63

STANDING COMMITTEE ON FINANCE

(2017-18)

SIXTEENTH LOK SABHA

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

[Action taken by the Government on the recommendations contained in Fifty-Seventh Report of the Standing Committee on Finance on 'Demands for Grants (2018-19)']

SIXTY-THIRD REPORT

LOK SABHA SECRETARIAT
NEW DELHI

August, 2018 / Shravana, 1940 (Saka)

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Presented to Lok Sabha on 09 August, 2018

Laid in Rajya Sabha on 09 August, 2018

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

August, 2018 / Shravana, 1940 (Saka)

CONTENTS

** Not appended in the cyclostyled copy*

COMPOSITION OF STANDING COMMITTEE ON FINANCE – 2017-18

Dr. M. Veerappa Moily - Chairperson

MEMBERS

LOK SABHA

2. Kunwar Pushpendra Singh Chandel
3. Shri Bandaru Dattatreya
4. Shri Nishikant Dubey
5 Shri Venkatesh Babu T. G.
6 Shri P.C. Gaddigoudar
7 Shri C. Gopalakrishnan
8 Shri Shyama Charan Gupta
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16 Shri Jyotiraditya M. Scindia
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18 Dr. Kiritbhai P. Solanki
19. Dr. Kirit Somaiya
20. Shri Dinesh Trivedi
21. Shri Shivkumar Udasi

RAJYA SABHA

22. Shri Rajeev Chandrasekhar
23. Shri Anil Desai
24. Dr. Narendra Jadhav
25 Shri A. Navaneethakrishnan
26. Shri Mahesh Poddar
27. Dr. Mahendra Prasad
28. Shri C.M. Ramesh
29. Shri T.K. Rangarajan
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 Preetam Prabhakar - Sr. Committee Assistant

INTRODUCTION

I, the Chairperson of the Standing Committee on Finance, having been authorized by the Committee, present this Sixty-third Report on action taken by Government on the Observations / Recommendations contained in the Fifty-seventh Report of the Committee (Sixteenth Lok Sabha) on Demands for Grants (2018-19) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Investment and Public Asset Management).

2. The Fifty-Seventh Report was presented to Lok Sabha / laid on the table of Rajya Sabha on 09.03.2018. The Action Taken Notes on the Recommendations were received from the Government *vide* their communication dated 8 June and 27 July, 2018.

3. The Committee considered and adopted this Report at their sitting held on 6 August, 2018.

4. An analysis of the action taken by the Government on the recommendations contained in the Fifty-seventh 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

06 August, 2018
15 Shravana, 1940 (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 57^{th} Report (Sixteenth Lok Sabha) on Demands for Grants (2018-19) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Investment and Public Asset Management) which was presented to Lok Sabha / Laid in Rajya Sabha on 9 March, 2018.

2. The Action Taken Notes have been received from the Government in respect of all the 15 recommendations contained in the Report. The replies have been analyzed and categorized as follows:

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

Recommendation Nos. 1,2,3,4,5,6,7,9,10,11,12,13,14 &15

(Total 14)
(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. 8

(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 (Serial No. 4)

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

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

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

"With regard to infusion of capital beyond Rs. 88,000 crore infused in Public Sector Banks (PSBs), it is submitted that Union Budget 2018-19 has provision of Rs. 65,000 crore for further capital infusion. In addition, the recapitalisation announced by the Government in October 2017 envisages mobilisation of capital to the extent of Rs. 58,000 crore by PSBs themselves, against which PSBs had mobilised Rs. 8,701 crore till 31.3.2018 and the balance amount of about Rs. 50,000 crore is projected to be mobilised as per prevailing market conditions.

There is a need to encourage the bond market and corporates could balance their credit needs both from Banks as well as from Bonds.With regard to implications for banks of the proposed stipulation of companies raising funds up to 25% of their requirement in bond markets, it is submitted that banks maintain large portfolios of securities investments for the purposes of meeting SLR requirements, treasury management and portfolio diversification.

With regard to the need to comply with various norms, it is submitted that relevant authorities take decision regarding adoption of various norms after considering advantages from such adoption. RBI decided to adopt the Basel III framework in 2013 with the objective of improving the banking sector's ability to absorb shocks arising from financial and economic stress including CET 1 @ 5.5% as against BASEL III norms of 4.5%. The IFRS-converged accounting standards for common financial reporting standards are aimed at reliable, consistent and uniform financial reporting across countries, and India has adopted the approach of 'convergence' with IFRS through Indian Accounting Standards (Ind AS), as against 'total adoption' of IFRS, primarily to have flexibility of prescribing necessary carve-outs in keeping with national regulatory requirements. RBI has not yet implemented IFRs.

With regard to prompt and faster bankruptcy process, it is submitted that the Insolvency and Bankruptcy Code, 2016 provides for a timebound resolution process. Realisation of resolution proceeds under this process has begun."

7. From the reply furnished by the Ministry of Finance on further infusion of Capital in Public Sector Banks(PSBs), the Committee note that the Union Budget 2018-19 had made a provision of Rs 65,000 crore for further capital infusion. In addition, the recapitalisation announced by the Government in October,2017 envisages mobilisation of capital to the extent of Rs 58,000 crore by PSBs themselves. However, the action taken reply is silent on the figures of credit-deposit (CD) ratio of different banks specially in the prevailing scenario of uneven credit disbursal across the economic spectrum and different regions, with the economically backward states/regions way behind in availability/extension of bank credit. The Committee, would expect that the capital infusion by the Government should correspondingly reflect in the credit disbursal of the Public Sector Banks, specially in the remote and backward regions of the country, where the CD ratio is abysmally low. Capital infusion should not thus become a mere bail-out exercise for the PSBs without ensuring equity in credit disbursal. The Committee would therefore suggest that capital infusion in Public Sector Banks should be linked to and commensurate with concrete performance parameters and time-bound compliance thereto.

Recommendation (Serial No. 8)

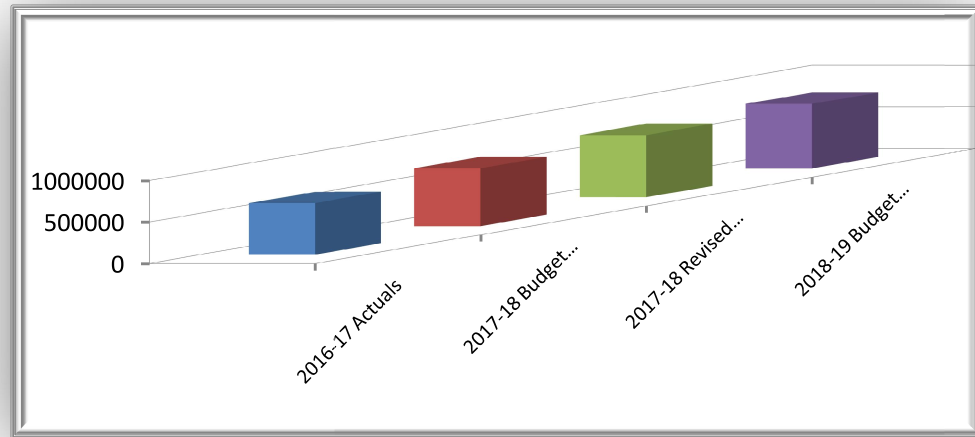
8. The Committee had noted that although there had been a 12% rise in capital investment in 2018, it was against the lower base of capital outlay in 2017, which had actually dipped vis-a-vis the previous year i.e. 2016. Thus, essentially there was no growth in absolute numbers in the capital outlay for 2018. This was made worse when one considered the fact that gross capital formation in the economy had been declining. For 2017-18, it was 26.4%, down from 30.8% in 2016-17 and 34.7% in 2013-14. This was a worrying trend, as fixed capital formation accounts for 70% of the total capital

spend. Further, according to a CMIE study, implementation of 36 projects was stalled during the quarter ended September 2017 envisaging an investment of Rs 503 billion. The Committee also noted that under the new fiscal architecture, capital expenditure might not enjoy the requisite pre-eminence. To compound matters further, there was also no sign yet of revival of private investment. The Committee were thus concerned as to how the government would revive both public as well as private investment in the economy against this scenario, which the budget did not seem to have addressed in a coherent way. It appeared that the government was depending on the public sector undertakings to raise resources directly from the market and also extra-budgetary sources for various capital expenditure. In the Committee's view, there was a need to have a long-term strategy and policy for sustainable financial management, while budgeting for large-scale capital investment. This would also go a long way in providing gainful employment to our young population. They, therefore, desired that necessary fiscal and financial incentives be provided in strategic sectors so that capital investments could come forth in a big way.

9. In their action taken reply, the Ministry of Finance has furnished the following written submission:"Capital Expenditure of the Government

(in Rs. crore)

	2016-17 Actuals	**2017-18 Budget Estimates**	**2017-18 Revised Estimates**	**2018-19 Budget Estimates**
Gross Budgetary Support	284609	309801	273445	300441
Ministry of Railways (IEBR)	64703	76000	80000	93440
IEBR (excluding M/o Railways)	273394	309027	396859	384831
Total	622706	694828	750304	778712



As may be seen from the table there has been marginal growth in Capital Expenditure. There is a reduction of Rs. 36356 crore in capital expenditure of Gross Budgetary support from BE 2017-18 to RE 2017-18. This is largely due to reduction in budget support provided to Railways from Rs. 55000 crore in BE 2017-18 to Rs. 40000 crore in RE 2017-18 for meeting its capital expenditure. However, this is offset by marginal enhancement in market borrowing of Indian Railway Finance Corporation from Rs. 40000 crore in BE 2017-18 to Rs. 45100 crore in RE 2017-18 to finance the rolling stock requirement of Railways. "

10. The Committee note from the reply of the Ministry that there has been a reduction of Rs 36,356 crore in capital expenditure of Gross Budgetary support from BE 2017-18 to RE 2017-18 largely due to reduction in budget support to Railways from Rs. 55,000 crore in BE 2017-18 to Rs. 40,000 cr in RE 2017-18 for meeting its capital expenditure, which has been offset by marginal enhancement in market borrowing of Indian Railway Finance Corporation from Rs 40,000 crore in BE 2017-18 to Rs. 45,100 crore in RE 2017-18 to finance the rolling stock requirement of Railways. The Committee are, however, not convinced with the reply furnished by the Ministry and would reiterate their earlier observation that

gross capital formation in the economy being on the decline requires higher capital expenditure from the Government, as there is no sign of any significant revival of private investment, as yet. The Committee would also reiterate the need to have a long-term strategy and policy framework for sustainable financial management while budgeting for large scale capital investment, so that it provides the requisite stimulus to boost employment in a major way.

Recommendation (Serial No. 11)

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

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

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

13. The Committee note from the reply of the Ministry that ten sectors, namely i) Banking, ii) Trade, iii) Business Services, iv) Postal, v) Telecom (Cellular), vi) Air Transport, vii) Port Services, viii) Insurance, ix) Railway Transport and x) Road Transport (Freight) have been identified by the Department of Industrial Policy & Promotion (DIPP) for development of Experimental Service Price Indices. Out of these ten sectors, experimental indices for eight sectors viz., Rail Transport, Banking, Postal Services, Telecom (Cellular), Insurance, Port Services, Trade Services and Air Transport have already been developed and that compilation of experimental Indices for Road Transport (Freight) and Business Services are at various stages of development. However, the Committee are of the view that the rising cost of education and healthcare, owing to their dominance by the private players and the yawning gap in the supply-demand matrix, is disproportionately higher to what could be captured in the CPI. The Committee therefore, reiterate their earlier observation that accurate data on services inflation is crucial as the services sector accounts for over half of the GDP. The Committee are convinced

that this would surely improve the quality of statistics in certain critical areas, hitherto unattended. The Committee desire that follow-up action in this matter should be vigorously pursued to its conclusion, and the Committee be kept abreast of the progress in the matter.

CHAPTER - II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommandation Serial No. 1

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

Reply of the government

Reply of Budget Division, DEA

MH: 2235 - Social Security & welfare

(Social Security Network and Protected Saving Scheme)

	Budget Estimates	Actual Expenditure
2014-15	1607.02	1107.00
2015-16	2607.02	--
2016-17	8.53	--
2017-18	0.03	--

1. At the outset, it is submitted that the items to which the savings are indicated mainly pertain to the transactions of 'Transfer to Public Account Funds'. Two broad principles are indicated in this regard:

a) It is the endeavour of the Government to minimise idle parking of resources in the Public account.

b) Funds are administered by respective administrative Ministries and Departments and the Budget provisions related to the 'transfer to the fund' and the utilisations for earmarked schemes are made in the respective Demands.

The year wise explanations are given below:

During 2014-15, the BE provision of Rs. 1607.00 crore was reduced to Rs. 1107.00 crore at RE stage keeping in view the available balances in the Fund and no requirement of further transfer to the Fund during 2014-15.

During 2015-16, the BE provision of Rs. 2607.00 crore has been reduced to Nil at RE 2015-16 keeping in view the available balances in the Fund and no requirement of further transfer to the Fund during 2015-16.

During 2016-17, savings was due to transfer of schemes to other Departments and winding up of National Social Security Fund (NSSF). As the direct budget provision to finance the scheme through the NSSF), the Budget provision under this head was kept only for Rs. 8.50 crore for seed capital infusion for Social Security Network and Rs. 0.03 crore for Protected Savings Scheme. The expenditure under this head is 'nil' till date due to non finalization of programmes under Social Security Network and due to non-payment towards Protected Savings Schemes.

During 2017-18, the BE provision of Rs. 0.03 crore has been reduced to Rs. 0.02 crore at RE 2017-18 keeping in view the available balances in the Fund and no requirement of further transfer to the Fund during 2017-18.

MH: 3465 - General Financial and Trading Institutions

(Reimbursement of MDR Charges and National Investment and Infrastructure Fund Limited)

	Budget Estimates	Actual Expenditure	Savings
2016-17	4000.00	15.00	3985.00
2017-18	1200.00	17.36	1182.64

MDR (200) ← 1200.00 → NIIF (1000)

A lumpsum provision was made available to honour the claims of agency banks for re-imbursement of Merchant Discount Rate (MDR) charges on Government payments (applicable to tax, Non tax and other payments) made by citizens using debit cards. The first such claim falls due at the earliest in the first quarter of the 2017-18 and accordingly, a provision of Rs. 200 crore was made for FY 2017-18, however, no such claim has been received for payment from Government's Account.

[Ministry of Finance (Department of Economic Affairs)
O.M. No. 9(5)-W&M/2018 dated 31.05.2018.]

Reply of Investment Division, DEA

Department agrees with the observation made by the Committee. However, the reasons for under-utilization of funds are as under:-

National Investment and Infrastructure Fund ("NIIF") was established in August 2015 with an objective to catalyze international and domestic commercial capital to invest in commercially viable infrastructure projects, both Greenfield and Brownfield. Among the first steps to operationalize NIIF were to recruit a strong team of experts, set up its governance structures and to raise capital from non-government investors prior to making investments. Negotiations with various investors, such as Sovereign Wealth Funds and International Pension Funds were at the initial stage during FY 16-17 and no investment agreement could be executed during the said FY, resulting in under-utilization of the funds allotted.

Corrective measures were taken and BE was reduced to Rs. 1000 crore in FY 2017-18 to ensure better utilization based on expected capital-raising from some key investors and the availability of appropriate investment opportunities for NIIF. (Rs. 1200 crore were earmarked under Major Head 3465 out of which Rs. 1000 crore were allotted for NIIF and Rs. 200 crore were allotted for Payment to RBI towards MDR reimbursement)

It is pertinent to state that NIIF Limited signed its first fund-raising agreement with a wholly owned subsidiary of ADIA and six Domestic Institutional Investors (DIIs) in October 2017. As NIIF has built up its team, governance structure and investment strategies, negotiations with several key investors to invest in NIIF are now at an advanced stage. NIIF made its first investment by partnering with DP World to create a JV Company to investment in port and logistics sector. Fund of Rs. 327.82 crore were utilized during the FY 2017-18.

It should also be noted that in order to ensure commercial viability of its investments, NIIF is unable to predict the exact timing of its investments and must take into account other factors in addition to timing its investment strategy. Hence, while it is important to ensure there is enough allocation of funds to NIIF to call, it is also important to provide flexibility to NIIF with respect to timing of utilization of the allocation such that it is able to ensure that its primary objective of commercial viability is paramount. However, utmost care will be kept while raising requisition for funds for NIIF in future.

[Ministry of Finance (Department of Economic Affairs)
O.M. No. 18/8/2017-DI dated 25.05.2018.]

Recommendation Serial No. 2

The Committee further find it pertinent to note instances of erratic allocation of Budget under MH: 5475, Demand no. 29 - *Capital outlay on other General Economic Services (Viability Gap Funding)* that Rs 623.50 crore were utilized in 2015-16 against the allocation/estimate of Rs 252.00 crore; in 2016-17, Rs. 132.26 crores was utilized against the budget outlay of Rs.252.00 crores; and in 2017-18 only Rs 49.41 crore was utilized against the allocation of Rs 3102.00 crore at BE. The Committee note that in 2015-16 the actual expenditure more than doubled the BEs whereas in 2017-18, there is a shortfall to the tune of Rs. 3052.59 crore in utilisation under MH 5475. Again, under MH: 2250- Demand No. 29- *Other Social Services*, Rs 389.16 crore was spent in 2016-17, and in 2017-18, Rs 64.43 crore was spent whereas there was 'nil' Budget allocation for both the fiscals under the same Head. The Committee are perturbed that the Ministry of Finance, which is the nodal Ministry for formulation and budgetary allocation for the entire Government did not seem to follow financial discipline while making allocations for the aforementioned Major Head of Accounts. The Committee would expect the Ministry of Finance to refrain from such erratic instances of allocations in their budgetary exercise as a whole. Further, the Committee find that some of the flagship Schemes of the Government like Swachh Bharat Abhiyan, Pradhan Mantri Gram Sadak Yojana, Sarva Shiksha Abhiyan, MNREGA etc. are also not well funded in the Budget, which may leave these well thought out Schemes in a limbo. The Committee would thus recommend that all these flagship Schemes should be adequately provided for and nurtured systematically and implemented vigorously so that the desired objectives are fully achieved and do not become an ad-hoc or piecemeal exercise. An illustrative case in point would be the announcement that Rs. 17,000 crore would be spent on suburban railway system in Bengaluru. However, in the Budget, the Committee find that there is only a token provision to prepare the Detailed Project Report (DPR). This is the position not only for this scheme but also for many of the schemes which are announced in the Budget. If the State government is involved in the funding, the same has not been mentioned in the Budget. The Committee would like to be apprised about the status of all such major projects/schemes announced in successive Budgets. In the absence of Central budgetary support, the States may be much more laid back and not take any initiative. The Committee would thus urge the government to provide matching/corresponding budgetary allocations whenever flagship schemes are announced.

Reply of the government

Reply of IPF Division, DEA

1. This is with reference to the Recommendation No. 2 of the Fifty Seventh Report of the Standing Committee on Finance. In this regard it has been observed that
   i. Recommendation no. 2 states that Rs. 623.50 crore was utilized against the allocation/estimate of Rs. 252 crore in Financial Year 2015-16. However in the Financial Year 2015-16 the Budget Estimate of Rs. 412.50 crore was made with respect to VGF under Major Head 5475 which was increased up to Rs. 1043.50 crore at the stage of Revised Estimate.
   ii. Actual expenditure in the Financial Year 2017-18 under Major Head 5475 is Rs. 56.32 crore which is mentioned as Rs. 49.41 crore in the recommendation.
2. Details with respect to the VGF and IIPDF for the last 3 Financial Years under Major Head 5475 is as follows:

Financial Year	Budget Estimate	Revised Estimate	Actual Expenditure	Savings (Budget Estimate - Actual Expenditure)
2015-16	Rs.412.50 crore	Rs. 1043.50 crore	Rs. 1043.50 crore (623.50 crore under Major Head 5475 and Rs. 420 crore under Major Head 3475)	(-) 631 crore (Revised Estimate was Rs. 1043.50 crore, therefore there is no saving with respect to Budget Estimate.
2016-17	Rs. 250 crore	Rs. 200 crore	Rs. 132.26 crore	Rs. 117.74 crore
2017-18	Rs. 100 crore	Rs. 56.32 crore	Rs. 56.32 crore	Rs. 43.68 crore

India Infrastructure Project Development Fund (IIPDF) under Major Head 5475

Financial Year	**Budget Estimate**	**Revised Estimate**	**Actual Expenditure**	**Savings (Budget Estimate-Actual Expenditure)**
2015-16	Rs. 2 crore	Rs. 2 crore	Nil	Rs. 2 crore
2016-17	Rs. 2 crore	Rs. 2 crore	Nil	Rs. 2 crore
2017-18	Rs. 2 crore	Rs. 2 crore	Nil	Rs. 2 crore

3. It may also be noted that for the Financial Year 2017-18 out of the allocation of Rs. 3102 crore, amount of Rs. 100 crore belongs to Assistance for Infrastructure Development Fund (VGF) and Rs. 2 crore belongs to IIPDF. Remaining amount of Rs. 3000 crore does not belong to either VGF or IIPDF. Furthermore recommendation mentions about the Major Head 2250 as well. No expenditure with respect to VGF or IIPDF has been booked under the Major Head 2250.

4. In the Financial Year 2015-16, Budget Estimate (BE) of Rs. 412.50 crore was made for the Viability Gap Funding (VGF) which was increased to Rs. 1043.50 crore at the Revised Estimate (RE) Stage. The Actual Expenditure for the Financial Year 2015-16 was Rs. 1043.50 crore. Therefore there was no saving with respect to VGF in the Financial Year 2015-16.

5. With respect to the saving of VGF in the Financial Year 2016-17 and 2017-18, it may be noted that Budget Estimates for anticipated disbursal of VGF are made on the basis of projects granted 'in-principle' and 'final approval' keeping in view the funds flow expected to take place during the construction period of the project. All Sponsoring Authorities are requested to send the projected drawdown schedule. However, under the scheme, VGF is to be disbursed only after the concessionaire has expended the full equity contribution for the project. Thereafter, VGF is released in proportion to the debt disbursed by the Lead Financial Institution. Therefore, actual drawdown of VGF cannot be predicted accurately. While formulating BE requirements, it is kept in mind that implementation of the infrastructure projects should not suffer due to shortage of funds.

6. With respect to saving under IIPDF, it may be noted that the assistance from the IIPDF is released to the Sponsoring Authority in accordance with the signed funding agreement. Saving in the last 3 Financial Years was due to non-receipt of applications from Sponsoring Authorities.

[Ministry of Finance (Department of Economic Affairs)
O.M. No. 2/4(iv)/2016-Infra-Fin (Vol.II) dated 23.04.2018.]

Reply of Budget Division, DEA

(a) A lump sum provision of Rs. 3000 crore was made in 2017-18 to fund programmes/schemes in different Departments, including ongoing schemes. It is submitted that the idea behind this lumpsum provision was to keep a cushion for accommodating additional demands, if necessary, for important flagship schemes. It is further submitted that against Rs. 2146735 crore provided in BE 2017-18, the expenditure of the Government in RE 2017-18 is fixed at Rs. 2217750 crore. This entails an additional provision of Rs. 71015 crore during the course of current fiscal.

(b) Some of the additional expenditure provided through supplementary demands for grants in the current fiscal include (i) Exhibition-cum-Convention Centre Dwarka (Rs. 500 crore); (ii) payment of differential royalty to State Government (Rs. 6960.42 crore); (iii) Sahaj Bijli Har Ghar Yojana (Rural)-Saubhagya (Rs. 1550 crore) etc. This clearly indicates that the amount of Rs. 3000 crore made in the Demands for Grants of Department of Economic Affairs is deemed to have been utilised on the schemes. It is submitted that it is always the endeavour of MoF to provide sufficient funds to important projects/schemes/programs depending upon the actual requirements on the grant, absorptive capacity, and available resources. The observations of the Hon'ble Committee have been noted for compliance. Efforts shall be made to ensure optimum utilization of budgetary provisions.

So far as NS Section (Budget Division), DEA is concerned; required inputs in respect of MH: 2250-Demand No. 29 - Other Social Service, mentioned in Para 2 of Observations / Recommendations, are as under:

Senior Citizens' Welfare Fund (SCWF) was established with the mandate of promotion of the welfare of the Senior Citizens. Ministry of Social Justice and Empowerment is the nodal Ministry for administration of the Senior Citizens' Welfare Fund. The fund is allocated, for SCWF, whenever nodal Ministry makes the demand for the same. Accordingly, ₹389.16 crore in 2016-17 and ₹64.43 crore in 2017-18 was transferred into SCWF. Budgetary allocation was made as per proposals received from Ministry of Social Justice and Empowerment for implementation of welfare scheme for Senior Citizens.

**[Ministry of Finance (Department of Economic Affairs)
O.M. No. 14/01/2016-NS dated 24.04.2018.]**

Reply of Department of Expenditure

Reply of M/o Railways

With regard to the observations of Standing Committee on Finance (2018-19) on Suburban Railway System in Bengaluru as contained in Para 2 of the 57TH Report, the factual position is as under:-

- In Hon'ble Finance Minister's Budget Speech, 2018-19, it has been announced that '*A suburban network of approximately 160 kilometers at an estimated cost of Rs. 17,000 crore is being planned to cater to the growth of the Bengaluru metropolis*'. Accordingly, a work named "*Bengaluru Suburban – Construction of elevated/at grade corridors for augmentation of line capacity"* has been included in the Works, Machinery and Rolling Stock Programme of Railways, 2018-19 with a token outlay of Rs. one crore subject to the condition that expenditure on the project will be made only after following due processes/mandatory approvals and sanctions.
- The estimated cost of the project is approximately Rs. 17,000 cr out of which the Ministry of Railways and Government of Karnataka will bear Rs. 6030.55 crore each and Rs. 5,000 crore shall be raised from real estate development.
- For preparation of the Feasibility Report/Detailed Project Report for obtaining mandatory approvals and sanction for the work a separate work/study has been sanctioned at a cost of Rs. 10 crore in 2017-18.
- Once the mandatory approvals/sanctions are obtained, appropriate outlays would be provided within available resources to progress the work.

**[Ministry of Finance (Department of Expenditure)
O.M. No. 66 (19)/PFC- II/2018 dated 07.05.2018.]**

Recommendation Serial No. 3

The committee are extremely concerned about the recent fraud detected in the Punjab National Bank, which clearly reflects that a small group of individual can manipulate such a gigantic Bank and compromise it despite such well laid out norms, guidelines, checks and balances. Allegedly so-called Letters of Undertaking, basically guarantees that helped the particular person, entity and companies to raise credit were issued. It is believed that they did so without making any entries in the bank's books or recording them in the Core Banking System. This raises a serious question about the internal control system of a bank and the regulatory checks and balances including concurrent auditing provided to prevent frauds and the specific role of internal and statutory auditors as well as the government nominees on the Board of the bank and the RBI also needs to look into. In such a scenario of regulatory failure, the current recapitalization exercise of banks may end up as throwing 'good money after bad'. In fact, international branches of many other Indian banks, it is believed, as many as 30, including State Bank of India, Union Bank of India, Allahabad Bank, Axis Bank and some foreign banks lent money to a particular entity or many other entities or companies based on these alleged fraudulent guarantees. Although Investigation by agencies is under progress, the Committee would like the Department of Financial Services to institute a comprehensive enquiry into the matter, encompassing both human as well as systemic elements including the role of all concerned officials at each level, and furnish their Report to Parliament. The Committee feel that for better banking what is required is better reporting, appropriate supervision and proper use of technology for this purpose, besides optimum regulation (not over-regulation). In the context of auditing, claims of one bank should be matched against the other. Further, every SWIFT message sent out should alert the regulator at both times i.e. when Letter of Undertaking (LOU) is originated as well as when its receipts and lending against it are notified to the LOU issuing bank, by simply tagging the regulator. Technology should thus be put to better use. The Committee, however, caution the Ministry to make efforts to bring out regulations to prevent such happenings in future and for taking other corrective measures. A balance has to be ensured to incentivize performance and build confidence of bankers as that determines the quality of banking. The Committee desire that bankers must be empowered and incentivized and a variable component be linked to their ST and LT performance. The Government should also instill confidence of customers and investors in credibility of PSBs and private banks and rub aside the cry to privatize PSBs. The time has also come to ensure scrutiny of large loans involving the cooperative sector.

Reply of the Government

Upon receipt of intimation from PNB reporting that it had detected fraud in issuance of Letters of Undertaking(LoUs) / Foreign Letters of Credit (FLCs) in its Brady House, Mumbai Branch,which PNB had already reported to the Reserve Bank of India (RBI) and the Central Bureau of Investigation (CBI), the Department of Financial Services took up the matter as follows:

(a) RBI was requested to assess the extent of such/similar activity across the banking system, take appropriate supervisory actions to check further wrongdoing and timely action to prevent alienation or disposal of assets by obligators, and consider appropriate corrective/remedial arrangements to prevent recurrence of such incidents.RBI was further requested to apprise whether any lapses in implementation of RBI's instructions have come to its notice, and if so, to share details thereof, along with the particulars of those found responsible for such lapse.

(b) All Public Sector Banks (PSBs)were advised to take immediate action as per extant legal/regulatory framework to ensure that such/similar activity is not prevalent in the bank, to ensure that robust systems and procedures are in place for confirming due approvals, necessary applications/documents and entry in the bank systems in respect of all LoUs and SWIFT messages, scrutiny and reconciliation of Nostro accounts, and to take all necessary steps to safeguard against occurrence of such frauds.

(c) PNB was requested to fix accountability for the occurrence of the fraud at the earliest and take appropriate action in respect of those with whom accountability rests.

2. In the wake of the fraud in PNB, RBI mandated banks to implement within stipulated deadlines, certain measures for strengthening the SWIFT operating environment in banks and further constituted an Expert Committee to look into, *inter alia,* factors leading to an increasing incidence of frauds in banks and the measures (including IT interventions) needed to curb and prevent it, and the role and effectiveness of various types of audits conducted in banks in mitigating the incidence of such frauds.

3. In response to Department's request regarding the responsibility for any lapses in implementing RBI's instructions, RBI has apprised that the fraud at PNB has been a failure of all three lines of defence, *viz.*, line functions that assume, own and manage the risk, the risk monitoring function that specialises in overseeing the risk-taking and risk management by the aforementioned line function and provides guidance and support, and the audit function. RBI informed that none of the audit reports brought out the underlying serious deviations and gaps in the processes in vogue since 2011 at PNB's Brady House Branch, andsince the circumvention and deviant processes at PNB's Brady House Branch never came on bank's record through its multiple audit mechanisms in place, Directors on the Board of the bank had no means to be aware of these irregularities, given that the Directors are entirely dependent on the information provided by the bank management to the Board through various agenda considered at these meetings. RBI has apprised that in view of certain frauds reported to it in 2016, it had carried out supervisory visits to several banks, focussing on arrangements at banks in managing SWIFT infrastructure. Based on the findings of the visit, RBI issued two circulars — one on 3.8.2016 and the other on 25.11.2016. In addition, a caution advice was sent, in August 2016, to all the banks about similar frauds. RBI has further apprised that in response, *vide* letter dated 19.8.2016, PNB had confirmed compliance with the RBI's prescriptions in RBI'scircular of 3.8.2016, which has turned out to be factually

incorrect. RBI’s letter also stated that a scrutiny conducted by it of PNB’ Brady House Branch after the reporting of the fraud revealed many instances of non-compliance with RBI’s instructions, and weak controls surrounding the SWIFT messaging system. RBI stated in conclusion that the compliance lapses on the part of the bank are a result of failures at all the three levels of defence, of the audit machinery (internal audit as well as concurrent audit) as also of bank’s Top Management in exercising proper control over the functioning of the bank. There was also a failure of the bank’s customary oversight mechanisms at the levels of the Branch, its controlling office and the Head Office, which, in turn, deprived RBI of critical signals of supervisory concern, which could have enabled timely intervention.

4. Taking note of RBI’s letter, Department requested CVO, PNB for officers responsible for compliance of RBI instructions and controls relating to SWIFT messaging system at Brady House Branch. PNB informed that an investigation team, headed by a Senior DGM of the bank, had identified erring officials for various alleged lapses, and procedure is being followed to find out actionable lapses to enable the bank with the issuance of charge-sheet against the charged officials. Taking note of RBI’s conclusion that the bank’s Top Management failed in exercising proper control over the functioning of the bank, and the names of whole-time Directors identified by PNB, this Department sought explanation from all serving whole-time Directors, whether currently serving in PNB or in other PSBs. Further, Government advised its nominee Directors on the Boards of the PSBs concerned to raise in the bank’s Board,concerns relating to continued entrustment of functional responsibilities to these whole-time Directors,for appropriate consideration and decision of the Board.After deliberations, the Boards concerned, *viz.,* Allahabad Bank in respect of a former MD & CEO of PNB and PNB in respect of two incumbent Executives of PNB decided to divest them of functional responsibilities.

5. In the meantime, CBI has filed charge-sheets against 11 bank officers for offences under various sections of the Indian Penal Code and the Prevention of Corruption Act, 1988.

6. Pursuant to Government's advice,PSBshave collectively prepared a report for effective management of operational risks, including technology risk, so as to safeguard against occurrence of frauds. Based on the deliberations and best practices in these meetings convened for CTOs/CROs, PSBs have agreed upon certain minimum acceptable standards for risk management and have initiated steps to draw up their plans to implement the same.

7. Instructions have been issued to all the CMDs/MD & CEOs of Public Sector Banks (PSBs) on "Framework for timely detection, reporting, investigation etc. relating to large value bank frauds", which provides,*inter-alia* that all accounts exceeding Rs. 50 crore, if classified as Non-Performing Assets, should be examined by banks from the angle of wilful defaulters & possible fraud, if any.

8. In addition to the above, the measures taken to control and prevent frauds in the Banks are as follows:

(i) For deterring economic offenders from evading the process of Indian law by remaining outside Indian jurisdiction, Government has introduced the Fugitive Economic Offenders Bill, 2018 to provide for attachment and confiscation fugitive economic offender's property and has advised PSBs to obtain certified copy of the passport of the promoters/directors and other authorised signatories of companies availing loan facilities of more than Rs. 50 crore.

(ii) For enforcement of auditing standards and ensuring the quality of audits, Government has initiated establishment of National Financial Reporting Authority as an independent regulator.

(iii) To send a clear message that borrowers cannot wilfully default and continue to enjoy ownership of their assets, wilful defaulters and connected persons have been debarred from participating in the resolution process under the Insolvency and Bankruptcy Code (IBC).

(iv) Launch of Central Fraud Registry (CFR), a web-based searchable database of frauds reported by the banks, containing data for the last 13 years has been made operational by RBI in January 2016.

(v) For effective management of operational risks, including technology risk, so as to safeguard against occurrence of frauds, Government has asked PSBs to collectively prepare a report. As follow-up, PSBs have implemented additional layer of approval for all outward SWIFT messages, undertaken direct integration of SWIFT operating environment with Core Banking Solution (CBS) by end-April, restricted time of SWIFT operations, and decided not to permit direct creation of electronic fund transfer messages in CBS and to undertake reconciliation of these on a daily basis.

(vi) For deterring economic offenders from evading the process of Indian law by remaining outside Indian jurisdiction, Government has introduced the Fugitive Economic Offenders Bill, 2018 to provide for attachment and confiscation fugitive economic offender's property and has advised PSBs to obtain certified copy of the passport of the promoters/directors and other authorised signatories of companies availing loan facilities of more than Rs.50 crore.

9. Further, the steps/measures taken to reduce NPAs are as follows:

(i) To squarely address the issue of NPAs, asset quality review were initiated in 2015 and stressed assets of banks have been transparently and realistically recognised as NPAs.

(ii) To put in place a **transparent resolution mechanism, the Insolvency and Bankruptcy Code (IBC) has been enacted**, which has redefined the debtor-creditor relationship. To enable time bound resolution, **RBI has been authorised under law to direct banks to refer cases to NCLT for resolution under IBC**, and RBI has mandated reference of a number of high-value stressed assets to NCLT. Cases have been instituted under it in the National Company Law Tribunal (NCLT) in respect of 12 largest defaulters amounting to about Rs.1.72 lakh crore, and subsequently another set of 27 accounts amounting to about Rs.0.97 lakh crore.

(iii) To send a clear message that borrowers cannot wilful default and continue to enjoy ownership of their assets, **wilful defaulters and connected persons have been debarred from participating in the resolution process**.

(iv) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act has been amended to make it more effective. Further, six new Debts Recovery Tribunals have been established to expedite recovery

(v) Guidelines issued by RBI in this regard are as follows:

a) RBI has issued a revised framework for resolution of stressed assets, which provides for time-bound resolution of high-value stressed accounts.

b) Banks have been advised to establish Recovery Cells, fixing of recovery targets and close monitoring of recovery performance.

c) The Board of Directors of the bank were advised to review slippages in asset classification in the borrowal accounts with outstanding Rs.5 crore and above and to review top 100 borrowal accounts of below Rs.5 crore in each category of NPA.

d) Banks were advised to put in place robust mechanism for early detection of signs of distress and to use such early warning signal to put in place an effective preventive asset quality management framework, including a transparent restructuring mechanism in case of viable accounts for preserving the economic value of such accounts.

(vi) RBI has set up the Central Repository of Information on Large Credits (CRILC) to collect, store and disseminate credit data to lenders. CRILC's main objective is two-fold – (i) early recognition of asset quality problems by reducing information asymmetry and (ii) to help banks to take informed credit decisions.

(vii) To strengthen banks weakened by NPAs, unprecedented capitalisation of PSBs has been initiated for which infusion of Rs.70,000 crore was initiated under Indradhanush announced in August 2015, which was augmented through recapitalisation of Rs.2,11,000 crore announced in October 2017

(viii) For enforcement of auditing standards and ensuring the quality of audits, Government has initiated establishment of National Financial Reporting Authority as an independent regulator

(ix) To ensure prudential lending, better customer service, enhanced credit availability and better governance, a comprehensive PSB Reforms Agenda has been approved by bank Boards.

(x) In addition, under the PSB Reforms Agenda announced by the Government, PSBs have committed to clean and commercially prudent business through Stressed Asset Management Verticals for focussed recovery, rigorous due diligence and appraisal for sanction by scrutinising group balance sheets, at least 10% share in consortium lending, ring-fencing of cash flows, initiating use of technology and analytics for comprehensive due diligence across data sources, building capacity for techno-economic valuation, clean and effective post-sanction follow-up on large-value accounts by tying up with Agencies for Specialised Monitoring, and strict segregation of pre- and post-sanction roles for enhanced accountability.

(xi) **<u>Commitment to Clean and Responsive Banking</u>**:-Government's efforts have been directed at putting in place a clean banking system, in which borrowers can access lending without difficulty, while wilful defaulters and others who seek finance and fail to repay responsibly are held accountable.

Government's efforts have thus resulted in;

- transparent recognition of NPAs and consequent provisioning by banks,
- fundamental change in the debtor-creditor relationship,
- a time-bound approach to resolution of stressed assets,
- clean lending policies and procedures,
- setting of standards for better managing operational risks including technology risks, and strengthening of governance in PSBs.

As balance-sheets have been cleaned up with up-front provisioning and capitalisation, the PCR of PSBs which was 52.15% in 2016 has gone up to 61.1% in 2018, indicating the adoption of discipline for making adequate provision for the NPAs. This has been achieved while being compliant with CET-1 capital requirements. As a result of recapitalisation, the ability of banks to support the revival in economic growth has been restored, which is evident from 10.3% growth in advances of Scheduled Commercial Banks on year-on-year basis, as of March 2018

[Ministry of Finance (Department of Financial Services)
F.No. 7/12/2018-parl. dated 27.07.2018.]

Recommendation Serial No. 4

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

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

Reply of the Government

With regard to infusion of capital beyond Rs. 88,000 crore infused in Public Sector Banks (PSBs), it is submitted that Union Budget 2018-19 has provision of Rs. 65,000 crore for further capital infusion. In addition, the recapitalisation announced by the Government in October 2017 envisages mobilisation of capital to the extent of Rs. 58,000 crore by PSBs themselves, against which PSBs had mobilised Rs. 8,701 crore till 31.3.2018 and the balance amount of about Rs. 50,000 crore is projected to be mobilised as per prevailing market conditions.

There is a need to encourage the bond market and corporates could balance their credit needs both from Banks as well as from Bonds. With regard to implications for banks of the proposed stipulation of companies raising funds up to 25% of their requirement in bond markets, it is submitted that banks maintain large portfolios of securities investments for the purposes of meeting SLR requirements, treasury management and portfolio diversification.

With regard to the need to comply with various norms, it is submitted that relevant authorities take decision regarding adoption of various norms after considering advantages from such adoption. RBI decided to adopt the Basel III framework in 2013 with the objective of improving the banking sector's ability to absorb shocks arising from financial and economic stress including CET 1 @ 5.5% as against BASEL III norms of 4.5%. The IFRS-converged accounting standards for common financial reporting standards are aimed at reliable, consistent and uniform financial reporting across countries, and India has adopted the approach of 'convergence' with IFRS through Indian Accounting Standards (Ind AS), as against 'total adoption' of IFRS, primarily to have flexibility of prescribing necessary carve-outs in keeping with national regulatory requirements. RBI has not yet implemented IFRs.

With regard to prompt and faster bankruptcy process, it is submitted that the Insolvency and Bankruptcy Code, 2016 provides for a timebound resolution process. Realisation of resolution proceeds under this process has begun.

[Ministry of Finance (Department of Financial Services)
F.No. 7/12/2018-parl. dated 27.07.2018.]

Recommendation Serial No. 5

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

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

Reply of the government

1. The Government is undertaking disinvestment of CPSEs as per the extant disinvestment policy, which, *inter alia*, envisages:

(i) Listing of profitable CPSEs on stock exchanges to unlock the value of the company, improve efficiency and promote 'people’s ownership' by encouraging public participation in CPSEs;

(ii) Disinvestment through 'minority stake sale' in listed CPSEs to achieve minimum public shareholding norms of 25 per cent. While pursuing divestment through 'minority stake sale', the Government will retain majority shareholding, i.e. at least 51% and management control of the Public Sector Undertakings;

(iii) Strategic disinvestment by way of sale of substantial portion of Government shareholding in identified CPSEs upto 50 per cent or more, along with transfer of management control.

2. Disinvestment of Government’s shareholding through listing and minority stake sale in CPSEs is undertaken to unlock the true value of company, promote public ownership and higher degree of accountability. In case of strategic disinvestment of CPSEs, it is expected that the strategic buyer will bring in funds/technology/new management etc. for the optimum development of business potential and growth of the companies.

3. The Government adopts any of the permissible methods of disinvestment as per the extant policy, acts, rules and regulations applicable for divesting its shareholding in CPSEs. Actual disinvestment depends on a number of factors including the market conditions and investors' appetite. Based on these factors, only mature proposals in any of the above categories (initial offering, minority stake sale or strategic disinvestment) are taken up for transaction to achieve the annual disinvestment targets. Hence, it may not be possible to project the realisation from different methods of disinvestment.

4. The entire process for CPSEs’ disinvestment is operated in an environment which cannot be predicted. As per the policy and commitment, the Government looks for right opportunity for disinvestment transactions and moves ahead in a prudent manner.

[Ministry of Finance (Department of Investment and Public Asset Management) O.M. No. 3(1)/2008/DD.II (Vol.III) dated 16.04.2018.]

Recommendation Serial No. 6

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

Reply of the Government

1. **Social Security Schemes - From Jan Dhan to Jan Suraksha:**

For creating a universal social security system for all Indians, especially the poor and the under-privileged the Hon'ble Prime Minister launched three Social Security Schemes in the Insurance and Pension sectors; namely the Pradhan Mantri SurakshaBimaYojna, the Pradhan Mantri JeevanJyotiBimaYojana and the Atal Pension Yojana on Pan India basis on the 9th of May, 2015. Salient features of the two schemes related to Insurance are given below:

I. **Pradhan Mantri JeevanJyotiBimaYojana (PMJJBY)** – The scheme is available to people in the age group of 18 to 50 years having a bank account who give their consent to join / enable auto-debit. Aadhaar would be the primary KYC for the bank account. The life cover of Rs.2 lakhs is available for a one year period stretching from 1st June to 31st May and is renewable. Risk coverage under this scheme is for Rs.2 Lakh in case of death of the insured, due to any reason. The premium is Rs.330 per annum which is to be auto-debited in one installment from the subscriber's bank account as per the option given by him on or before 31st May of each annual coverage period under the scheme. The scheme is being offered by Life Insurance Corporation and all other life insurers who are offering the product on similar terms with necessary approvals and tie up with banks for this purpose.

II. **Pradhan Mantri SurakshaBimaYojana (PMSBY)–**The Scheme is available to people in the age group 18 to 70 years with a bank account who give their consent to join / enable auto-debit on or before 31st May for the coverage period 1st June to 31st May on an annual renewal basis. Aadhaar would be the primary KYC for the bank account. The risk coverage under the scheme is Rs.2 lakh for accidental death and full disability and Rs.1 lakh for partial disability. The premium of Rs.12 per annum is to be deducted from the account holder's bank account through 'auto-debit' facility in one instalment. The scheme is being offered by Public Sector General Insurance Companies or any other General Insurance Company who is offering the product on similar terms with necessary approvals and tie up with banks for this purpose.

Achievements - The Achievements of PMJJBY and PMSBY as on 4th July, 2018 is given at table below:-

JANSURAKSHA PROGRESS AS ON 04/07/2018 ***Gross Enrolments Reported by Banks subject to verification of Eligibility of Applicants as per Rules and Availability of Funds etc.***		
Pradhan Mantri JeevanJyotiBimaYojana (PMJJBY)		
Enrolments (In crores)	**No. Of Claims Paid**	**Amount disbursed (In crores)**
5.38	**97,720**	**1954.40**
Pradhan Mantri SurakshaBimaYojana (PMSBY)		
Enrolments (In crores)	**No. Of Claims Paid**	**Amount disbursed (In crores)**
13.62	**17,801**	**356.02**
TOTAL (PMJJBY + PMSBY)		
Enrolments (In crores)	**No. Of Claims Paid**	**Amount disbursed (In crores)**
19.00	**1,15,521**	**2310.42**

2. Steps taken to increase coverage of insurance *inter-alia* included:

a) Consumer education measures are taken through consumer education website www.policyholder.gov.in. This website highlights various aspects of insurance in an easy to understand way.

b) 'BimaBemisal' campaign has been run by IRDAI over a period of last few years. It has been a sustained campaign to make people aware about the importance of insurance and to keep the policies in-force.

c) The IRDAI has also released Radio jingles in various languages to educate the consumers on importance of insurance and to prevent mis-selling.

d) IRDAI has introduced a new channel of distribution i.e. Insurance Marketing Firms through IRDA (Registration of Insurance Marketing Firm) Regulations, 2015. This is to increase the penetration of insurance through intermediaries handling products of more than one insurer.

3. Health Insurance with regard to both cashless aspect as well as settlement of claims:

a) As per Guidelines on Product Filing in Health Insurance Business Ref: IRDA/HLT/REG/CIR/150 /07/2016 dated 29th July, 2016, Insurance products offered by insurers for schemes sponsored by the State and Central Governments, shall adhere to the conditions of the scheme as laid down by the Government.

b) Government Schemes are filed with IRDAI after award of the tender, under Use & File Procedure prescribed under the aforementioned Guidelines.

c) Cashless facility is offered as per the terms and conditions of the MoU and Claim settlement is done within the time frame specified in the MoU. Generally, the MoU also specifies the liquidated damages for breach of contractual obligations.

d) IRDAI notified IRDAI (Health Insurance) Regulations 2016 (herein after called HIR 2016) on 18th July 2016 which are applicable to all registered Life Insurers, General Insurers and Health insurers, conducting health insurance business, as defined under the Insurance Act 1938, unless otherwise specified. These Regulations shall also be applicable to all TPAs wherever mentioned.

e) Regulation 27(i) of HIR 2016 inter alia specifies that "An insurer shall settle or reject a claim, as may be the case, within thirty days of the receipt of the last 'necessary' document".

f) Regulation 30 of HIR 2016 also specify as follows:

i). Subject to the terms of a policy, General Insurers and Health insurers shall extend to all policyholders a cashless facility for treatment at specific establishments or the reimbursement of the costs of medical and health treatments or services availed at any medical establishment.

ii). Cashless facility shall be offered only at establishments which have entered into an Agreement with the insurer to extend such services. Such establishments will be termed as Network Providers.

[Ministry of Finance (Department of Financial Services)
F.No. 7/12/2018-parl. dated 27.07.2018.]

Recommendation Serial No. 7

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

Reply of the government

Reply of Department of Economic Affairs

The amount in RE 2017-18 vis-à-vis BE 2018-19 appears it includes recoveries to the tune of Rs. 31,909.95 crore. These recoveries, amounting to approx. Rs. 28,000 crore are from the National Investment Fund (NIF), compared to BE 2017-18, it may be mentioned that the allocation increased from Rs. 50,542 crore to 83,461 crore. Net of recoveries (from NIF and others) there has been an increase in BE 2018-19 allocation from Rs. 51,550 crore in RE 2017-18 to Rs. 52,800 crore in BE 2018-19. Under RE 2017-18 the net recoveries from National Investment fund is approximately Rs.7000 crore more as compared to BE 2018-19. As regards allocation for the newly announce “National Health Insurance Scheme” the necessary allocation would be made in the forthcoming supplementary Demands/RE meetings as soon as necessary approval, expenditure schedule etc. is in place.

[Ministry of Finance (Department of Economic Affairs)
O.M. No. 15(16)-B (D)/2018 dated 05.04.2018.]

Reply of Department of Expenditure

Government have raised the overall allocation for Health & Family Welfare from 53294.24 crore (RE in Budget 2017-18) to 54600 (BE in 2018-19) which represents an increase of 2.45 %. The Cabinet has on 21st March, 2018 approved the Centrally Sponsored Scheme ‘National Health Protection Scheme’ with a total financial outlay (Central Share) of Rs. 10498 crores over the years 2018-19 and 2019-20. The year wise financial outlays (Central Share) as tabulated below:

Central Share (in crores)	2018-19	2019-20	Total
	3135	7363	10498

During the first year, i.e., 2018-19, enrolment under the scheme is expected to gradually pick up from the second half onwards and provision for funds has been made accordingly. However, depending on the pack of the scheme, adequate funds will be provided to the Ministry of Health & Family Welfare in the Revised Estimates, if required.

[Ministry of Finance (Department of Expenditure)
O.M. No. 66 (19)/PFC- II/2018 dated 07.05.2018.]

Recommendation Serial No. 9

The Committee note that the Fiscal deficit has been budgeted at 3.3% of GDP in 2018-19, although it exceeded the BE in 2017-18 substantially, with the RE in 2017-18 increasing to 3.5%, as the government had to resort to additional borrowings to meet their expenditure. One can expect a similar situation to develop in 2018-19 as well with uncertain revenue buoyancy. In such a scenario, the Committee are at a loss as to understand how the additional resources will be available to meet the expenditure for flagship schemes and programmes announced such as the National Health Protection

Scheme (with approx. 50 crore beneficiaries and insurance coverage of up to 5 lakh rupees per family per year). The Committee may, therefore, be apprised of the funding details of the schemes and the manner of mobilisation of resources therefor.

Reply of the government

Reply of Department of Economic Affairs

The primary reason for exceeding the Fiscal Deficit target in RE 2017-18 was the spill over effect of GST (on to the FY 2018-19). This is a one off occurrence due to migration to a new indirect tax code and is not expected to impact the Fiscal Deficit in forthcoming years.

As mentioned in the Medium Term Fiscal Policy Statement 2018-19, the government is committed towards fiscal sustainability and maintaining fiscal discipline. As indicated in the reply of Para 7 above, the exact funding details of the National Health Protection Scheme were not finalized at the time of presentation of Budget.

The funding details of the schemes such as NHPS are being finalized by the respective Ministries. An initial allocation under the Rashtriya Swasthya Bima Yojna for Rs. 2,000 crores has been provided in the BE 2018-19.

The Government is, however, committed towards following the path of fiscal rectitude as mentioned in the FRBM Statements laid in the Parliament. The expenditure and revenue targets of the Government shall be in consonance with the goals of the fiscal roadmap presented therein.

[Ministry of Finance (Department of Economic Affairs)
O.M. No. 2/1/2018-FRBM dated 05.04.2018.]

Reply of Department of Expenditure

The Cabinet has on 21st March, 2018 approved the Centrally Sponsored Scheme 'National Health Protection Scheme' with a total financial outlay (Central Share) of Rs. 10498 crores over the years 2018-19 and 2019-20. The year wise financial outlays (Central Share) as tabulated below:

Central Share (in crores)	2018-19	2019-20	Total
	3135	7363	10498

During the first year, i.e., 2018-19, enrolment under the scheme is expected to gradually pick up from the second half onwards and provision for funds has been made accordingly. However, depending on the pack of the scheme, adequate funds will be provided to the Ministry of Health & Family Welfare in Revised Estimates, if required.

**[Ministry of Finance (Department of Expenditure)
O.M. No. 66 (19)/PFC- II/2018 dated 07.05.2018.]**

Recommendation Serial No. 10

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

Reply of the government

Reply of Department of Economic Affairs

The Central Road Fund Act, 2000 was enacted by the Parliament for levy of additional duties of customs and central excise on high speed diesel oil and motor spirit (known as petrol) and distribution of the collection of levies on designated schemes/projects such as development and maintenance of national highways, rural roads, state roads of inter-state and economic importance, railway safety works, including new lines, conversion of standard lines into gauge lines and electrification of railway lines and roads in border areas. This Act empowers Central Government to levy and collect additional duties and distribute them through Central Road Fund, which is the primary function of Ministry of Finance.

2. Further, as the proceeds from additional levies on diesel and petrol are not utilised to the full extent of realisation due to slow pace of expenditure and poor

absorptive capacities of limited number of administrative Ministries/Departments, there have been observations from Audit that the proceeds are not utilised in full.

3. To mitigate this situation, it has been felt necessary to enlarge the scope of application of the proceeds realised from additional levies on petrol/diesel. Accordingly, the name of the existing fund viz. 'Central Road Fund' has been amended to read as 'Central Road and Infrastructure Fund'. Simultaneously, the scope of application of funds has also been enlarged to include infrastructure projects in sectors such as Energy, Water and Sanitation, Communication, Social and Commercial Infrastructure, besides existing Transport sector projects. This is expected to improve application/utilisation of funds in full of the proceeds collected from the additional levies.

[Ministry of Finance, Department of Economic Affairs (*Budget Division*)
O.M. No.F.7 (1)-B (AC)/2018 dated 10.4.2018.]

Reply of Department of Expenditure

Reply of MoRTH

With regard to the observations of Standing Committee on Finance (2018-19) on CRF as contained in Para 10 of the 57TH Report, the factual position is as under:-

Cess on High Speed Diesel (HSD) Oil and Petrol was being levied as per the provisions of the Central Road Fund (CRF) Act, 2000, amended by the Finance Act from time to time. The cess thus collected was being earmarked accordingly.

2. Effective from 01.06.2016 and up to 2017-18, the CRF Cess was being earmarked for Rural Roads, National Highways (NHs), Railways, State Roads and roads in border areas as per the provisions of the CRF Act, 2000, amended by the Finance Act, 2016 as per the following distribution: -

Sr. No.	Description of Infrastructure	Percentage Distribution
1.	Development of Rural Roads	33.5%
2.	Development and maintenance of NHs	41.5%
3.	Railways	14.0%
4.	Development and maintenance of State Roads	10.0%
5.	Development and maintenance of road in border areas	1.0%

3. As per Allocation of Business Rules, the Ministry of Road Transport and Highways is responsible for administering the CRF Act, 2000. The amendments to the CRF Act, 2000, made through Finance Acts from time to time till 2017-18, were mainly limited to amending distribution of share of CRF Cess between this Ministry, State Roads (non rural), Ministry of Railways, Ministry of Rural Development for Pradhan Mantri Gram Sadak Yojana (PMGSY), etc.

4. However, major amendments have been effected to the CRF Act, 2000 through the Finance Act, 2018, to replace the Central Road Fund by Central Road and Infrastructure Fund (CRIF), the CRF Act, 2000 by the CRIF Act, 2000. It has been stipulated that the fund thus collected shall now be allocated for various Infrastructure sectors such as Transport (Road and bridges, Ports, Shipyards, Inland Waterways, Airports, Railways, Urban Public Transport), Energy, Water and Sanitation, Communication, Social and Commercial infrastructure. Further, the share of fund to be apportioned to each of infrastructure projects shall be finalised by a Committee headed by the Hon'ble Finance Minister, constituted by the Central Government by notification published in the Official Gazette.

[Ministry of Finance (Department of Expenditure)
O.M. No. 66 (19)/PFC- II/2018 dated 07.05.2018.]

Recommendation Serial No. 11

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

Reply of the government

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

[Ministry of Finance (Department of Economic Affairs) dated 24.04.2018.]

(For Comments of the Committee Please refer para. No.10 of Chapter I)

Recommendation Serial No. 12

RBI had deregulated interest rate on Savings Bank (SB) accounts with banks a few years ago. Surprisingly, none of the Public Sector Banks is paying more than 4% per annum on such accounts. Although these deposits are the least cost-bearing deposits with banks, still very few banks appear to have followed the deregulation in letter and spirit. The Committee would therefore recommend that the savings banks accounts interest rate should be linked to a base rate or index, while offering a slightly higher rate on such accounts at least to the senior citizens. The Committee would also recommend that all scheduled banks including the public sector banks should offer atleast one percentage higher interest than normal rate on the term deposits of senior citizens in keeping with the spirit of the senior citizens-friendly announcements made in the

Budget. Accordingly, the special senior citizen scheme, offering a higher rate of senior citizens, presently operated only by SBI should be implemented by all Public Sector Banks forthwith. The ATM and MDR charges levied by banks should also be reduced/waived.

Reply of the Government

As per RBI, as regards linking of savings bank accounts to the base or index, it may be mentioned that interest rates on savings bank account have been deregulated with effect from October 25, 2011 and banks have been given the freedom to fix their interest rates on savings bank account subject to the conditions contained in Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016 issued vide DBR.Dir.No.84/13.03.00/2015-16 dated March 3, 2016.As regards suggestion regarding offering one percentage higher interest than the normal rate of interest on the term deposits of senior citizens, it may be stated that with effect from October 22, 1997, the commercial banks have been given freedom to fix their own interest rates on domestic term deposits of various maturities with the prior approval of their respective Board of Directors subject to the instructions contained in above Master Direction (MD) dated March 3, 2016. Further, in terms of Section 8(b) of this MD, Scheduled Commercial Banks have the option to formulate term deposit schemes specifically for resident Indian senior citizens, offering higher and fixed rates of interest as compared to normal deposits of any size. In view of the above, the decision to offer higher interest to senior citizens for term deposits is within domain of individual banks.

As regards Senior citizens, Government has launched a scheme namely 'Pradhan MantriVayaVandanaYojana' to protect elderly persons aged 60 years and above against a future fall in their interest income due to the uncertain market condition, as also to provide social security during old age. The scheme is being implemented through Life Insurance Corporation (LIC) of India. The scheme provides an assured return of 8% per annum payable monthly for 10 years. The differential return i.e. the difference between return generated by LIC and the assured return of 8% per annum would be borne by

Government of India as subsidy on annual basis. The scheme was open for subscription for a period of one year i.e. from 4th May, 2017 to 3rd May, 2018. The minimum purchase price under the scheme was Rs.1.5 lakh per family for a minimum pension of Rs.1,000/- per month and the maximum purchase price was Rs.7.5 lakh per family for a maximum pension of Rs.5,000/- per month.

In pursuance to Budget Announcement 2018-19, Cabinet at its Meeting held on 02nd May, 2018 has approved the extension of Pradhan MantriVayaVandanaYojana up to 31st March, 2020 and limit of maximum purchase price of Rs.7.5 lakh per family under the scheme has also been enhanced to Rs.15 lakh per senior citizen. A total of number of 2,82,155 subscribers consisting corpus of Rs.17,704.65 crore are being benefited under PMVVY as on 30.06.2018.

[Ministry of Finance (Department of Financial Services)
F.No. 7/12/2018-parl. dated 27.07.2018.]

Recommendation Serial No. 13

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

Reply of the government

Reply of Budget Division, DEA

While the suggestion is praise-worthy, it is observed that already a lot of measures have been provided to strengthen the G-Secs market. A few of such measures are enumerated as under:-

(i) The Primary Dealers have been mandated to achieve a target of at least 5% of their total turnover through retail market activities.

(ii) Retail investors can directly trade in G-Secs through the internet based NDS-OM-Web application. Alternatively they can place their demand for G-Secs through the banks/PDs through email/letter/fax, etc.

(iii) There is already provision of non-competitive bidding (retail participation route) in the G-Secs auctions where at least 5% of the notified amount is reserved for small retail clients and the securities are allotted at weighted average price to handhold them from aggressive cut off rates by big players.

(iv) Stock exchanges act as aggregators and place consolidated bid on behalf of the retail investors.

(v) RBI conducts capacity building programmes for deepening awareness about the G-Sec markets especially targeted at small and retail clients.

(vi) The Primary Dealers, banks, Regional Rural Banks (RRBs) and Co-operative banks are encouraged to push the G-Secs through their branch network.

(vii) Most of the Primary Dealers market G-Secs by regularly organizing camps to educate customers about G-Secs.

(viii) Many banks offer demat/Gilt account facility generally free/very concessional rates for the first/initial few years to encourage participation of retail clients in G-Secs.

(ix) IDBI bank has an online platform called SUVIDHA for retail market participants in G-Secs.

(x) PDs are mandated to do market making in G-Secs to enable availability of 2 ways rates (buy as well as sell) in G-Secs so that interest retail clients have ready secondary market for their buy or sell requirements.

The market participants have been suggesting that tax breaks be given to encourage retail market participation, and the same was also reiterated by the Primary Dealers in the recent meeting held in March 2018, however it is felt that acceptance of this demand is likely to distort the market. Moreover, it is stated this demand of the market participants has not been accepted till now. Incidentally, it is submitted that in the recently passed Union Budget for FY 2018-19, GoI has provided for Long term capital gains for holdings in the equity market which were exempted earlier.

In view of all the above, it is for consideration if any additional measures are required to further encourage retail participation in the G-Sec markets.

[Ministry of Finance (Department of Economic Affairs)
O.M. No. 1/5/20009-PDMC dated 10.04.2018.]

Reply of FM Division, DEA

1. Governments of India in coordination with the regulators have been taking concerted steps to develop the corporate bond market in India. The Financial Stability and Development Council sub-committee in its meeting held on September 10, 2015 constituted a working group under the chairmanship of former Deputy Governor of Reserve Bank of India (RBI) [Shri H.R. Khan] with representation from the Government and other regulators to study and suggest ways to strengthen corporate Bond market in India. The working group on Development of corporate bonds market have made a number of recommendations, most of which have been implemented.
2. These include standardization of corporate bond issuance; allowing investment by Foreign Portfolio Investors (FPIs) in unlisted debt securities and making mandatory issuance of private placement of debt securities worth Rs.500 crore or more through Electronic Book Mechanism; implementing trade repository for corporate bond; permitting market makers to undertake repo / reverse repo contracts in corporate debt securities; allowing investment in Basel III compliant perpetual bonds & in “Additional Tier 1 (Basel III compliant) Perpetual Bonds”; credit enhancements of bonds by increasing the aggregate exposure limit from the banking system to 50%

of the bond issue size; framework for market making in corporate bonds; launch of Corporate bond index, reviewing the penalty structure in place for default in delivery of debt securities/funds for trades, subject to CCP clearing by the clearing houses of the stock exchanges; providing provisions pertaining to consolidation and re-issuance and ISIN restriction on debt securities; reduction of capital requirement for banks on account of Partial Credit Enhancement (PCE), etc.

3. Hon'ble Finance Minister in his Budget Speech 2016-17 had announced for improving retail participation in Government securities, RBI to facilitate their participation in primary and secondary markets through stock exchanges and access to NDS-OM trading platform.
4. To implement the same, Non-competitive bidding facility to retail investors in primary auction through specified stock exchanges acting as aggregators/facilitators has been permitted vide RBI's circular dated 23.11.2017. Accordingly, stock exchanges desirous of offering this facility can approach RBI for obtaining specific approval in this regard after getting a No-Objection Certificate (NOC) from SEBI. RBI has granted approval to NSE and BSE for offering this facility.
5. Retail participation in Secondary Market has been facilitated vide RBI's circular dated 28.07.2016.
6. Further, Hon'ble Finance Minister in his Budget Speech 2018-19 has announced that the Government introduced Exchange Traded Fund Bharat-22 to raise Rs.14,500 crore, which was over-subscribed in all segments. DIPAM will come up with more ETF offers including debt ETF.

[**Ministry of Finance (Department of Economic Affairs)**
O.M. No.14/5/2018-RE dated the 26th April, 2018.]

Recommendation Serial No. 14

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

Reply of the government

This has enabled a major structural reform, which is to bring the public schemes and projects under the monitorable Output-Outcome framework. Hitherto, only the financial outlays of schemes of the Ministries were indicated in the Budget document, while the expected outputs and outcomes of the schemes were prepared and presented separately by each Ministry. From Budget 2017-18 onwards, the Outlays, Outputs and Outcomes are presented to the Parliament in measurable terms, bringing-in greater accountability for the agencies involved in the execution of government schemes and projects.

From the year 2017-18 onwards, it has been decided that the output and outcomes of the schemes of Ministries and Departments will be available along with the financial outlays as a part of the Budget documents, so that clearly defined objectives and goals for each scheme can be seen by all. The present Output Outcome framework, therefore, makes a significant departure from the past and presents (a) the financial outlay for the year along with (b) the output and deliverables and (c) the projected medium term outcomes for each Scheme/ Project in a single, consolidated document. This will significantly enhance transparency, predictability and ease of understanding of the Government’s development agenda. Through this exercise, the

Government aims to nurture an open, accountable, pro-active and purposeful style of governance by transitioning from mere outlays to result oriented outputs and outcomes. This effort will enable Ministries to keep track of the scheme objectives and work towards the development goals set by them. The document has been prepared through painstaking efforts by the NITI Aayog, in consultation with MoF and the implementing Ministries and Departments. Since this document is at an evolving stage, the document may have certain shortcomings. DoE will endeavour to improve, with each passing year, and provide more information and greater transparency in its efforts towards achieving the objectives of National Development Agenda.

To further this, scheme wise detailed Output-Outcome Framework of indicators is also being prepared by NITI Aayog in consultation with DoE/other Ministries/ Departments which will go into a live dashboard being set up by NITI Aayog to monitor outputs / outcomes of schemes on a continuous basis.

[Ministry of Finance (Department of Expenditure)
O.M. No. 66 (19)/PFC- II/2018 dated 09.05.2018.]

Recommendation Serial No. 15

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

Reply of the government

The strategy for development of these aspirational districts is to adopt a focused approach, ensure convergence of efforts of the Central, State and local Government including innovation and establish a real time monitoring mechanism to focus on outcomes that matter to common people in these districts. Beside giving rise to a virtuous cycle of economic development. NITI Aayog has created a dashboard for monitoring real time progress of these districts. It may further be stated that for Centrally Sponsored Schemes (CSS), there is flexi-fund provisions by which, the states and UTs can utilize 25% and 30% respectively of the overall annual allocation under each scheme to meet local needs and requirements as well as to pilot innovation to improve efficiency within the overall objective of any given scheme at the sub-head level. The budgetary allocation under different CSSs and Central Sector schemes are as under:

(Amount in Rs. Cr.)	Centrally Sponsored Scheme	Centrally Sector Scheme	Total
2015-16 (actual)	203,740	521,374	725,114
2016-17 (actual)	241,296	589,471	830,767
2017-18 (RE)	285,581	634,318	919,899
2018-19 (BE)	305,517	708,934	1,014,451

[Ministry of Finance (Department of Expenditure)
O.M. No. 66 (19)/PFC- II/2018 dated 09.05.2018.]

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. 8)

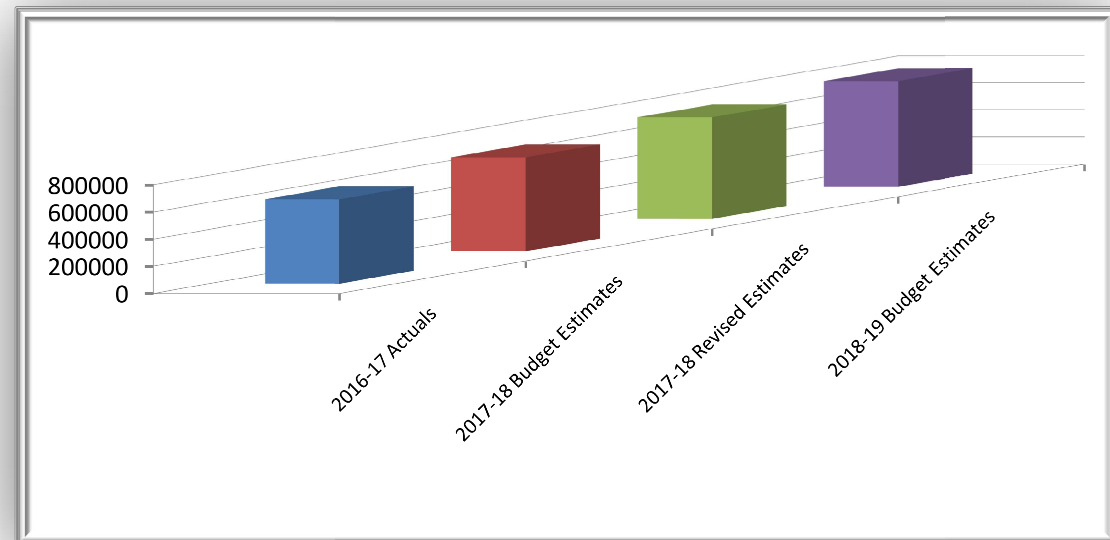
The Committee note that although there has been a 12% rise in capital investment in 2018, it is against the lower base of capital outlay in 2017, which had actually dipped vis-a-vis the previous year i.e. 2016. Thus, essentially there is no growth in absolute numbers in the capital outlay for 2018. This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

Reply of the government

Capital Expenditure of the Government

(in Rs. crore)

	2016-17 Actuals	2017-18 Budget Estimates	2017-18 Revised Estimates	2018-19 Budget Estimates
Gross Budgetary Support	284609	309801	273445	300441
Ministry of Railways (IEBR)	64703	76000	80000	93440
IEBR (excluding M/o Railways)	273394	309027	396859	384831
Total	622706	694828	750304	778712



As may be seen from the table there has been marginal growth in Capital Expenditure. There is a reduction of Rs. 36356 crore in capital expenditure of Gross Budgetary support from BE 2017-18 to RE 2017-18. This is largely due to reduction in budget support provided to Railways from Rs. 55000 crore in BE 2017-18 to Rs. 40000 crore in RE 2017-18 for meeting its capital expenditure. However, this is offset by marginal enhancement in market borrowing of Indian Railway Finance Corporation from Rs. 40000 crore in BE 2017-18 to Rs. 45100 crore in RE 2017-18 to finance the rolling stock requirement of Railways.

[Ministry of Finance (Department of Economic Affairs)
O.M. No. 9(5)-W&M/2018 dated 31.05.2018.]

(For Comments of the Committee Please refer 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;
6 August, 2018
15 Shravana, 1939 (Saka)

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

Minutes of the Twenty First sitting of the Standing Committee on Finance
The Committee sat on Monday, the 6 August, 2018 from 1500 hrs to 1600 hrs, Committee Room No. 3, Parliament House Annexe, Extn Block A 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 Chandrakant Khaire
9. Shri Bhartruhari Mahtab
10. Shri Rayapati Sambasiva Rao
11. Prof. Saugata Roy
12. Shri Rajiv Pratap Rudy
13. Shri Gopal Shetty
14. Dr. Kirit Somaiya
15. Shri Dinesh Trivedi
16. Shri Shivkumar Udasi

RAJYA SABHA

17. Shri Anil Desai
18. Shri Mahesh Poddar
19. Dr. Mahendra Prasad
20. Dr. Manmohan Singh

SECRETARIAT

1.	Shri R.C. Tiwari	-	Joint Secretary
2.	Shri Rajesh Ranjan Kumar	-	Director
3.	Shri Ramkumar Suryanarayanan	-	Additional Director
4.	Shri Kulmohan Singh Arora	-	Deputy Secretary

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

(i) Draft Report on "The Chit Funds (Amendment) Bill, 2018"

(ii) Draft Report on Action Taken by the Government on the Recommendations contained in the 57th Report on Demands For Grants (2018-19) of the Ministry of Finance (Departments of Economics Affairs, Expenditure, Financial Services and Investment and Public Asset Management.

(iii) Draft Report on Action Taken by the Government on the Recommendations contained in the 58th Report on Demands For Grants (2018-19) of the Ministry of Finance (Department of Revenue).

(iv) Draft Report on Action Taken by the Government on the Recommendations contained in the 59th Report on Demands For Grants (2018-19) of the Ministry of Corporate Affairs.

(v) Draft Report on Action Taken by the Government on the Recommendations contained in the 60th Report on Demands For Grants (2018-19) of the Ministry of Planning.

(vi) Draft Report on Action Taken by the Government on the Recommendations contained in the 61st Report on Demands For Grants (2018-19) of the Ministry of Statistics and Programme Implementation.

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

The Committee then adjourned.

APPENDIX

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE FIFTY-SEVENTH REPORT OF THE STANDING COMMITTEE ON FINANCE (SIXTEENTH LOK SABHA) ON DEMANDS FOR GRANTS (2018-19) OF THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS, EXPENDITURE , FINANCIAL SERVICES & INVESTMENT AND PUBLIC ASSET MANAGEMENT).

		Total	% of total
(i)	Total number of Recommendations	15	
(ii)	Recommendations/Observations which have been accepted by the Government (vide Recommendation Nos. 1,2,3,4,5,6,7,9,10,11,12,13,14 & 15)	14	93.33%
(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. 8)	01	06.67%
(v)	Recommendations/Observations in respect of which final reply of the Government are still awaited	NIL	--