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STANDING COMMITTEE ON FINANCE
(2020-21)

SEVENTEENTH 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 Twenty-Fifth Report of the Standing Committee on Finance on 'Demands for Grants (2021-22)']

THIRTY-FIFTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

August, 2021/ Sravana, 1943 (Saka)

THIRTY-FIFTH REPORT

STANDING COMMITTEE ON FINANCE
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(SEVENTEENTH LOK SABHA)

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[Action taken by the Government on the recommendations contained in Twenty-fifth Report of the Standing Committee on Finance on 'Demands for Grants (2021-22)']

Presented to Lok Sabha on 03.08.2021

Laid in Rajya Sabha on 03.08.2021

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

August, 2021/ Sravana, 1943 (Saka)

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** Not appended in the cyclostyled copy*

COMPOSITION OF STANDING COMMITTEE ON FINANCE (2020-21)

Shri Jayant Sinha - Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Sukhbir Singh Badal
4. Shri Subhash Chandra Baheria
5. Shri Vallabhaneni Balashowry
6. Shri Shrirang Appa Barne
7. Dr. Subhash Ramrao Bhamre
8. Smt. Sunita Duggal
9. Shri Gaurav Gogoi
10. Shri Sudheer Gupta
11. Vacant
12. Shri Manoj Kishorbhai Kotak
13. Shri Pinaki Misra
14. Shri P.V Midhun Reddy
15. Prof. Saugata Roy
16. Shri Gopal Chinayya Shetty
17. Dr. (Prof.) Kirit Premjibhai Solanki
18. Shri Manish Tewari
19. Shri Parvesh Sahib Singh Verma
20. Shri Rajesh Verma
21. Shri Giridhari Yadav

RAJYA SABHA

22. Vacant
23. Shri A. Navaneethakrishnan
24. Shri Praful Patel
25. Dr. Amar Patnaik
26. Shri Mahesh Poddar
27. Shri C.M. Ramesh
28. Shri Bikash Ranjan
29. Shri G.V.L Narasimha Rao
30. Dr. Manmohan Singh
31. Smt. Ambika Soni

SECRETARIAT

1.	Shri V.K. Tripathi	-	Joint Secretary
2.	Shri Ramkumar Suryanarayanan	-	Director
3.	Shri Kulmohan Singh Arora	-	Additional Director
4.	Ms. Yugma Malik	-	Committee Officer

INTRODUCTION

I, the Chairperson of the Standing Committee on Finance, having been authorized by the Committee, present this Thirty-fifth Report on action taken by Government on the Observations / Recommendations contained in the Twenty-fifth Report of the Committee (Seventeenth Lok Sabha) on Demands for Grants (2021-22) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Investment and Public Asset Management).

2. The Twenty-fifth Report was presented to Lok Sabha / laid on the table of Rajya Sabha on 16 March, 2021. The Action Taken Notes on the Recommendations were received from Department of Economic Affairs on behalf of Departments of Economic Affairs, Expenditure and Investment & Public Asset Management on 16 June 2021 and from Department of Financial Services on 21st June, 2021.

3. The Committee considered and adopted this Report at their sitting held on 29 July 2021.

4. An analysis of the action taken by the Government on the recommendations contained in the Twenty-fifth 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
29 July, 2021
7 Sravana, 1943 (Saka)

SHRI JAYANT SINHA,
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 25th Report (Seventeenth Lok Sabha) on Demands for Grants (2021-22) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Investment & Public Asset Management) which was presented to Lok Sabha / Laid in Rajya Sabha on 16 March, 2021.

2. The Action Taken Notes on behalf of Departments of Economic Affairs, Expenditure and Investment & Public Asset Management were received from Departments of Economic Affairs on 16th June 2021 and from Department of Financial Services on 21st June 2021. The Action Taken Notes have been received from the Government in respect of all the 13 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, 8,9,11,12 and 13

(Total - 12)
(Chapter- II)

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

(Total - NIL)
(Chapter- III)

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

Recommendation No. 10

(Total - 01)
(Chapter- IV)

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

(Total NIL)
(Chapter- V)

3. **The Committee desire that in future replies from all the four Departments be provided in a consolidated manner by the Department of Economic Affairs for effective scrutiny.** Further, 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.

Recommendations (Serial No. 6)

5. In this Covid-19 struck world economy, the Committee are of the opinion that a deep and clear understanding of the debt and fiscal dynamics is the need of the hour. Multi-scenario analysis factoring in various variables such as fuel prices, interest rates, commodity prices, inflationary expectations, fiscal expansion etc. can be crucial in escaping the bumps and vulnerabilities in these volatile economic times. The markets are very forward looking and it would be in our economy's interest if we are prepared beforehand with the various possibilities that our economy can be exposed to in the coming times. Hence, the Committee would like to emphasize on the need for understanding the debt and fiscal dynamics through the various modeling techniques available so as to efficiently manage the fiscal situation. Department of Economic Affairs should publish a white paper on the fiscal dynamics and explain how much fiscal space has been created. DEA should also highlight how these fiscal resources should be utilized and the impact on GDP growth.

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

> "The Honourable Finance Minister in para 140 of the Budget Speech 2021-22 has indicated that, "We plan to continue with our path of fiscal consolidation, and intend to reach a fiscal deficit level below 4.5% of GDP by 2025-2026 with a fairly steady decline over the period. We hope to achieve the consolidation by first, increasing the buoyancy of tax revenue through improved compliance, and secondly, by increased receipts from monetisation of assets, including Public Sector Enterprises and land.." Further para 145 of the Budget Speech mentions the following, "Towards achieving Central Government fiscal deficit along the broad path that I have already indicated, I will be introducing an amendment to the FRBM Act."

The GoI's present fiscal position is clearly brought out in the, "Medium–Term Fiscal Policy-cum-Fiscal Policy Strategy Statement, laid along with the Budget documents in Parliament."

For utilization of fiscal resources and impact on GDP, following comments to offer:

i. The external sector vulnerability in India could manifest among others, in terms of potential sudden stops and reversal of capital inflows. However, India's external debt has been managed prudently as over the years, CAD was maintained around the sustainable levels. All the external sector vulnerability indicators, including external debt to GDP, forex reserves to external debt, share of short-term external debt in total external debt, are in the zone of comfort. The adequacy of the stock of foreign exchange reserves is more than satisfactory, measured in terms of a host of adequacy matrices. Thus, India's external sector has the required cushion of safety net for a variety of stress scenarios.

ii. As documented in the Economic Survey: 2020-21, India is expected to witness a current account surplus during the financial year 2020-21 after a gap of 17 years. India's current account balance recorded a marginal deficit of USD 1.7 billion (0.2 per cent of GDP) in Q3:2020-21, after recording surplus in preceding three quarters. In view of the robust FDI and FPI flows, net foreign investment returned back into India posting a huge jump during Q2 of 2020-21 to US$ 31.6 billion and further to US$ 38.2 billion and US$ 44.4 billion during Q3 & Q4 of 2020-21 respectively. Net Foreign Investment Inflow during 2020-21 was US$ 80.2 billion as compared to US$ 44.4 billion in 2019-20. The forex reserves, as a cushion against any potential external shocks, have reached an all-time high of US $ 589.5 billion as on May 7, 2021. In a cross-country perspective, India's forex reserves are now the 4th largest in the world. These reserves are equal to more than 18 months of imports.

iii. India's external debt as a ratio to GDP decreased from 21.6 per cent as at end-September 2020 to 21.4 per cent as at end-December 2020. The ratio of foreign exchange reserve to total external debt improved to 104.0 per cent in December 2020 from 97.4 per cent in September 2020. Further, the ratio of short-term external debt to total external debt also slightly improved to 18.4 per cent in December 2020 from 18.5 per cent in September 2020. Above all, India' external debt continues to be prudently managed.

iv. In the near-term, as the global economy grows faster and the elevated container costs ease, the cyclical boosters to the performance of India's external sector are expected to spur India's trade. As the PLI scheme and various other export-friendly measures put in place recently begin to deliver, the structural boosters to the performance of India's external sector too are expected to be unleashed. Thus, the prospects of India's external sector are poised to improve going forward."

7. The Committee take note of the measures being undertaken to keep the fiscal dynamics on track but the Committee cannot emphasize enough on the importance of clear understanding of debt and fiscal dynamics to manage the

fiscal situation of the country as Covid-pandemic induced deterioration in growth and fiscal dynamics could definitely increase our debt burden over the next few years. Despite repeated requests by the Committee, the Government has not made available a range of possible scenarios of the country's fiscal dynamics at the Central and State levels. The edge and advantage the nation can have by being prepared beforehand with the various possibilities is substantial and thus modeling techniques should be utilized to the fullest and advanced further ahead. The way ahead for the Indian economy can be much more smoother if proper debt and fiscal dynamics are in place.

Recommendations (Serial No. 10)

8. Further, the Committee are of the opinion that RBI can play an instrumental role in the success of 'Bad Bank' if they issue an order or notification which makes the entire process crystal clear, defining each step of the procedure and thus removing any ambiguity or discretion from the bank's side. The Committee would like to emphasize that a regulatory intervention at this stage will eventually further streamline and add more pace to achieving the objective of resolution of stressed assets. RBI needs to demonstrate why their proposed rules for loss transfer to the ARC-AMC is in fact the best approach. Their rules should reflect both administrative clarity as well as economic logic. This should be done as soon as possible to unlock assets that are currently trapped as NPAs.

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

> "ARC-AMC structure will be set up under extant regulatory framework. Any regulatory dispensation /forbearance is not anticipated. Comments were sought from RBI on this recommendation. RBI has inter-alia conveyed as under :
>
> "The proposed structure announced by the Government is envisaged as a bank-led initiative with some Government support. It may not be desirable for the Reserve Bank to venture into the operational and commercial aspects of such a venture. However, since the proposed entity is expected to be set up as an ARC, being the regulator of

ARCs, Reserve Bank has already prescribed a regulatory framework for the functioning of ARCs and there are well laid norms for the transfer of stressed assets by banks/NBFCs to ARCs."

10. The Committee note that being regulator of Asset Reconstruction Companies (ARCs), Reserve Bank of India (RBI) has prescribed regulatory framework of functioning of ARCs and the norms for the transfer of stressed assets by banks/ Non Banking Financial Companies (NBFCs) to ARCs. The Committee however, would like to again point out the instrumental role RBI can play in the success of 'Bad Bank' and by removing all ambiguities and not leaving discretion to the banks will streamline and add more pace to achieving the objective of resolution of stressed assets. The Committee believe that the RBI should intervene and bring about administrative clarity instead of leaving each bank to deal with singular cases which may trigger hiccups and reduce the efficiency of the desired outcome. The Committee believe that instead of each bank acting alone in a silo, a wholesome, clear and defined procedure would ease the process for banks and thus 'Bad Bank' would be able to effectively achieve the outcome it was envisaged for. If the ARC process was sufficient, then there would clearly be no need for a "Bad Bank". Precisely because the ARC process has not worked, a "Bad Bank" has been recommended. Therefore RBI must make it clear how the "Bad Bank" will operate differently from the many existing ARCs.

Recommendations (Serial No. 11)

11. The Committee understand that infrastructure financing needs patient capital and is still at a nascent stage and hence the need for a dedicated DFI. The Committee believe that it was prudent to have a sovereign backed institution which will give confidence to investors. Also, having such institution will help in playing the role of a facilitator, be a market maker, widen the investor base and also play an active role in nurturing and deepening the bond market. The Committee are informed that an initial capital of Rs 20,000 crore would be infused which could be leveraged to ten times borrowing i.e. a loan book of Rs 2 lakh crore which in the coming time will be enhanced further. It is further stated that initially it will be owned by the Central Government up to 100 per cent and a provision would be built in the Act to bring down this share to 26 per cent, that is, a licensing framework for private DFI is also being provided. The Committee feel that the sum of Rs 20,000 crore earmarked for DFIs is massive and it is extremely essential that it is implemented successfully as the opportunity cost of this sum is substantial in terms of the support it could have provided to other social and developmental schemes and programmes. Further, the Committee desire that a White Paper detailing the implementation plan taking into account the hindrances faced in the past in India as well as the world over and the action plan to overcome them and make it viable may be submitted to the Committee. In particular, it has been stated that the DFI will be professionally managed. The Committee would like to understand how and with what safeguards government funds will be provided to a private, professionally managed DFI.

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

> "The National Bank for Financing Infrastructure and Development Act, 2021 provides for establishment of National Bank for Financing Infrastructure and Development. To begin with, this institution shall be wholly owned by Central Government. In the Union Budget 2021-22, a provision for capital infusion of Rs. 20,000 crore in the proposed institution has been provided. In addition, as per section 21 (2) of the aforesaid Act, the Central Government shall, by the end of the first financial year from the establishment of institution, grant or contribute an amount of Rs. 5,000 crore to the institution in the form of cash or marketable Government securities. A White Paper on the establishment of the new DFI is enclosed at Annexure-I.

The section 29 of the Act provides for setting up of other DFIs. However, it is not proposed to provide any government funds to a private DFI. The DFIs set up under section 29 of the Act shall have right to access to line of credit from Reserve Bank of India (RBI) and any deposit availed by a bank included in the Second Schedule from the new DFI will not attract Cash Reserve Ratio (CRR) requirement. In addition, requisite provision has been made in the Finance Act, 2021 to provide income tax exemption for a period of five consecutive assessment years, extendable for a further period not exceeding five consecutive years, to a developmental financing institution, licensed by the Reserve Bank of India under the aforesaid Act. As these DFIs would operate within the prudential framework of RBI, applicable to other All India Financial Institutions (NABARD, Exim Bank, SIDBI and NHB), oversight would be by RBI in all respects."

12. The White Paper on the National Bank for Financing Infrastruture and Development (NaBFID) indicates that this will be a pathbreaking institution. The Committee believes that NaBFID will need to follow SEBI's best practices in corporate governance to ensure that public funds are appropriately utilized for the best projects rather than being captured by crony capitalists in the future. Therefore Non-Official Directors, Board Chairperson, MD and DMDs should all be appointed by the Board's NRC. The NRC should be chaired by an external equity investor operating in their financing capacity and with full transparency and accountability.

New Delhi;
29 July 2021
7 Sravana, 1943 (Saka)

SHRI JAYANT SINHA,
Chairperson,
Standing Committee on Finance

ANNEXURE -I

White Paper on establishment of National Bank for Financing Infrastructure and Development

Background

A survey of the landscape of infra financing in the country sharply brought out the need to establish a new financial institution, a "Development Bank" as it were (also referred to as a Development Financial Institution, DFI for short, or an All India Financial Institution, AIFI for short) specifically catering to the needs of greenfield infra financing. This Development Bank is expected to help start a virtuous investment cycle in the post Covid era, by anchoring financial closure and catalyzing private sector investments in infrastructure. It is also important that simultaneous development of the bond market for infra financing happens and DFI supports it.

Development Banks / DFIs across the world have played a seminal role in fostering economic growth, helping address market failures and crystallizing private sector investments. India has itself had a rich history of DFI's. However, these were essentially focused on supporting industrial development, not infrastructure creation, in part, because most infrastructure till the early 2000s was being built on EPC (Engineering, Procurement and Construction) basis by Government.

DFIs in the 1990s

By the 1990s, sources of cheap funding to DFIs ceased almost overnight. Their appraisal practices belonged to an age which was ending – of a closed economy and licenses/ permits with no credit bureaus or CRILC in sight to help them be better informed. SARFAESI Act (Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002) had not been enacted, no sectoral laws such as the Electricity Act existed and frameworks for PPP (Public Private Partnership) or Model Concession Agreements were just a gleam in the eye. The economy itself was opening up to international competition. The writing on the wall was clear and the challenge proved too much. In response, ICICI and IDBI became universal banks while IFCI became a NBFC (Non-Banking Financial Company).

Need for a new DFI

The learnings from the journey of past DFIs were useful in crafting the National Bank for Financing Infrastructure and Development. Drawing upon these and adopting appropriate features of successful DFIs elsewhere, it was intended to have a ʹfit for purpose" and large scale DFI which can provide patient capital (primarily Debt) to the infrastructure sector, playing a pivotal role in financing the National Infrastructure Pipeline (NIP) and more and in enabling the nation to become a USD 5 trillion economy.

In the Union Budget 2019-20, Government had announced its intention to invest ₹100 lakh crore in infrastructure over the next five years. Against this backdrop, an inter-ministerial Task Force was set up by Government to identify technically feasible and financially/economically viable infrastructure projects which can be included in the NIP. Under the NIP, total projected infrastructure investment of ₹ 111 lakh crore has been envisaged in India over financial years (FY) 2020-2025. To meet this target, adequate long-term financing is needed. As the NIP is an ambitious programme, the financing of the NIP envisages funding from a DFI to the extent of 8-10% of the total requirement.

Challenges in infra financing

Infrastructure financing is long term and non-recourse *i.e.* loan repayment is only from cash flows of the project and not from other assets of the borrower. By its very nature, however, such financing is inherently risky. The long tenure of loans, unanticipated challenges in execution and uncertainty of performance of the asset are key elements which define the risk. Repayment is dependent on the performance of the project and cash flows arising from it, since unlike corporate credit, project loans have no underlying collateral, which can be realized.

Banks in India are generally reluctant to provide credit to infrastructure as evident through banking credit to infrastructure being almost stagnant over the past five years. This is due to a variety of reasons. Firstly, while banks mostly raise short-term deposits, infrastructure financing involves long-term lending, typically 20-30 years. The requirement of long tenor funding has meant that most banks face an Asset Liability Mismatch (ALM) *i.e.* the average tenure of their deposits, which is short term, cannot support long term lending. Secondly, the risk involved in infrastructure lending has resulted in high credit costs which cannot be compensated by higher interest rates as project viability gets impacted. Banks have learnt this the hard way through experience of previous such lending which resulted in huge Non Performing Assets (NPAs). This has led to a number of Public Sector Banks, almost all private banks and NBFC lenders withdrawing from this line of business. Thirdly, a larger portion of the risk falls on banks as the corporate bond market in India is neither sufficiently deep nor adequately mature to meet India's infrastructure financing requirements.

Approach to a new DFI

The role, regulations, ownership, governance arrangements, product suite, resources, size and a law for the purpose were needed to be determined so as to ensure that past shortcomings were addressed so that the institution plays a meaningful and an impactful role. Therefore, the following approach was adopted for establishment of the new DFI:

Mandate – The vision was to build a long term lending institution driven by systems and processes, making risk assessments and which is accountable/ answerable. The DFI is expected to substantially address market failure in the area of long-term finance for funding infrastructure. As market failure is on various dimensions, the DFI will be a provider, an enabler and a catalyst. It would be a stretching mandate, underpinning ability and willingness to decisively change the funding environment for infrastructure. This will involve taking on risk and the design must factor in the expectation that risks will crystallise. Necessarily, this adoption of risk and potential liabilities will need oversight, guard rails and measures for mitigation and risk sharing. The new institution has both development and financial mandate. The development mandate is specifically in the context of supporting the market for bonds etc. to finance infra, supporting projects over their life cycle and nurturing the overall eco system. Over a medium to long term, this support to the bond market aims at fostering complementarity of market raised debt with direct lending by the DFI for infra projects.

Regulatory framework – Compliance with relevant prudential regulations is important for credibility. Considering the specific characteristics of the institution and the need to optimize capital contribution from the government, the DFI would operate within the prudential framework applicable to other AIFI's (NABARD, Exim Bank, SIDBI and NHB).

Ownership structure – The DFI would be wholly owned by the government to begin with, which would foster confidence on stability and sustainability of the institution, enabling it to raise resources at competitive rates. Dilution/ sale of stake, upto 74%, may be considered, once it has achieved stability and scale in its business operations.

Governance structure and Management – The governance structure is designed to respond to requirements of professionalism, probity and oversight. It will inspire trust and confidence. Decision making has been kept independent, even as the entity is government owned. Keeping in mind the clear objective of transparency, strong investor confidence and solid financial performance, the institution will be run by the Board of Directors with strong representation of Independent Directors for effective control and supervision of affairs. The Board would appoint Key Management Personnel. Compensation would be guided by market practice. To tackle risk aversion, safeguards are provided against inadequately informed prosecution. As the pivot of intra financing, the institution would voluntary subscribe to higher governance standards as compared to the requirements under existing regulations.

Clearly defined and independent roles of Chief Risk Officer, Chief Credit Officer and Chief Technology Officer are envisaged.

Product Portfolio – The product portfolio of this institution is extensive e.g. long-term project finance, subordinate debt, mezzanine funding, credit guarantees, enhancements, refinance, take out, market maker/ backstop buyer for project bonds etc. to facilitate infrastructure financing in all manner. It will have an independent vertical/ subsidiary to facilitate project structuring, financial closure, monitoring and monetization/recycling so that support across the life cycle of projects is delivered.

Resource Raising –The viability of a DFI is critically contingent on access to low cost funds. As such, availability of low cost funds have been ensured for the DFI in the form of support for hedging costs, sovereign guarantee, exemption from income tax, SLR status for bonds issued by it, eligible investment status for Pension, Insurance and Provident Funds etc.

Statutory Framework: Each of the 4 AIFIs in the country has been set up by an Act of Parliament. The DFI is also established through a law which is already enacted. This will impart credibility and legitimacy through explicitly stated Government support, leaving no ground for ambiguity or market speculation. The law also has enabling provisions for setting up of private DFIs.

Size: The new DFI with size and the ambition to make a difference. Initial capital of ₹20,000 crore and authorized capital of ₹1 lakh crore will ensure that it can play a counter cyclical role whenever needed. It will lend long term and work on the expectation that risks will crystallize. Therefore, there will be oversight and guard rails. Size will matter not just for achieving financial closure for big ticket infra projects, commensurate with a US $5 trillion economy but also provide a cushion to protect from the inevitable materialization of risks and contingent liabilities.

To summarize, the structure and working for this DFI has many firsts. These include:

- Acknowledging that both development and financial objectives will matter for the new DFI
- Specific tasking for developing the bond and derivatives market for infra financing
- Commitment to begin with 100% GoI holding but with at least 26% being owned by Government
- Opening up equity to Sovereign Wealth Funds, bilateral/multilateral institutions, pension funds, insurers
- Professional Board with 50% non-official directors

- Persons of eminence are envisaged on Board as Chairperson and Non Official Directors
- Power to Board to appoint and remove Whole Time Directors
- Remuneration based on market standards, which gives ability to attract best in class talent
- Higher age limit and longer tenure for MD and DMDs
- Wide suite of products suitable for different stages of projects life cycle
- Mandatory performance review once in 5 years
- Concessions and support for low cost funding
- Protection from inadequately informed prosecution and investigation
- A window for setting up of private DFIs
- Focus on technology in appraisal and monitoring

These measures are path breaking and bold, representing a decisive break from conventional thinking arising from the thought processes of the 1980s when the other DFIs such as SIDBI and NHB were set up.

Implementation Plan

- For setting up the new DFI, "National Bank for Financing Infrastructure and Development Bill, 2021" has been passed by both the houses of the Parliament and the same has been enacted on 28.03.2021. Various sections of the Act have been notified.
- The selection of Non-Executive Chairperson of the institution is at an advance stage. The skeletal Board of Directors (BoD) will be constituted comprising of Chairperson (once the appointment is finalised by the Government) and two Government Nominee Directors. This BoD shall then request BBB for recommending names of Whole Time Directors (WTDs).
- Requsite rules and regulations shall be formulated in the meantime.
- Request for Proposal (RFP) has been issued for selection of management consultant for setting up of NaBFID. Management consultant is expected to be onboarded shortly. The consulting firm would help in preparation of manuals, SOPs, identification of technology platform, risk model & develop monitoring systems.
- The DFI is expected to be operational by the end of 2021.

Minutes of the Fourteenth sitting of the Standing Committee on Finance (2020-21)
The Committee sat on Thursday, the 29th July, 2021 from 1430hrs. to 1500 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Jayant Sinha – Chairperson

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Vallabhaneni Balashowry
4. Shri Shrirang Appa Barne
5. Shri Manoj Kishorbhai Kotak
6. Shri Pinaki Misra
7. Shri Gopal Chinayya Shetty
8. Dr. (Prof.) Kirit Premjibhai Solanki
9. Shri Manish Tewari
10. Shri Rajesh Verma

RAJYA SABHA

11. Shri A. Navaneethakrishnan
12. Dr. Amar Patnaik
13. Shri Mahesh Poddar
14. Shri C.M. Ramesh
15. Shri G.V.L Narasimha Rao

SECRETARIAT

1.	Shri Vinod Kumar Tripathi	-	Joint Secretary
2.	Shri Ramkumar Suryanarayanan	-	Director
3.	Shri Kulmohan Singh Arora	-	Additional Director
4.	Shri Kh. Ginlal Chung	-	Under Secretary

3. 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) Thirty-second Report on the subject 'Implementation of Insolvency and Bankruptcy Code-Pitfalls and solutions' of the Ministry of Corporate Affairs.

(ii) Thirty-third Report on Action Taken by the Government on Recommendations contained in 68th Report (Sixteenth Lok Sabha) on subject 'Banking Sector in India - Issues, Challenges and the Way Forward with specific reference to NPAs/ Stressed Assets in Banks/Financial Institutions' of the Ministry of Finance (Department of Financial Services).

(iii) Thirty-fourth Report on Action Taken by the Government on Recommendations contained in 12th Report on 'Financing the Startup Ecosystem' of the Ministry of Finance (Departments of Economic Affairs and Revenue) and Ministry of Commerce (Department for Promotion of Industry and Internal Trade).

(iv) Thirty-fifth Report on Action taken by the Government on the recommendations contained in 25th Report on Demands for Grants (2021-22) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services, and Investment and Public Asset Management).

(v) Thirty-sixth Report on Action taken by the Government on the recommendations contained in 26th Report on Demands for Grants (2021-22) of the Ministry of Finance (Department of Revenue).

(vi) Thirty-seventh Report on Action taken by the Government on the recommendations contained in 27th Report on Demands for Grants (2021-22) of the Ministry of Corporate Affairs.

(vii) Thirty-eighth Report on Action taken by the Government on the recommendations contained in 28th Report on Demands for Grants (2021-22) of the Ministry of Planning.

(viii) Thirty-ninth Report on Action taken by the Government on the recommendations contained in 29th Report on Demands for Grants (2021-22) of the Ministry of Statistics and Programme Implementation.

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

The Committee then adjourned.

A verbatim record of the proceedings has been kept.

APPENDIX

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE TWENTY-FIFTH REPORT OF THE STANDING COMMITTEE ON FINANCE (SEVENTEENTH LOK SABHA) ON DEMANDS FOR GRANTS (2021-22) 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	13	
(ii)	Recommendations/Observations which have been accepted by the Government (vide Recommendation Nos. 1,2,3,4,5,6,7,8, 9,11 & 12)	12	92.31%
(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 No. 10)	01	07.69%
(v)	Recommendations/Observations in respect of which final reply of the Government are still awaited	NIL	--