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**STANDING COMMITTEE ON FINANCE
(2020-21)**

SEVENTEENTH LOK SABHA

MINISTRY OF CORPORATE AFFAIRS

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

THIRTY-SEVENTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2021 / Sravana, 1943 (Saka)

THIRTY-SEVENTH REPORT
STANDING COMMITTEE ON FINANCE
(2020-2021)

(SEVENTEENTH LOK SABHA)

MINISTRY OF CORPORATE AFFAIRS

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

Presented to Lok Sabha on 3rd August, 2021
Laid in Rajya Sabha on 3rd August, 2021



LOK SABHA SECRETARIAT
NEW DELHI

August, 2021 / Sravana, 1943 (Saka)

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Standing Committee on Finance on 'Demands for Grants (2021-22)'

* 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. Melody Vungthiansiam | - | Assistant Committee Officer |

INTRODUCTION

I, the Chairperson of the Standing Committee on Finance, having been authorized by the Committee, present this Thirty-seventh Report on action taken by Government on the Observations / Recommendations contained in the Twenty-seventh Report of the Committee (Seventeenth Lok Sabha) on Demands for Grants (2021-22) of the Ministry of Corporate Affairs.

2. The Twenty-seventh 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 the Government *vide* their communication dated 15 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-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
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 the Government on the recommendations/observations contained in their 27th Report (Seventeenth Lok Sabha) on Demands for Grants (2021-22) of the Ministry of Corporate Affairs which was presented to Lok Sabha / laid in Rajya Sabha on 16 March, 2021.

2. The Action Taken Notes have been received from the Government in respect of all the 6 recommendations contained in the Report. These have been analyzed and categorized as follows:

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

Recommendation Nos. 1,2,3,4, 5 & 6

(Total 6)
(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:

NIL

(Total NIL)
(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. 1)

5. The Committee note that in 2020-21, the budget allocation of the Ministry was enhanced by 28 percent at Rs. 727.62 crore which was revised downwards to Rs. 680 crore and the actual expenditure as on 02.03.2021 is Rs. 552.35 crore. The Committee also note that the budget estimates of the Ministry were revised downwards consecutively in 2019-20 and 2020-21. Despite the enhancement of funds in 2020-21 and the downward revision of funds, the actual expenditure is still lower than the Revised Estimates at the end of the financial year. An analysis of the B.E., R.E. and actual expenditure for the past four years reveals an ongoing trend of under utilisation of funds where the actual expenditure is constantly lower than the Revised Estimates. The Committee In their earlier reports have pointed out the wide disparity between the projection of funds required by the Ministry and the actual ability to absorb the funds allocated. The Committee, while expressing their displeasure over this trend of under-utilization of budgeted funds, would now expect that the Ministry would make serious efforts towards efficacious utilisation of funds. The Committee desire that the B.E. allocation of Rs. 712.13 crore for the fiscal 2021-22 which is 4.8 per cent more than the previous years' R.E. would be utilised effectively especially in enhancing the infrastructural capacities of its quasi judicial bodies which will be dealing with the deluge of cases post moratorium. With increasing significance of online and digital transactions and the pandemic yet to subside, the Committee recommend that the Ministry should move towards full digitisation of its functions, particularly its statutory bodies.

6. In their action taken reply the Ministry of Corporate Affairs have submitted as follows:-

"(i) As per the Ministry of Finance's expenditure management guidelines, the Ministry is to spend the allocated budget as per monthly expenditure plan (MEP) and Quarterly Expenditure Plan (QEP). During 2020-21, the Ministry was restricted to spend not more than 5% in a month and 15% in a quarter of the total budget during the first half of the financial year as an austerity measures during the first wave of Covid-19 pandemic. Moreover, the budget of the Ministry is revised at R.E. stage mainly based on the level of expenditure during first half of the financial year. Despite these restrictions besides severe impact in the activities of the Ministry during lock-down of Covid-19 pandemic, the Ministry incurred total expenditure of Rs. 651.54 crore out of R.E. of Rs. 680.00 crore (95.81%) during 2020-21 and the actual surrendered amount was Rs. 26.98 crore.

(ii) As advised by the Committee, the Ministry would make concerted efforts to utilise the entire budget during 2021-22 particularly for creation/enhancement of infrastructure facilities for its quasi-judicial and statutory bodies. Hence, higher allocation of budget has been given for the quasi-judicial bodies during 2021-22 i.e. B.E for NCLT has been increased from Rs. 69.13 crore (2020-21) to Rs. 84.01 crore (2021-22), the B.E. for NCLAT has been increased from Rs. 25.32 crore (2020-21) to Rs. 38.24 crore (2021-22).

(iii) With regard to full digitisation of functions of the Ministry particularly its statutory bodies, it is submitted that MCA 21 portal was launched in 2006 as one of the 1st Mission Mode Projects of the Indian Government under National e-Governance Plan to digitise the Corporate Data and leverage technology to ease compliance burden for the stakeholders. The portal has since undergone two iterations with improvements done over time to reduce compliance burden, enhance enforcement function and improve ease of Doing Business in India. The MCA21 Version 3 was planned to be launched this year in two phases. The first phase was already launched on 24th May, 2021 and phase 2 will be launched from October, 2021 onwards. Now, the IEPFA is settling claim settlement of shares and dividends online. Mobile app for awareness related activities was launched in March, 2021; All the NCLT benches have e-filing application facilities, e-Courts, Display Boards Deployment for real time information of cases for general public, SMS and e-mails alerts to users, etc."

7. The Committee note that during 2020-21 the Ministry incurred total expenditure of Rs. 651.54 crore out of R.E. of Rs. 680 crore (95.81%) and the actual surrendered amount was Rs. 26.98 crore. The Committee while acknowledging the efforts of the Ministry in utilising the allocated funds despite Covid -19 restrictions, feel that the

surrendered amount is still comparatively high. The Committee also note that higher allocation of budget has been given to statutory bodies during 2021-22 i.e B.E. for NCLT increased from Rs. 69.13 crore (2020-21) to Rs. 84.01 crore (2021-22), the B.E. for NCLAT increased from Rs. 25.32 crore (2020-21) to Rs. 38.24 crore (2021-22). Keeping in mind the backlog of cases and huge vacancies especially in NCLT (more than 50%), the Committee hope that the increase in allocation would translate to faster resolution of cases by fully digitising their operations and filling up vacancies expeditiously.

Recommendation (Serial No. 5)

8. The Committee note that the Competition Commission of India was established in 2009 to prevent practices having adverse effect on competition, promote and sustain competition in markets and regulate mergers or combinations. The Committee find that the Budget Estimates for the Commission has been going down consistently from Rs. 78.89 crore in 2019-20 to Rs. 67.54 crore in 2020-21 and Rs. 47.66 crore in 2021-22. These were subsequently revised downwards in 2019-20 and 2020-21 to Rs. 55.49 crore and Rs. 54.78 crore respectively. The actual expenditure as on 26.02.2021 was Rs. 31.50 crore which is 57.5% of the R.E. The Committee feel that the outlay is meagre relative to the impact the Commission has on the economy and the market. Regarding the overall pendency of cases, the Committee find that out of 291 cases in 2020-21, only 133 cases were decided during the year resulting in more than 50 per cent of cases pending at the end of the year. The Committee desire that the practice of carrying forward pending cases year after year should be discontinued. On the issue of staffing, the Committee note that 54 out of 154 sanctioned posts are vacant and 24 out of 41

posts in the DG's office are lying vacant. The Committee further note that the existing Recruitment Rules are being revised and merger of the office of DG with the Commission is under consideration. The Committee in their earlier report had recommended the merger of the DG office with CCI as per international practice. The Committee, therefore, recommend that the Recruitment Rules should be finalised promptly and hope that the merger would resolve the issue of vacancy in the Commission and the DG's office and also ensure a level - playing field for big and small competitors alike.

9. In their action taken reply the Ministry of Corporate Affairs have submitted as follows:-

"(i) The Revenue & Capital expenditure of the Competition Commission of India (CCI) is met from the Competition Fund established under Section 51 of the Competition Act 2002. This Fund consists of mainly Grants in Aid provided by the Government. The other components of the Competition Fund are filing fees and interest earned thereon.

(ii) The revenue expenditure of CCI in 2019-20 was Rs 51.77 crore, against which Grants in Aid provided was Rs 44.50 crore. Similarly, in 2020-21, revenue expenditure of CCI was Rs 51.00 crore, against which Grants in Aid provided was Rs 41.00 crore. The shortfall was made up from the internal accumulated resources of the Commission.

(iii) As regards Capital expenditure, the approved project cost of CCI's HQ at East Kidwai Nagar was Rs 386.13 Crores, against which expenditure so far has been Rs. 371.62 Crores, against which Rs. 329.40 Crore has been provided by Government and balance met from accumulated Internal Resources.

(iv) Further, due to the current level of vacancies, expenditure is lower than expected. Hence, once positions fill up, requirement of funds will increase. Also, with regional expansion plans of CCI, the proposed re-structuring of cadre with incentivised compensation structure at par with other regulators, expanded ambit of the interventions due to new age economy requiring commissioning market studies and capacity building for understanding technologies and deployment of forensic tools & techniques, CCI may require additional budget outlay to discharge its functions and expanded outreach/ interventions in an effective and efficient way.

(v) Being a regulator performing Government's anti-trust and anti-competitive regulatory function, adequate Government grants may be provided to fully meet CCI's expenditure.

(vi) Regarding pendency of cases; at the outset, it may be apprised that out of total 1123 anti-trust cases received till 31.03.2021 since the relevant provisions of the Competition Act, 2002 came into effect, CCI has disposed of 982 cases finally. Similarly, out of total 829 merger filings received till date, CCI has disposed of 820 cases finally. Thus, it could be seen that CCI has disposed of 87.45% anti-trust and 98.91% merger cases so far.

(vii) It is further stated that out of total 140 cases pending either before the Commission or the DG as on 31.03.2021, Courts have either stayed the proceedings or otherwise restrained CCI/DG in 61 cases from proceeding further in the matter. CCI is taking active steps to get the restraints lifted by moving applications before the concerned courts in this regard.

(viii) Also, recruitment through short-term deputation for posts in the DG Office leads to absence of institutional knowledge and continuity gained by officers after a first-hand experience in enforcement, which has effects on efficiency and consequential quantitative and qualitative impact on disposal of complex cases.

(ix) On the issue of staffing, the sanctioned strength of CCI is 154. As on date, 99 posts are filled and 55 are vacant. In respect of the office of DG, CCI, out of 41 sanctioned posts, 14 are presently filled and 27 are vacant.

(x) Action for selection to 20 posts in CCI and 14 posts in the office of DG CCI on deputation basis is in hand and some of the vacant posts are likely to be filled soon. Action to issue fresh vacancy circular(s) to fill remaining unfilled posts will be issued after the current selection cycle is completed.

(xi) Action to revise the existing Recruitment Rules as well as comprehensive cadre restructuring of CCI and DG's office is under active consideration of the Commission.

(xii) The merger of DG office with CCI requires amendment of the Competition Act, 2002 and legislative process for amending the Competition Act is currently under way."

10. The Committee note that out of the sanctioned strength of 154 in CCI, 99 posts are filled and 55 are vacant and in respect of the office of DG,CCI, only 14 posts are filled out of the sanctioned strength of 41 and 27 posts are vacant. The Ministry have informed that action for selection of 20 posts in CCI and 14 posts in the office of DG, CCI on deputation basis is in hand while also submitting that recruitment through deputation in DG office leads to absence of institutional knowledge and lack of continuity of a first-hand experience in enforcement, leaving adverse impact on disposal of complex cases. The Committee believe that the Commission which has been functioning since the last twelve years is in dire need of its own experienced and dedicated workforce and have been recommending year after year for the recruitment of a permanent cadre. In this context, the Committee note that the merger of DG office with CCI is currently underway which requires amendment of the Competition Act, 2002. As the economy grows and economic matters get ever more complex, CCI's role becomes even more important. Anti-competitive practices are also rising in India and around the world. To that end, the Committee would like to have CCI present a 5 year strategic plan addressing these crucial developments.

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

SHRI JAYANT SINHA,
Chairperson,
Standing Committee on Finance

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. Ginalal 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 SEVENTH REPORT OF THE STANDING COMMITTEE ON FINANCE (SEVENTEENTH LOK SABHA) ON DEMANDS FOR GRANTS (2021-22) OF THE MINISTRY OF CORPORATE AFFAIRS

	Total	% of total
(i) Total number of Recommendations	6	
(ii) Recommendations/Observations which have been accepted by the Government (vide Recommendation at Sl. Nos. 1,2,3,4,5 & 6)	6	100%
(iii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies	Nil	0.00
(iv) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee	Nil	0.00
(v) Recommendations/Observations in respect of which final reply of the Government are still awaited	Nil	0.00