Research in Banking Technology (IDRBT) for banks, RBI, Securities and Exchange Board of India (SEBI) are conducted on cyber security. CERT-In officials are deputed as trainer at IDRBT. Workshops have been held inviting PPIs, Banks, ISPs, RBI, NPCI and IDRBT along with banking technology providers and consultants to address security issues and their mitigation mechanisms.

Botnet Cleaning and Malware Analysis Centre has been established by CERT-In for detection of compromised systems in India and to notify, enable cleaning and securing systems of end users to prevent further malware infections. The centre is also working with 37 Banks to detect malware infections in their networks and enable remedial actions.

MeitY has formulated draft rules on Security of Prepaid Payment Instruments under Information Technology Act, 2000. The draft Rules have provision for grievance redressal mechanism for electronic Prepaid Payment Instruments. The draft Rules have been published on MeitY website inviting comments from public at large and all stakeholders.

Regular consultations are held with key organizations & banks for setting up of Financial CERT. Meetings have already been held with key organizations & banks from finance sector to discuss the roles and responsibilities of finance sector organizations in monitoring, prevention and recovery from cyber security threats.

Communication has been sent to all Central Government Ministries/Departments, States/UTs and critical sectors organizations to implement Cyber Crisis Management Plan (CCMP) prepared by MeitY for countering cyber attacks and cyber terrorism.

Cyber security exercises are being conducted by CERT-In for assessment of cyber security posture and preparedness of organizations in Government and critical sectors including financial sectors.

[Ministry of Finance (Department of Economic Affairs, Department of Expenditure, Department of Financial Services & DIPAM)O.M No. 34011/4/2017/FC dated 20.06.2017]

Recommendation (Sl. No. 9)

RECOMMENDATIONOF THESTANDINGCOMMITTEE FINANCEON CESS

The Committee would like to refer to their 29th Report on the Demands forGrants (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 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 inthe proposed GST regime.

Reply of the Government

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.

[Ministry of Finance (Department of Economic Affairs, Department of Expenditure, Department of Financial Services & DIPAM)O.M No. 34011/4/2017/FC dated 20.06.2017]

Recommendation (Sl. No. 10)

BUSINESS SERVICE PRICE INDEX

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

Reply of the Government

There is an Expert committee on Development of Business Service Price Index in DIPP under the chairmanship of Prof. C.P. Chandrasekhar. The work of development of experimental Business Service Price Indices has been taken up by the Office of Economic Adviser, DIPP, Ministry of Commerce and Industry. Ten sectors namely, i) Banking, ii) Trade, iii) Business Services, iv) Postal, v) Telecommunication, vi) Air Transport, vii) Port Services, viii) Insurance, ix) Rail Transport and x) Road Transport have been identified for the initial phase of development of Experimental Business Service Price Indices. So far, Experimental Service Price Indices for five sectors viz., Rail Transport, Banking, Postal Services, Telecom (Cellular) and Air Transport have been developed. The Indices for these sectors along with their methodologies are available in the public domain on the website of the Office of Economic Adviser (OEA) for comments. These Indices are also being updated from time to time.

[Ministry of Finance (Department of Economic Affairs, Department of Expenditure, Department of Financial Services & DIPAM)O.M No. 34011/4/2017/FC dated 20.06.2017]

Recommendation (Sl. No. 11)

IMPLEMENTATION OF BUDGET ANNOUNCEMENTS RELATING TO AIIMS AND UMPP

In 2015-16 Budget Speech, it was announced that AIIMS-like institutions are to be set up in J&K, Punjab, Tamil Nadu, Himachal Pradesh and Assam. The Committee would expect the Government to implement these announcements with tangible development and progress at the ground level. Similarly, the announcement made with regard to setting up of AIIMS-like institutions in the states of Gujarat and Jharkhand as announced in the Budget 2017-18 should also be acted upon and the project implemented within a given time frame. Similarly, with regard to the setting up of the proposed five ultra-mega power projects (UMPPs), the budget announcements (2015-16), have not been followed through. The Committee would like to be kept apprised of the concrete progress made towards this end.

Reply of the Government

(ii) <u>Action Taken on Establishment of AIIMS announced in Budget Speech 2015-16:-</u>

<u>AIIMS in J&K</u>

Hon'ble Prime Minister had announced development package for Jammu & Kashmir on 7th November, 2015 which includes creation of AIIMS (2 AIIMS) like institutions for health care in capital cities of J&K. The sites at Vijaypur in Samba district in Jammu region and at Awantipora, Pulwama in the Kashmir region have been finalized for the establishment of AIIMS in Jammu division & Kashmir division of J&K. CPWD has been appointed as the agency for the Construction work of these new AIIMS in the State. Draft EFC note for the two AIIMS circulated on 27.10.2016. Comments received from DoE & NITI Aayog, Govt. of J&K has been requested for waiver of 12.6% J&K works tax.

<u>AIIMS in Punjab</u>

The Cabinet has approved the proposal for the establishment of New AIIMS at Bathinda in Punjab on 27.07.2016.The Location for the new AIIMS is at Village Jodhpur Romana (180 acres). Pre-investment activities of soil investigation and Topographical survey has been completed. Work of construction of Boundary wall under progress. Memorandum of Understanding has been signed with Govt. of Punjab.Executing Agency for the main work has also been appointed.

<u>AIIMS in Tamil Nadu</u>

Govt. of Tamil Nadu had identified locations at (i) Chengalpattu in Kancheepuram District (ii) Pudukkottai town in Pudukkottai District (iii) Sengipatti in Thanjavur District (iv) Perundurai in Erode District, and (v) Thoppur in Madurai District for setting up of new AIIMS in Tamil Nadu. A Central Team has inspected the sites, offered by

Government of Tamil Nadu. State Government has been requested to assess and identify three to four locations keeping in view the criteria under challenge method.

AIIMS in Himachal Pradesh

Government of Himachal Pradesh has furnished details in the prescribed check List. A Central Team has also visited the sites, offered by the H.P. Govt for inspection. The report is under consideration.

AIIMS in Assam

Site at Village Jalah, Mouza Sila Sinduri Ghopa in Kamrup District has been finalized for establishment of AIIMS in Assam.

AIIMS in Bihar

For setting up one more AIIMS like institution in Bihar, the Chief Minister, Bihar was requested to identification of land. The reminders have been issued on 10.12.2015, 06.05.2016, 08.12.2016& 12.04.2017. Response of state government is awaited.

(ii)Action Taken on Establishment of AIIMS announced in Budget Speech2017-18

AIIMS in Jharkhand

Site at Deoghar, offered by the Govt. of Jharkhand, has been finalized for establishment of an AIIMS in Jharkhand, subject of fulfilment of certain conditions. Commitment from State Govt. has been obtained.

AIIMS in Gujarat

State Government has been asked to identify and offer three to four suitable alternative sites so that Central team could be deputed to inspect the sites

(iii) Action Taken on Establishment of Ultra Mega Power Projects (UMPPs) announced in Budget Speech 2015-16:-

The updated status of UMPPs to be implemented in plug-and-play mode. The updated status is as follows:-

The Ministry of Power had tentatively identified following five UMPPs for bidding:

i) Cheyyur UMPP, Tamil Nadu.
ii) Bedabahal UMPP, Odisha.
iii) Bihar UMPP.

iv) Deoghar UMPP, Jharkhand.
v) Chhattisgarh UMPP.

Later, Chhattisgarh Government vide letter dated 05.04.2016 informed that the Govt. of Chhattisgarh is not keen on setting up 4000 MW Chhattisgarh UMPP as they shall be having balance between demand and supply of power till 2022-23. Subsequently, Chhattisgarh UMPP has been closed.

Bihar UMPP has issues of firm allocation of suitable coal block to infra SPV (Special Purpose vehicle) and land acquisition through LAAR Act 2014 & these are under progress and it may take some more time.

Sufficient water availability could not be ensured by State Government for Deoghar UMPP. Further, allocation of suitable coal block to infra SPV (Special Purpose vehicle) and land acquisition is pending & these issues are under process of resolution.

Presently, the Ministry of Power is focussing upon two UMPPs and tentatively identified following UMPPs to bid out in plug-and-play mode:

iii) Cheyyur UMPP, Tamil Nadu.
iv) Bedabahal UMPP, Odisha.

2. Bid process for Bedabahal UMPP would be initiated after finalisation of Standard Bidding Documents (SBDs) and firm allocation of coal blocks by Ministry of Coal. Cheyyur UMPP was originally envisaged to be setup on imported coal. However, recently Ministry of Power is examining the possibility of setting up Cheyyur UMPP on domestic coal instead of imported coal.

[Ministry of Finance (Department of Economic Affairs, Department of Expenditure, Department of Financial Services & DIPAM)O.M No. 34011/4/2017/FC dated 20.06.2017]

Comments of the Committee
(Please see Para No. 13 and 14 of Chapter I)

Recommendation (Sl. No. 12)

DISINVESTMENT

As regards the government policy on disinvestment, the Committee are of the view that instead of merely setting out numerical targets for disinvestment, the focus should be on policy objectives of this exercise as a key reform, like diluting government's stakes in select, identified non-strategic sectors, true operational autonomy for the disinvested PSUs, public listing of large undertakings in the financial sector subjecting them to greater public scrutiny and, utilisation of disinvestment proceeds for possible revival of ailing public undertakings, wherever deemed feasible. Further, the Committee believe that the purpose of disinvestment is defeated when it remains a transaction between two or more PSUs only instead of contributing to Consolidated Fund of India as a non-tax revenue. Thus it is time, disinvestment is properly defined so that the process does not remain a mere statistical book-adjustment among some PSUs. The Committee desire that disinvestment should thus become more credible and purposeful with transparency and its utilisation should be monitored. The Committee desire that a concrete road map in this direction may accordingly be prepared and acted upon under intimation to the Committee.

Reply of the Government

A. Salient Features of Current Disinvestment Policy

The disinvestment policy of the government is broadly guided by following approach:

(i) Exit from non-strategic business;

(ii) Unlock the value of the company;

(iii) Increase participation of people, promote peoples' ownership;

(iv) Promote efficiency & Professional management of the company.

The disinvestment in Central Public Sector Enterprises (CPSEs) is being undertaken as per the extant disinvestment policy on 'minority stake sale' and 'strategic disinvestment'. The salient features of the current disinvestment policy are as follows:

(a) <u>Disinvestment through minority stake sale in listed Central Public Sector Enterprises (CPSEs)</u>

- ❖ Government to retain majority shareholding (51%) & management control;
- ❖ To achieve 25% public shareholding as per listing norms;
- ❖ To raise resources for the Government.

(b) <u>Listing of profitable CPSEs</u>

- ❖ To unlock the value of the company through listing;
- ❖ Promote people's ownership and accountability of the stakeholders.

(c) <u>Strategic disinvestment – sale of share upto 50% or more with transfer of management control.</u>

- ❖ Government to exit from non-strategic business;
- ❖ Promote efficiency and professional management of the company;
- ❖ To unlock optimum economic potential of business enterprises.

B. <u>Listing of CPSEs</u>

(i) Listing of profitable CPSEs on the stock exchanges triggers multilayered oversight mechanism, which not only enhances share value but also promotes corporate governance norms in such companies. As per the listing requirements of SEBI/Company Law/Stock Exchanges, CPSEs are required to comply with a number of mandatory disclosure requirements.

(ii) With general public becoming the shareholder in the company through the listing route, the management is open to public scrutiny and thus become accountable to its shareholders, as per the extant disclosure norms and compliance for the listed CPSEs.

(iii) As per the extant disinvestment policy, (CPSEs) having a positive net-worth, no accumulated losses and having earned net-profits in three preceding consecutive years are considered for listing on the exchange following SEBI's rules/regulations.

(iv) As announced in Budget 2017-18, the Government has put in place a mechanism/procedure alongwith indicative timelines for listing of CPSEs on 17.02.2017. The Administrative Ministries/Departments have been requested to complete time-bound listing of identified CPSEs, as per the extant Act, Rules and Regulations.

C. <u>Promoting Transparency:</u>

(i) The Government adopts any of the permissible methods of disinvestment as per the Acts, Rules and regulations applicable for divesting its shareholdings in CPSEs. The disinvestment process has evolved over time and is based on a decision making process through Inter-Ministerial consultation and due consultations with the market intermediaries/investor community. The transaction is performed as per Securities and Exchange Board of India (SEBI) regulations, using stock exchange platform.

(ii) As per the policy and commitment of the Government, disinvestment of the minority stake sale in CPSEs is carried out without sticking to a strict timeline. The Government looks for right opportunity of disinvestment transactions and moves ahead in a prudent manner.

(iii) The disinvestment in CPSEs is undertaken through the Stock Exchange that provide level playing field to all the investors in retail as well as non-retail category. The shares are allotted on the basis of book building method keeping in view the floor price and the bids received from the investors at the Stock Exchange.

(iv) In respect of strategic disinvestment, the Government has constituted an Independent External Monitor (IEM) comprising the following eminent persons:

  (a) Hon'ble Justice R.C. Lahoti, Former Chief Justice of India.
  (b) Shri V.K. Shunglu, Ex-Comptroller and Auditor General of India (CAG)
  (c) Shri P. Shankar, Ex-Central Vigilance Commissioner (CVC)

(v) The IEM will act as an Oversight Committee for strategic disinvestment with the following mandate:

  (a) To vet the process of valuation of the CPSE/Units;
  (b) To oversee the transaction process of strategic disinvestment of CPSE/Unit;
  (c) To examine and address the grievance received; and
  (d) Any other matter that is referred to IEM by the Government.

[Ministry of Finance (Department of Economic Affairs, Department of Expenditure, Department of Financial Services & DIPAM)O.M No. 34011/4/2017/FC dated 20.06.2017]

CHAPTER - III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

NIL

CHAPTER - IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Sl. No. 3)

UNDER-UTILIZATION OF FUNDS IN THE INSURANCE SCHEMES

In respect of APY (Atal Pension Yojana), Rs. 29 crore has been released against the BE 2016-17 of Rs. 200 crore ; in respect of Prime Minister Jan DhanYojana (PMJDY),Rs 1 crore has been utilised against the RE of Rs 100.00 crore in 2014-15; Rs 10.00 crore against BE of Rs 100.00 crore in 2015-16; Rs 0.00 crore against Rs BE of Rs 100 crore in 2016-17; in respect of PMJJBY (Pradhan MantriJeevanJyotiBimaYojana) and PMSBY (Pradhan MantriSurakshaBimaYojana) no fund has been utilised till Dec 2016 under the schemes; in respect of AABY (AamAadmiBimaYojana) also, the BE of Rs 450 crore for 2016-17 remains unutilised till Dec 2016 and in respect of VPBY (Varistha Pension BimaYojana) no expenditure has been incurred under this scheme till December 2016 against the RE of Rs 109.32 crore. From the above, it appears that various schemes have been launched without undertaking effective exercise for accurate estimation of requirement of funds under these schemes and also without having proper plan for utilisation of the allocations. The Budget allocations thus made under these heads, resulted in the funds lying idle and the schemes remaining bereft of achieving the desired objectives and social outcomes. The Committee would, therefore, urge the concerned officials to be more diligent in estimation of requirements and strive for utilisation of the funds allocated for implementing these schemes which are fundamentally meant for providing much needed social security cover to the people in distress. The Committee desire that these schemes need to be popularised through a regular pro-active public awareness campaign through electronic and print media. The Committee would further suggest the Ministry to explore the possibility of having a single comprehensive social security scheme to cater to the needs of varied beneficiaries in place of numerous existing schemes and thus avoid thin spread of resources. Furthermore, the Committee would expect the Schemes for optimal utilisation of the Budgetary allocations for Welfare of

SC, ST, Other Vulnerable Groups, Women, Children etc. to be pursued vigorously, as emphasized in the Budget speech document (2017-18).The Committee would also recommend in this regard that a separate legislation for the SC & ST component of the expenditure may be brought, as done by some of the States, particularly at this stage when the distinction between plan and non-plan components have been done away with. A similar trend of large under-utilisation of budgeted estimate/allocation has been noticed with respect to Viability Gap Funding (VGF) for infrastructure development as well, with the actual expenditure (upto December 2016) remaining only Rs. 102.27 crore against the allocated amount of Rs. 250.00 crore meant for India Infrastructure Project Development Fund and activities for mainstreaming PPP projects. As such non-utilisation or under-utilisation has an adverse impact upon infrastructure development, special monitoring of expenditure is urgently warranted.

Reply of the Government

(VGF, Infra and Energy Division, Department of Economic Affairs)

Demand for grants are made on the basis of projects granted In -principle approval and final approval of projects and disbursements are made during construction period based on the amount of debt disbursed by the financial institutions and after the private developer has contributed his entire share of equity. Hence, the actual VGF requirement cannot be predicted accurately. The actual draw down is done by the implementing agency (including State Governments/Central Line Ministries) and they had, at all review stages, including R.E., confirmed that the projected expenditure was on schedule. Non-receipt of the grant, which is done *pari-passu* with debt drawdown after expending of equity jeopardies project implementation. Hence, there is no option but to wait until 31st March for such requests. Therefore, while care is taken to ensure formulating the BE requirement, it is essential that construction of the infrastructure does not suffer due to shortage of funds. If intimation of delayed draw down is received from the Sponsoring Authorities, the BE projections can be amended under RE.

It is further informed that in view of the lower requirements received from Sponsoring Authorities Final Requirement under this Head was reduced to Rs. 132.2639 crore.

(Department of Financial Services)

The Report highlights the overall under utilisation of funds in the Department of Financial Services during 2016-17. In respect of the Atal Pension Yojana, B.E. for 2016-17 was Rs.200.00 crore including:-

- Rs.120.00 crore for Government contribution to the eligible subscribers,
- Rs.72.00 crore for payment of incentive to Banks for enrolment under APY,
- Rs.8.00 crore for Media Campaign for the Scheme.

The amount budgeted for Government contribution under APY was not be fully utilized because of savings available with PFRDA.

Fund requirement for Incentive to Banks for enrolment under APY was also revised to Rs. 32.00 crores in RE 2016-17, after observing the trend of enrolment in APY.

In respect to Media Campaign only Rs.4.00 crore was utilised and got released to PFRDA, as balance bill of Rs 4.00 cores could not get settled between PFRDA and DAVP.

PradhanMantri Jan DhanYojana (PMJDY): Under the PMJDY scheme, life cover of Rs.30,000 is extended to members in the age group of 18 to 59 years who have opened PMJDY Bank account during the period of 15.08.2014 to 31.01.2015 subject to certain conditions. The premium subscription of Rs.90/- per eligible PMJDY account holders under the scheme is fully borne by the Central Government.

LIC proposed to create a Life Fund with initial corpus of Rs.100 crore. This Fund is to be replenished from time to time by the Central Government to meet any shortfall. Accordingly, based on initial estimates, an amount of Rs.100 crore was provided in Revised Estimates (RE) 2014-15. PMJDY scheme having inbuilt benefit of life insurance cover of Rs.30,000/- was launched in August 2014, became very popular within a short span of time. Keeping in view the growing popularity of the scheme, it was expected that large number of accounts will be opened under PMJDY and inter-alia, large number of claims would be expected. Keeping in view the number of accounts and probable future claims, provisions of Rs.100 crore each were made by the Govt. of India in BE 2015-16 and BE 2016-17 respectively for reimbursement of estimated future claims settled by LIC and to replenish the fund for any shortfall. Based on the actual total claims settled, demand was raised by LIC in the last quarter of the FYs.Accordingly, Rs.1.00 crore was released during 2014-15 and Rs.10 crore each during 2015-16 and 2016-17 respectively. Considering the pattern of demand raised by LIC in last three years, for FY 2017-18 provision of Rs. 10.00 crores has been made.

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY): The Union Cabinet, in its meeting held on 6.5.2015, had approved the proposal for providing Budget for building awareness on Pradhan MantriJeevanJyotiBimaYojana (PMJJBY) and Pradhan MantriSurakshaBimaYojana (PMSBY).For popularising these schemes through public awareness, a budget provision of Rs.50 crore was made in BE 2016-17. For the purpose of awareness campaign, resources from LIC, SIDBI & PFRDA were also utilised to minimize the duplication of effort. Accordingly, in RE 2016-17 an amount of Rs.5 crore was provided, which was fully utilised. For the FY 2017-18, an amount of Rs.20 crore has been earmarked under BE.

[Ministry of Finance (Department of Economic Affairs, Department of Expenditure, Department of Financial Services & DIPAM)O.M No. 34011/4/2017/FC dated 20.06.2017]

Comments of the Committee
(Please see Para No. 7 of Chapter I)

CHAPTER- V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWATED

NIL

New Delhi;
December 2017
Agrahayana, 1939 (Saka)

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

Minutes of the Fourth sitting of the Standing Committee on Finance (2017-18)
The Committee sat on Thursday, the 16 November, 2017 from 1500 hrs. to 1800 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Veerappa Moily - Chairperson

LOK SABHA

2. Shri 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 Shyama Charan Gupta
8. Shri Rattan Lal Kataria
9. Shri Chandrakant Khaire
10. Shri Bhartruhari Mahtab
11. Shri Prem Das Rai
12. Prof. Saugata Roy
13. Shri Rajiv Pratap Rudy
14. Shri Gopal Shetty
15. Shri Kirit Somaiya
16. Shri Dinesh Trivedi
17. Shri Shivkumar Udasi

RAJYA SABHA

18. Shri A. Nvaneethakrishnan
19. Dr. Mahendra Prasad
20. Shri Ajay Sancheti
21. Dr. Manmohan Singh

SECRETARIAT

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

WITNESSES

2.	XX	XX	XX	XX	XX	XX
	XX	XX	XX	XX	XX	XX.
3.	XX	XX	XX	XX	XX	XX
	XX	XX	XX	XX	XX	XX.

(The witnesses then withdrew)

4. Thereafter, the Committee took up the following draft reports for consideration and adoption:

(i) Draft Report on 'Review of NSSO and CSO and Streamlining of Statistics Collection Machinery in the Country, including Management Information System for Project Monitoring / Appraisal' of the Ministry of Statistics and Programme Implementation.

(ii) Draft Report on Action Taken by the Government on the Recommendations contained in the 44th Report on Demands For Grants (2017-18) of the Ministry of Corporate Affairs.

(iii) Draft Report on Action Taken by the Government on the Recommendations contained in the 45th Report on Demands For Grants (2017-18) of the Ministry of Statistics and Programme Implementation.

(iv) Draft Report on Action Taken by the Government on the Recommendations contained in the 46th Report on Demands For Grants (2017-18) of the Ministry of Finance (Departments of Economics Affairs, Expenditure, Financial Services and Investment and Public Asset Management).

(v) Draft Report on Action Taken by the Government on the Recommendations contained in the 47th Report on Demands For Grants (2017-18) of the Ministry of Finance (Department of Revenue).

(vi) Draft Report on Action Taken by the Government on the Recommendations contained in the 48st Report on Demands For Grants (2017-18) of the Ministry of Planning.

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.

A verbatim record of the proceedings has been kept

The Committee then adjourned.

APPENDIX

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE FORTY-SIXTH REPORT OF THE STANDING COMMITTEE ON FINANCE (SIXTEENTH LOK SABHA) ON DEMANDS FOR GRANTS (2017-18) OF THE MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION

		Total	% of total
(i)	Total number of Recommendations	12	
(ii)	Recommendations/Observations which have been accepted by the Government (vide Recommendation Nos.1,2,4,5,6,7,8,9,10,11 & 12)	11	91.67%
(iii)	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies	NIL	--
(iv)	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (vide Recommendation at Sl. No. 3)	01	08.33%
(v)	Recommendations/Observations in respect of which final reply of the Government are still awaited	NIL	--