40

STANDING COMMITTEE ON FINANCE
(2021-22)

SEVENTEENTH LOK SABHA

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

# DEMANDS FOR GRANTS (2022-23)

FORTIETH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

March, 2022 / Phalguna, 1943 (Saka)

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(2022-23)

Presented to Lok Sabha on ...22.... March, 2022

Laid in Rajya Sabha on ..22.. March, 2022

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# COMPOSITION OF STANDING COMMITTEE ON FINANCE (2021-22)

## Shri Jayant Sinha - Chairperson

### MEMBERS

**LOK SABHA**

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

**RAJYA SABHA**

22. Shri Ahmad Ashfaque Karim
23. Shri Sushil Kumar Modi
24. Shri A. Navaneethakrishnan
25. Shri Praful Patel
26. Dr. Amar Patnaik
27. Shri Mahesh Poddar
28. Dr. C.M. Ramesh
29. Shri G.V.L Narasimha Rao
30. Dr. Manmohan Singh
31. Smt. Ambika Soni

### SECRETARIAT

1. Shri Siddharth Mahajan - 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 authorised by the Committee, present this Fortieth Report (Seventeenth Lok Sabha) on 'Demands for Grants (2022-23)' of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services, Public Enterprises and Investment and Public Asset Management).

2. The Demands for Grants (2022-23) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services, Public Enterprises and Investment and Public Asset Management) were laid on the Table of the House on 9 February, 2022 under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha.

3. The Committee took oral evidence of the representatives of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services, Public Enterprises and Investment and Public Asset Management) on 23 February, 2022. The Committee wish to express their thanks to the representatives of the Departments of Economic Affairs, Expenditure, Financial Services, Public Enterprises and Investment and Public Asset Management for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the Demands for Grants (2022-23).

4. The Committee considered and adopted this Report at their Sitting held on 14 March, 2022.

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

**New Delhi;**
**<u>14 March, 2022</u>**
**23 Phalguna, 1943 (Saka)**

**SHRI JAYANT SINHA,**
**Chairperson**
**Standing Committee on Finance**

## REPORT

## PART I

### I. INTRODUCTORY

The Ministry of Finance is responsible for the administration of the finances of the Central Government. It is concerned with economic and financial matters affecting the country as a whole. It mobilizes resources for development, regulates expenditure of the Central Government and deals with transfer of resources to States. It works with other Ministries/ Departments, States/ UTs, Reserve Banks of India, Public Financial Institutions and other stake holders for evolving policies for economic development, setting priorities for expenditure, seeking Parliamentary approval to the Budget and ensuring propriety in utilisation of funds. The Ministry has strategic associations with multilateral agencies and foreign Governments. The Ministry administers the following thirteen Demands:

| DEMAND NO. | DEPARTMENT |
|---|---|
| 30 | Department of Economic Affairs |
| 31 | Department of Expenditure |
| 32 | Department of Financial Services |
| 33 | Department of Public Enterprises |
| 34 | Department of Investment and Public Asset Management |
| 35 | Department of Revenue |
| 36 | Direct Taxes |
| 37 | Indirect Taxes |
| 38 | Indian Audit and Accounts |
| 39 | Appropriation- Interest Payments |
| 40 | Appropriation- Repayment of Debt |
| 41 | Pensions |
| 42 | Transfer to States |

1.2. Demand no. viz; 35, 36 and 37 pertaining to Department of Revenue, Direct Taxes and Indirect Taxes respectively are examined and reported separately by the Committee since 1998-99.

## II MANDATE OF THE DEPARTMENTS OF ECONOMIC AFFAIRS (Demand no. 30), EXPENDITURE (Demand no. 31), FINANCIAL SERVICES (Demand no. 32) PUBLIC ENTERPRISES (Demand no. 33) and INVESTMENT AND PUBLIC ASSET MANAGEMENT (Demand no. 34)

### Department of Economic Affairs
### Demand No. 30

The Department of Economic Affairs formulates and monitors the country's economic policies and programmes having a bearing on domestic and international aspects of economic management. One of the principal responsibilities of this Department is the preparation of the Annual Union Budget and the Economic Survey. The Department of Economic Affairs has fifteen main divisions. Some of the key functions of the divisions are highlighted briefly in the following paragraphs:

(1) Economic Division

2.2 The Economic Division tenders expert advice to the Government on important issues of economic policy. The Division monitors economic developments-domestic and external and advises on policy measures relating to macro management including agriculture, industry and infrastructure sectors of the economy. As part of its regular activities, the Economic Division brings out the Economic Survey annually, which is laid before both the Houses of Parliament one day before the presentation of the Union Budget.

2.3 The Economic Survey provides a comprehensive overview of important developments in the economy. It also analyses recent economic trends and provides an in-depth appraisal of policies. Further, the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 requires the Ministry of Finance to review every quarter the trends in Receipts and Expenditure in relation to the Budget and lay it before both the Houses of Parliament. In addition, at the end of first quarter and third quarter a Macro-Economic backdrop statement is prepared and provided to the Budget Division for incorporating in the review of quarterly receipts and expenditure.

2.4 The Economic Division also brings out the Economic and the Functional Classification of the Central Government's Budget, which is circulated among Hon'ble Members of Parliament.

## (2) Budget Division

2.5 Budget Division is responsible for the preparation of and submission to the Parliament, the Annual Budget as well as Supplementary and Excess Demands for Grants of the Central Government and of States under President's Rule. The Division also deals with issues relating to Public Debt, Market Loans of the Central Government and State Government's borrowing and lending, guarantees given by the Government of India and the administration of Contingency Fund of India. The responsibility of the Division also extends to regulate the flow of expenditure by processing proposals from other Ministries/ Departments for re-appropriation of savings in a Grant where prior approval of the Ministry of Finance is required. The Division also handles the issues pertaining to National Savings Institute (NSI), Small Savings Schemes and National Defence Fund. The work relating to Treasurer, Charitable Endowment is also handled in the Budget Division.

## (3) Financial Market Division

2.6 Policy Developments

a) Primary Market Section

Towards developing and strengthening an investor friendly securities market, Government, in consultation with the regulator, has been taking a number of transformative steps:

b) Secondary Market Section

I. Stamp Duty Reforms – Amendments to the Indian Stamp Act 1899

c) Commodity Derivatives Section

I. Unified Exchanges

2.7 After allowing for integration of commodity derivatives market with equity market at the level of intermediaries/ brokers, integration has been facilitated at the level of

Exchanges from October 2018 onwards. BSE so far has launched commodity derivatives contracts for gold, silver, crude oil, copper, guar gum, guar seed and cotton and NSE has launched contracts for gold, silver and crude oil.

(4) Financial Stability and Cyber Security

2.8 With a view to strengthening and institutionalizing the mechanism for maintaining financial stability, enhancing inter-regulatory coordination and promoting financial sector development, the Financial Stability and Development Council (FSDC) was set up by the Government as the apex level forum in December 2010. The Chairman of the Council is the Finance Minister. Its members include Minister of State in charge of DEA, the Heads of financial sector Regulators and Secretaries of the selected Ministries/Departments of the Government of India. During the year 2018-19, vide Gazette Notification dated May 23, 2018, the membership of FSDC has been expanded to include: (i) Minister of State in-charge-of DEA; (ii) Secretary, Department of Revenue (DoR); and (iii) Secretary, Ministry of Electronics and Information Technology (MeitY).

**(5) Financial Sector Reforms and Legislation Division**

2.9 The Financial Sector Legislative Reforms Commission (FSLRC), set up on 24th March, 2011 for rewriting the financial sector laws to bring them in harmony with the current requirements, submitted its Report to the Government on 22nd March, 2013. The Report is in two parts: Volume I titled "Analysis and Recommendations" and Volume II titled "Draft Law" consisting of the draft Indian Financial Code (IFC). The Commission, inter alia, recommended a non-sectoral, principle-based legislative architecture for the financial sector, by restructuring existing regulatory agencies and creating new agencies, wherever needed, for better governance and accountability

(6) Infrastructure Policy & Finance Division

2.10 The Division has the following Units: Infrastructure Finance (Infra-Fin), Infrastructure Policy & Programme (IPP), Energy Sector Policies & Programmes (ESPP) and Public Private the rule of law in India. Besides, several such cases of economic offences also involve non-repayment of bank loans thereby, worsening the financial health of the banking sector in India. The pre-existing civil and criminal provisions in law were inadequate to deal with the severity of the problem.

### (7) Investment Division

2.11 Since the abolition of FIPB and transfer of the coordination function to Department of Promotion of Industry and Internal Trade (DPIIT), the function of this section has been down-sized to provide policy support on Foreign Investment policies, besides FDI policy clarifications & related matters, with specific reference to "Other financial services" sector entrusted to DEA. This Section primarily co-ordinates with DPIIT on foreign investment issues and also offers comments / suggestions on any amendment in FDI policy as per need of the Indian economy. It also suggests measures for improving investment environment in India with respect to FDI policy. It also takes inputs from DFS, RBI, SEBI, PFRDA, IRDAI, etc., while processing FDI applications.

### (8) Administration Division

2.12 Administration Division is responsible for personnel and office administration, implementation of Official Language policy of the Government, implementation of the Right to Information Act, 2005, Grants-in-aid, redressal of public grievances, training of officials, Record Retention Schedule, Complaints Committee on Sexual Harassment of Women Employees etc.

### (9) Currency & Coin Division-Currency Section

2.13 All policy issues and matters relating to design, form and material of currency notes/banknotes including security features, production planning of printing of currency notes and other security documents. Others include currency related legislation, indigenization of bank notes production items, distribute/complaint in respect of supply of material of printing of bank notes and other security products, expansion, up-gradation and modernization of Presses, Paper Mills, Ink factory, Postal Stamp; Revenue Stamp, NJSP, Passports, fair price determination of Bank Notes and Postal Stamps, Preshipment inspection of CWBN/security paper and currency conferences etc. Further, a Task Force Committee was constituted on 14th April 2018 to ensure uninterrupted supply of currency in various parts of the country with Secretary (EA) as Chairman and Secretary (DFS) and Dy. Governor, RBI as members.

### (10) BC & SF Division

2.14 United Nations sub-Division comes under BC and SF Division. It looks after work related to United Nations Development Programme (UNDP), Global Environment Facility (GEF), Green Climate Fund (GCF), and Sustainable Finance, apart from co-ordination related work of the UN. The UN sub-Division is required to provide strategic direction in the matters of management and governance of these institutions.

## Department of Expenditure

## Demand No.31

2.15 The Department of Expenditure is the nodal Department for overseeing the public financial management system in the Central Government and matters connected with state finances. It is responsible for the implementation of the recommendations of the Finance Commission and Central Pay Commission, monitoring of audit comments/observations, preparation of Central Government Accounts. It further assists Central Ministries/Departments in controlling the costs and prices of public services, reviewing system and procedure to optimize outputs and outcomes of public expenditure. The principal activities of the Department include overseeing the expenditure management in the Central Ministries/ Departments through the interface with the Financial Advisors and the administration of the Financial Rules/ Regulations/Orders, pre-sanction appraisal of major schemes/projects, handling bulk of the central budgetary resources transferred to State.

2.16 The business allocated to the Department of Expenditure is carried out through its Personnel & Establishment Division, Public Finance-State and Public Finance Central Divisions, Office of Chief Advisor Cost, Office of Controller General of Accounts and Central Pension Accounting Office. The Department has under its administrative control the Arun Jaitley National Institute of Financial Management (NIFM), Faridabad, which is an autonomous body.

## Department of Financial Services

## Demand No. 32

2.17 As per Allocation of Business Rules (AOBR), functions of Department of Financial Services (DFS) interalia include matters pertaining to Banking, Insurance, Pension Reforms, Development Financial Institutions etc. The Department of Financial Services (DFS) oversees several key programs / initiatives and reforms of the Government concerning the Banking Sector, the Insurance Sector and the Pension Sector in India. The key flagship schemes being currently run / managed by the Department include the Pradhan Mantri Jan Dhan Yojana (PMJDY), Stand Up India, Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Mudra Yojana (PMMY), Atal Pension Yojana (APY) and the Pradhan Mantri Vaya Vandana Yojana (PMVVY). The Department provides policy support to the Public Sector Banks (PSBs), Public Sector Insurance Companies (PSICs) and Financial Institutions (FIs) like NABARD, SIDBI, NHB, IFCI, EXIM, IIFCL etc. through policy guidelines, legislative and other administrative changes. It also monitors the performance of these PSBs, PSICs and FIs and undertakes policy formulation in respect of the Banking and Insurance Sector in India.

2.18 DFS also deals with legislative and other issues pertaining to the concerned regulatory bodies such as the Insurance Regulatory and Development Authority of India (IRDAI), the Pension Fund Regulatory and Development Authority (PFRDA) and with certain legislative matters related to Reserve Bank of India (RBI).

2.19 In addition to the aforesaid policy issues, the Department is also responsible for certain functional issues concerning the Regulatory Bodies [RBI, IRDAI and PFRDA], the PSBs, PSICs and Financial Institutions. Foremost among these functional issues is the appointment of key functionaries of Governor / Deputy Governor of Reserve Bank of India, Chairman / Members of IRDAI and PFRDA, Chairman / Managing Director and Chief Executive Officers (MD & CEOs), Executive Directors (EDs), Chairman cum Managing Directors (CMDs) etc of public sector banks, insurance companies and other financial institutions. Matters relating to international banking relations are also dealt with by the Department.

## Demand No. 33

### Department of Public Enterprises

2.20 In their 52nd Report, the Estimates Committee of 3rd Lok Sabha (1962-67) stressed the need for setting up a centralized coordinating unit, which could also make continuous appraisal of the performance of public enterprises. This led to the setting up of the Bureau of Public Enterprises (BPE) in 1965 in the Ministry of Finance. Subsequently, as a result of the reorganization of the Ministries/Departments of the Union Government in September, 1985, BPE was made part of the Ministry of Industry. In May, 1990, BPE was made a full-fledged Department known as the Department of Public Enterprises (DPE). Presently, it is part of the Ministry of Finance.

2.21 The Department of Public Enterprises is the nodal department for all the Central Public Sector Enterprises (CPSEs) and formulates policy pertaining to CPSEs. It lays down, in particular, policy guidelines on performance improvement and evaluation, autonomy and financial delegation and personnel management in CPSEs. It furthermore collects and maintains information in the form of a Public Enterprises Survey on several areas in respect of CPSEs.

2.22 As per the Allocation of Business Rules of the Government, the following subjects have been allocated to the DPE:

1. Residual work relating to erstwhile Bureau of Public Enterprises including Industrial Management Pool.
2. Coordination of matters of general policy affecting all Public Sector Enterprises.
3. Evaluation and monitoring the performance of Public Sector Enterprises, including the Memorandum of Understanding mechanism.
4. Matters relating to Permanent Machinery of Arbitration for the Public Sector Enterprises.
5. Counseling, training and rehabilitation of employees in Central Public Sector Undertakings under Voluntary Retirement Scheme.

6. Review of capital projects and expenditure in Central Public Sector Enterprises.
7. Measures aimed at improving performance of Central Public Sector Enterprises and other capacity building initiatives of Public Sector Enterprises.
8. Rendering advice relating to revival, restructuring or closure of Public Sector Enterprises including the mechanisms therefor.
9. Matters relating to Standing Conference of Public Enterprises.
10. Matters relating to International Center for Public Enterprises.
11. Categorisation of Central Public Sector Enterprises including conferring 'Ratna'status.
12. Survey of Public Enterprises

## Demand No. 34

## Department of Investment and Public Asset Management

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

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

I. Functions

2.25 As per the present Allocation of Business rules, the mandate of the Department is as follows:

1. (a) All matters relating to management of Central Government Investments in equity including disinvestment of equity in Central Public Sector Undertakings.

   (b) All matters relating to sale of Central Government equity through offer for sale or private placement or any other mode in the erstwhile Central Public Sector Undertakings.

   Note: All other post disinvestment matters, including those relating to and arising out of the exercise of Call option by the Strategic Partner in the erstwhile Central Public Sector Undertakings, shall continue to be handled by the administrative Ministry or Department concerned, where necessary, in consultation with the Department of Investment and Public Asset Management (DIPAM).
2. Decisions on the recommendations of Administrative Ministries, NITI Aayog, etc. for disinvestment including strategic disinvestment.
3. All matters related to Independent External Monitor(s) for disinvestment and public asset management.
4. (a) Decisions in matters relating to Central Public Sector Undertakings for purposes of Government Investment in equity like capital restructuring, bonus, dividends, disinvestment of government equity and other related issues.

(b) Advise the Government in matters of financial restructuring of the Central Public Sector Enterprises and for attracting investment in the said Enterprises through capital market.

5. The Unit Trust of India Act, 1963 (52 of 1963) along with subjects relating to Specified Undertaking of the Unit Trust of India (SUUTI).

## III. SUBMISSION FURNISHED ON DEMAND NOs. 38, 39, 40, 41 and 42

### Demand No.38

### Indian Audit & Accounts Department

The Constitution of India has mandated the Comptroller & Auditor General of India as Auditor of the nation; an instrument for ensuring accountability of the executive to the legislature. The Indian Audit & Accounts Department (IA&AD) carries out the Auditing and Accounting mandate of the C&AG. There are 95 Audit offices; 32 Accounts & Entitlement offices and 13 Training Institute with 43162 manpower under this Department. The Audit offices entrusted with the responsibility of audit of all receipts and expenditure of the Union/State Governments and the local self Governments and also authorizing GPF and Pensions and allied Accounts & Entitlements of the State Governments. To fulfill the constitutional mandate, 75 per cent staff of Audit Offices and 05 per cent staff of Civil Accounts staff have to be on tour.

3.2 Statement showing approved provision in Budget Estimates, Revised Estimates from 2018-19 onwards along with actual expenditure.

Grant No. 38 – Indian Audit & Accounts Department

( Rs. In Crore )

| Year | Budget Estimates (Gross) | Revised Estimates (Gross) | Surrender of savings | Expenditure |
|---|---|---|---|---|
| 2022-23 | 5976.56 | - | | - |
| 2021-22 | 5434.92 | 5442.16 | | - |
| 2020-21 | 5433.28 | 5086.62 | 365.72 | 5043.15 |
| 2019-20 | 5025.91 | 5118.02 | 9.48 | 5108.36 |
| 2018-19 | 4830.12 | 4851.56 | 5.45 | 4812.26 |

**Details of Revised Estimates 2021-22 & Budget Estimates 2022-23.**

3.3 The position of Budget Estimates approved for the years 2018-19, 2019-20, 2020-21, 2021-22 and 2022-23 is as under:-

PART – A

3.4 (1) MAJOR HEAD : 2016 – Audit

(In thousands of Rupees)

| Revenue Section | | | | |
|---|---|---|---|---|
| Year | Voted | Charged | Total | % Increase |
| 2022-23 | 57474900 | 2290700 | 59765600 | 10.47% |
| 2021-22 | 52099700 | 2000000 | 54099700 | -0.10% |
| 2020-21 | 52288200 | 1864600 | 54152800 | 8.09% |
| 2019-20 | 48322200 | 1776900 | 50099100 | 8.58% |
| 2018-19 | 44535900 | 1605300 | 46141200 | |

The total Grant is for establishment related expenditure.

(2) MAJOR HEAD : 4059 – Capital Outlay on Public Works

(In thousands of Rupees)

| Year | Voted | Charged | Total | % Increase |
|---|---|---|---|---|
| 2022-23 | 150000 | - | 150000 | 7.14% |
| 2021-22* | 140000 | - | 140000 | 55.55% |
| 2020-21 | 90000 | - | 90000 | 12.50% |
| 2019-20 | 80000 | - | 80000 | - |
| 2018-19 | 80000 | - | 80000 | - |

* The increase in the year 2021-22 is due to provisioning for major renovation works of office buildings of Indian Audit & Accounts Department.

(3) MAJOR HEAD : 4216 – Capital Outlay on Housing

(In thousands of Rupees)

| Year | Voted | Charged | Total | % Increase |
|---|---|---|---|---|
| 2022-23# | 90000 | - | 90000 | -78.02 |
| 2021-22 | 109500 | - | 409500 | 355.00 |
| 2020-21* | 90000 | - | 90000 | 12.50% |
| 2019-20 | 80000 | - | 80000 | - |
| 2018-19* | 80000 | - | 80000 | 33.33% |

* The increase in 2018-19 and 2020-21 is due to provisioning for various facilities in residential colonies of Indian Audit and Accounts Department. The increase in 2021-22 is due to provision for procurement of 'Residential Flats in Sarojini Nagar Redevelopment project of NBCC'

# The decrease in provision is due to reduction in projected demand, by Ministry of Finance.

## Demand No.39

## Interest Payment

3.5 The entire expenditure included in the Appropriation-Interest Payments is 'charged' on the 'Consolidated Fund of India' (CFI) in terms of Article 112 (3) (c ) of the Constitution of India. The Appropriation provides for debt servicing/discounting charges on Central Governments' debt obligations both internal and external. It also includes provisions for interest payable on Public Account elements like provident funds, special securities issued to National Small Savings Fund, Special Deposits with the Government besides depreciation and other Reserve Funds of commercial departments such as Railways, provisions for management of debt and other liabilities of the Central Government.

3.6 The Budget Estimates/Revised Estimates and actual for the years 2019-20, 2020-21, 2021-22 and 2022-23 (on gross and net basis) is tabulated below:

Table: 'Appropriation No. 39- Interest Payments'

(Rs. In crore)

| Year | BE | Percentage Increase/decrease over previous year | RE | Percentage Increase/decrease over previous year | Actual | Percentage Increase/ decrease over previous year |
|---|---|---|---|---|---|---|
| **On Gross Basis** | | | | | | |
| 2019-20 | 673470.60 | 13.99 | 663297.18 | 10.55 | 655372.01 | 10.04 |
| 2020-21 | 733203.16 | 8.87 | 732987.16 | 10.51 | 720985.20 | 10.01 |
| 2021-22 | 847195.79 | 15.55 | 837186.70 | 14.22 | | |
| 2022-23 | 970003.67 | 14.50 | | | | |
| **On Net Basis** | | | | | | |
| 2019-20 | 660470.60 | 14.71 | 625105.23 | 8.56 | 612070.02 | 5.05 |
| 2020-21 | 708203.16 | 7.23 | 692900.00 | 10.85 | 679868.58 | 11.08 |
| 2021-22 | 809701.32 | 14.33 | 813791.00 | 17.45 | | |
| 2022-23 | 940651.02 | 16.17 | | | | |

3.7 The Appropriation-Interest Payments also includes provision for payment of interest on Ways & Means Advance/OD from RBI, discounting charges on Cash Management Bills (CMBs), 14-days Intermediate Treasury Bills (ITBs), Auction Treasury Bills (ATBs) availed/issued to meet the short-term mismatches between receipts and payments of Central Government.

3.8 In RE 2021-22, there is a marginal increase in the requirement due to higher investments made by NSSF in Central Government securities carrying higher rate of interest. In BE 2022-23, a higher provision has been incorporated owing to higher volume of borrowing through issuance of Government securities coupled with anticipation of policy action from RBI which may result in hardening of yield.

## Demand No.40

## Repayment of Debt

3.9 The Appropriation 'Repayment of Debt' entails provisions for scheduled repayments of debt raised by Central Government as well as for discharge of treasury bills of different maturities, Cash Management Bills, Ways and Means advances, etc. This Appropriation is 'Charged' on the Consolidated Fund of India in terms of Article 112 (3) (c) of the Constitution of India.

3.10 Fiscal Deficit in a year is financed through borrowings from various sources, net of repayments and cash draw-down. In a fiscal deficit regime, repayment obligations are primarily met out of fresh borrowings. An analysis of Demands for Grants No.40- Appropriation - 'Repayment of Debt', i.e. Major Head-wise percentage increase/decrease over the period from 2019-20 to 2020-21 and projections for 2021-22 and 2022-23 are tabulated below: -

Table: Appropriation No. 40- REPAYMENT OF DEBT

(Rs. in crore)

| Year | BE | % increase/ Decrease Over previous year | RE | % increase/ Decrease over previous year | Actual | % increase/ decrease over previous year |
|---|---|---|---|---|---|---|
| **Major Head – 6001 – Internal Debt** | | | | | | |
| 2019-20 | 5947824.09 | -1.78 | 6312279.00 | 2.47 | 6292657.87 | 4.28 |
| 2020-21 | 6853533.56 | 15.23 | 6446475.92 | 2.13 | 6149919.96 | -2.27 |
| 2021-22 | 6903225.48 | 0.73 | 6026553.64 | -6.51 | - | - |
| 2022-23 | 7034456.86 | 1.90 | - | - | - | - |
| **Major Head-6002-External Debt** | | | | | | |
| 2019-20 | 35363.00 | 20.06 | 34110.00 | 8.84 | 33890.91 | 10.25 |
| 2020-21 | 37388.00 | 5.73 | 35234.00 | 3.30 | 34715.36 | 2.43 |
| 2021-22 | 40926.00 | 9.46 | 36024.10 | 2.24 | - | - |
| 2022-23 | 40610.30 | -0.77 | - | - | - | - |

3.11 The net decrease in RE 2021-22 over BE 2021-22 in respect of internal debt is on account of not utilisation of WMA & OD, cash management bills and consequential effect of lower investment by State Government in Intermediate Treasury Bills (ITBs).

3.12 RE 2021-22 provision for external debt repayment is lower on account of rescheduling of repayments. The provision of Rs. 36,024 crore is incorporated in RE 2021-22, primarily on account of the scheduled repayments are incorporated based on the revised repayment schedule. The BE 2022-23 provision is higher by Rs. 4,586 crore over RE 2021-22.

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

## Demand No.41
## Pension

3.14 Grant No. 41 – Pensions is a Composite Grant relating to Central Civil Pension payments. The Budget Estimates are prepared on the basis of projections of expenditure received from various Civil Ministries/Departments and the trend of expenditure booked by CPAO.

**Grant No. 41 - Pensions**

(Percentage Variation in Heads over the last three years)

(Rs. in crores)

| Year | Major Head | Budget Estimate | Revised Estimate | Actual Exp. | Revised Estimate (previous year) | Increase (+) / Decrease (-) over Previous Year (Col. 4-6) | Percentage Increase / Decrease Col. 7x100 / Col. 6 |
|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 2019-20 | 2071 – Pension and other Retirement Benefits | 49510.50 | 51510.50 | 50094.19 | 47378.09 | (+)4132.41 | (+)8.72 |
| | 2235 – Social Security & Welfare | 54.50 | 54.50 | 38.25 | 51.91 | (+)2.59 | (+)4.98 |
| | **Total** | **49565.00** | **51565.00** | **50132.44** | **47430.00** | **(+)4135.00** | **(+)8.71** |
| 2020-21 | 2071 – Pension and other Retirement Benefits | 62124.90 | 63106.48 | 62780.47 | 51510.50 | (+)11595.98 | (+)22.51 |
| | 2235 – Social Security & Welfare | 44.45 | 44.45 | 39.75 | 54.50 | (-)10.05 | (-)18.44 |
| | **Total** | **62169.35** | **63150.93** | **62820.22** | **51565.00** | **(+)11585.93** | **(+)22.46** |
| 2021-22 | 2071 – Pension and other Retirement Benefits | 56828.14 | 63960.14 | 49980.21 upto Dec, 2021 | 63106.48 | (+)853.66 | (+)1.35 |
| | 2235 – Social Security & Welfare | 44.98 | 44.98 | 37.31 upto Dec, 2021 | 44.45 | (+)0.53 | (+)1.19 |
| | **Total** | **56873.12** | **64005.12** | **50017.52 upto Dec, 2021** | **63150.93** | **(+)854.19** | **(+)1.35** |
| 2022-23 | 2071 – Pension and other Retirement Benefits | 66790.61 | - | - | - | - | - |
| | 2235 – Social Security & Welfare | 50.20 | - | - | - | - | - |
| | **Total** | **66840.81** | - | - | - | - | - |

3.15 Reasons for variations in the Revised Estimates for the last three years 2019-20 to 2021-22 are broadly as under :-

- Due to increase in D.A. rates.

| Date from which payable | Dearness Allowances Rate |
|---|---|
| 01.01.2019 | 12% |
| 01.07.2019 | 17% |
| 01.07.2021 | 31% |

- Due to notional increase in DA rates as per Govt. of India OM No. 1(5)/E.V/2020 dated 07.09.2021 for calculation of gratuity and cash payment in lieu of leave for those employees who retired on or after 01.01.2020 and upto 30.06.2021 is as under –

| Employees retiring during the period | Notional Rate of Dearness Allowance (DA) for calculation purpose |
|---|---|
| From 01.01.2020 to 30.06.2020 | 21% of basic pay |
| From 01.07.2020 to 31.12.2020 | 24% of basic pay |
| From 01.01.2021 to 30.06.2021 | 28% of basic pay |

- Due to increase in number of Pensioners. (Each year about 40,000 new pensioners are getting added)
- Due to increase in pension after attaining the age of 80 years and above.
- Due to increase in Govt. Contribution from 10% to 14% w.e.f. 01.04.2019 of Defined Contribution Pension Scheme (DCPS).

(Rs. in Crores)

| Financial Year | Expenditure under DCPS |
|---|---|
| 2019-20 | 5857.35 |
| 2020-21 | 6446.58 |
| 2021-22 (upto December, 2021) | 5535.91 |

## Demand No.42
## Transfers to States

**Public Finance States Division**

3.16 The State Finances (Public Finance-States) Division of Department of Expenditure looks after matters relating to finances of the State Government, including fixing of borrowing ceiling of the States, issue of permission for borrowings under Article 293 (3) of the Constitution of India, debt relief measures (as recommended by the Finance Commissions), releases of Additional Central Assistance for Externally Aided Projects (Grants and Loan Portion), Special Assistance to States, releases on recommendation of Finance Commissions and Assistance under National Disaster Response Fund (NDRF) and National Disaster Mitigation Fund (NDMF) under Demand No. 42.

3.17 Till 2014-15, PF-S Division was releasing the funds under both under Plan & Non-Plan. Plan Grants comprised of 'Block Grants' which consisted the Normal Central Assistance (NCA), Backward Regions Grant Fund (BRGF) - Scheme (State Component), Additional Central Assistance (ACA) for Externally Aided Projects (EAPs), Special Central Assistance (SCA), Special Plan Assistance (SPA), etc. Non-Plan Grants were provided as recommended by FC-XIII for its award period 2010-15. With effect from 2015-16, the release of Finance Commission grants were being made as per the recommendations of Fourteenth Finance Commission (FFC) for its award period 2015-20, based upon the prescribed conditionality by FFC and accepted by Central Government. The 15$^{th}$ Finance Commission (XV-FC) has submitted its recommendation for the year 2020-21 and further for the period 2021-26. These recommendations are already accepted by Central Government. The Grants recommended by 15$^{th}$ Finance Commission are covered under Article 275(1) of the Constitution and are charged expenditure.

3.18 The 15$^{th}$ Finance Commission, after making detailed assessment of the revenue expenditure need of the States has recommended tax devolution of 41% in the divisible pool of Central Taxes.

3.19 The State's share of Central Tax during 2022-23 BE is estimated to be Rs.8,16,649.47 crore as compared to Rs.7,44,784.62 crore in 2021-22 RE showing an increase of Rs.71,864.85 crore during 2022-23. Besides, as per the 15th Finance Commission recommendation, Grant-in-aid of Rs.1,18,452 crore to cover revenue deficit of State, local body grants (rural and urban local bodies) of Rs.67,015.00 crore & grants of Rs.22,184.00 crore for augmenting the State Disaster Response Fund (SDRF) has also been provided during BE 2021-22.

3.20 An amount of Rs.1,92,108.00 crore is estimated in 2022-23 (BE) in Demand No. 42 for Finance Commission Grants.

3.21 The Details of provisions and releases under Demand No. 42 for the period (2019-20 to 2022-23) are given in Statement No. 1(a) & (b).

## Statement No. 1(a)

**Scheme-wise BE,RE & Actual Releases during the period 2019-20 to 2021-22 & BE for 2022-23 regarding Schemes under Demand No. 42 of Ministry of Finance, Department of Expenditure, Public Finance-States**

(Rs. In Crore)

| SL No. | Name of the Scheme | 2019-20 | | | 2020-21 | | | 2021-22 | | | | BE 2022-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | BE | RE | Actual Releases | BE | RE | Actual Releases | BE | RE | Actual Releases till 31.01.2022 | Short-fall/Excess, if any, with reasons | |
| 1 | Special Assistance | 15000.00 | 4000.00 | 1623.70 | 15000.00 | 3000.00 | 1996.16 | 15000.00 | 5000.00 | 1051.00 | Special Assistance' is a need based assistance which is provided to States as and when demanded. The allocation under this head was reduced by Rs.10000.00 crore at RE stage. | 15000 |
| 2 | Grant to areas not covered by Part IX and IXA of the Constitution | 500.00 | 500.00 | 500.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 'Grant to areas not covered by Part IX and IXA of the Constituion is a new budget line which will be the support to all those areas which have not been covered by The Fourteenth Finance Commission (FFC) irrespective of the area being covered under the Sixth Schedule or not.This scheme has been discontinued from FY-2020-21 | 0 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 3 | Addl. Central Assistance for Externally Aided Projects (EAPs) (Loans & Grants) | 24223.28 | 28000.00 | 27369.81 | 29000.00 | 34525.00 | 30195.05 | 49750.00 | 31165.00 | 20924.85 | CAA'A is the nodal agency for the releases of Additional Central Assistance for Externally Aided Projects. The releases are dependent upon the disbursement of loan amount by donor agencies. The allocation under this head was reduced by Rs. 18585.00 crore at RE stage. | 36002 |
| 4 | Support for COVID-19 Vaccination | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 35000.00 | 39000.00 | 35000.00 | This is new Budget line intoduced from FY 2021-2022 in order to provide support for COVID-19 Vaccination. The allocation under this head was incresed by Rs.4000.00 crore at RE stage. | 5000 |
| 5 | Back to Back Loans to States in lieu of GST Compensation Shortfall | 0.00 | 0.00 | 0.00 | 0.00 | 110208.00 | 110208.00 | 0.01 | 159000.00 | 159000.00 | This is new Budget line intoduced from FY-2020-2021 in order to compansate GST Shortfall to the states and Uts. | 0.01 |
| 6 | Special Assistance as Loan to States for Capital Expenditure | 0.00 | 0.00 | 0.00 | 0.00 | 12000.00 | 11830.29 | 10000.00 | 15000.00 | 5191.86 | This is new Budget line introduced from FY 2020-2021 in order to provide Special Assistance as Loan to States for Capital Expenditure. The allocation under this head was increased by Rs.5000.00 crore at RE stage. | 100000 |
| | **Total** | **39723.28** | **32500.00** | **29493.51** | **44000.00** | **159733.00** | **154229.50** | **109750.01** | **249165.00** | **221167.71** | **0.00** | **156002.01** |

## Statement 1 (b)

**Scheme-wise BE,RE & Actual Releases during the period 2019-20 to 2021-22 & BE for 2022-23 regarding finance Commission Grants under Demand No.42 of Ministry of Finance, Department of Expenditure, Public Finance-States**

(Rs.in Crore)

| Sl.No. | Schemes | 2019-20 | | | 2020-21 | | | 2021-22 | | | 2022-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | BE | RE | Actual | BE | RE | Actual | BE | RE | Actual upto 31.01.2022 | BE |
| A.1 | Post Devolution Revenue Deficit Grant | 34206.00 | 28313.50 | 28313.50 | 30000.00 | 74340.00 | 74340.00 | 118452.00 | 118452.00 | 98709.99 | 86201.00 |
| 2 | Grant-in-Aid for State Disaster Relief Fund | 10343.85 | 10937.63 | 10937.63 | 20000.00 | 22262.43 | 22262.43 | 22184.00 | 17747.20 | 17747.20 | 18635.20 |
| 3 | Grant-in-Aid for State Disaster Mitigation Fund | 0.00 | 0.00 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 4436.80 | 0 | 4658.8 |
| 4 | Grants for Local Bodies | | | | | | | | | | |
| 4(i) | Rural Bodies | 52557.60 | 58615.66 | 59360.96 | 69924.80 | 60750 | 60750 | 44901.00 | 42623.00 | 28956.06 | 46513.00 |
| 4(ii) | Urban Bodies | 23358.77 | 25843.09 | 25097.77 | 30000.00 | 25000 | 26710.07 | 22114.00 | 14614.00 | 8017.73 | 22908.00 |
| 5 | Grant for Health Sector | 0.00 | 0 | 0.00 | 0.00 | 0 | 0.00 | 13192.00 | 13192.00 | 12251.82 | 13192.00 |
| | **Total** | **120466.22** | **123709.88** | **123709.86** | **149924.80** | **182352.43** | **184062.50** | **220843.00** | **211065.00** | **165682.80** | **192108.00** |
| B. | National Disaster Response Fund (NDRF) | 10000.00 | 20000.00 | 18888.50 | 25000.00 | 10000.00 | 8257.11 | 12390.77 | 9000.00 | 5134.92 | 10408 |
| C. | National Disaster Mitigation Fund (NDMF) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2478.15 | 0.00 | 2602.00 |

## IV BUDGETARY ALLOCATIONS AND OTHER ISSUES

### A. Demand No. 30- Department of Economic Affairs

**(Rs.in crore)**

| Year | BE | RE | Actuals |
|---|---|---|---|
| 2019-20 | 20420.43 | 28582.62 | 16203.68 |
| 2020-21 | 51658.96 | 38645.88 | 26855.69 |
| 2021-22 | 99549.53 | 55168.83 | |
| 2022-23 | 19926.80 | | |

On being asked about the reasons for steep decrease of Rs.44380.70 crore at the RE stage from BE 2021-22 i.e Rs.99549.53 crore to RE 2021-22 being Rs.55168.83 crore the Secretary DEA deposed the following during the sitting of the committee on 23.02.2022:-

*"The main difference is arising on account of two provisions, one, the budget provision for 2021-22 included a provision of Rs.29,500 crore towards transfer to Contingency Fund from the Consolidated Fund. That was a one-time activity to increase the size of the Contingency Fund to Rs.30,000 crore. The budget of 2021-22 included a large provision on the infrastructure provision depending upon the demands of the needs of various Ministries. Out of that provision of Rs.44,714.64 crore, almost Rs.29,000 crore through Supplementary Grants has been allocated to other Ministries for their actual expenditure for the year. Next year, the similar provision has not been taken. Allocation has been rather made towards the demands of the Ministries directly"*

4.2 The details were supplemented as follows in the replies:

"In this context, it is submitted that the decrease in RE 2021-22 over BE 2021-22 is mainly on account of the "Support for Infrastructure Pipeline" (BE 2021-22 is Rs. 44714.64 crore). This was a centralized provision made in the Demands of DEA to cater requirement of funds for projects / programs of the various departments that show good progress on capital expenditure during the course of the year. The provision was accordingly reallocated for utilization by the various Ministries / Departments for their capital expenditure. For instance, in the Second Batch of Supplementary Demands for Grants of 2021-22, an amount of about ₹29 thousand crore has been re-appropriated in the Min./Deptt.s viz. Road Transport & Highways, Defence, Atomic Energy etc. It is expected that the provision would be fully utilized in the current financial year."

4.3 The Department also informed that The Actual expenditure for 2021-22 (as on 14.02.2022) under the D/o Economic Affairs' Demand is ₹40149.32 crore.

4.4 Further, the Department justified the current allocation of Rs.19926.80 crore for FY 2022-23 as below:

1. Demand No. 30 dealing with the Department of Economic Affairs, has a total budget provision of ₹19926.80 crore (Gross). This includes ₹6736.88 crore for Revenue Expenditure and ₹13189.92 crore for Capital Expenditure. There is a decrease of ₹79622.73 crore (Gross) in BE 2022-23 over BE 2021-22.

2. The Budget Provision includes Secretariat/establishment expenditure of ₹248.39 crore for the Department of Economic Affairs including G-20 Secretariat, Financial Stability and Development Council(FSDC), National Savings Institute(NSI), Security Appellate Tribunal(SAT), Forward Markets Commission(FMC) and establishment expenditure of the Economic Wings of the Embassy of India Washington, Tokyo and Beijing.

3. Other significant components of expenditure are as follows:-

i. An allocation of ₹6803.01 crores has been made for Central Sector Schemes/ Projects for the year 2022-23 in respect of Demand No.30-Department of Economic Affairs. This includes allocation of ₹5003.01 crores to National Investment and Infrastructure Fund, ₹500.00 crores for assisting Public Partnership Projects in Infrastructure sector through Viability Gap Funding and ₹1300.00 crores on Line of Credit under Indian Development and Economic Assistance Scheme (IDEAS).

ii. Purchase of coins from Security Printing and Minting Corporation of India Limited for supply to Reserve Bank of India ₹1518.00 crore.

iii. ₹1740.69 crore provision has been made on Investments in International Financial Institutions including provisions for India's subscription to International bank for Reconstruction and Development (IBRD) towards payment for General Capital Increase (GCI) and Selective capital Increase (SCI); International Finance Corporation (IFC) towards General Capital Increase(GCI); Subscription to Asian Development Bank; Subscription to African Development Bank & Fund; International Monetary Fund (IMF).

iv. Other expenditures include contribution to various International bodies i.e, United National Development programme(UNDP), Asian Development Bank, Global Environment Facility(GEF), Global Fund for AIDS, TB and Malaria(GFATM), Global Alliance for Vaccines and Immunization(GAVI), International Development Association(IDA), towards Guarantee Redemption Fund(GRF), Sovereign Gold Bond Scheme(SGBS) 2015, Sovereign Gold Monetization Scheme 2015(SGMS), Special Window for Affordable & Middle Income Housing(SWAMIH) and for Capital infusion into NIIF Infrastructure Debt Financing Platform etc.

4.5 The committee also deliberated about the status of NIF, the amount of capital invested into it and it's impact in terms of the multiplier effect, in light of how vitally important it is to be able to provide equity capital for infrastructure and for growth capital.

4.6 The Committee also discussed the huge discrepencies in the budget estimates and actual expenditure in Major Head 5465- Investment in General Financial and Trading Institutions. The provision under the head includes investment into National Investment and Infrastructure Fund Limited (NIIFL), National Investment and Infrastructure Fund (NIIF), Special Window for Affordable and Middle Income Housing (SWAMIH), Capital Infusion into NIIF Infrastructure Debt Financing Platform and transfer to National Investment Fund (NIF). The budget estimate for 2019-20 was Rs 2247.01 crore and the actual expenditure was Rs. 4041.34 crore while BE FY 2020-21 was Rs 13500.03 crore and actual expenditure was Rs 7482.72 crore. The actual expenditure upto 31.12.2021 is Rs 1219.43 crore against the budgeted allocation of Rs 10750.01 crore

## B. Output Outcome Budget

4.7 During the sitting of the committee it was deliberated that the output outcome budget should have figures of achievement for the previous two or more fiscal years along with the outputs and outcomes of the current fiscal year for better understanding and clearer picture of the objectives achieved.

4.8 The Finance Secretary on the issue responded as follows:

*"On the point on the outcome and output Budget is noted. The work is in progress and it has incomplete information. We are trying to improve it."*

## C. Demand No. 32: Department of Financial Services

4.9 On being asked the details about their budget outlay for FY2022-23, Secretary DFS submitted:

*"The total net budget sought by the department in the next Financial Year on a net basis is Rs. 5,313.74 crore. Out of this, the capital expenditure is about 79 per cent. This is against this year's Revised Estimates of about Rs.35,000 crore. There are three broad buckets in which the budget of the Department can be divided. The first relates to the capitalisation and recapitalisation of Public Sector Banks, insurance*

*companies and financial institutions under the Department. There is a decrease in requirement under this Head from Rs.26,934 crore this year to Rs.3,461 crore. The primary reason for that being that there is a provision of Rs.20,000 crore for NaBFID, the development financial institution which has been set up and these funds are not required for the next year. The requirements for the other banks and FIs are also lower next year in view of the improved solvency and capital adequacy of the banks and the financial institutions.*

*The second major component pertains to the Credit Guarantee Schemes. This includes the Partial Credit Guarantee Scheme, the Credit Guarantee Scheme for Microfinance Institutions, Loan Guarantee Scheme for COVID-affected sectors, Credit Guarantee Scheme for PMMY, Stand-Up India loan, etc. The total requirement under this bucket is Rs.1350 crore.*

*The third component is the flagship schemes of the Department for financial inclusion and for the senior citizens. The financial inclusion schemes are subscription-based and no direct budgetary provisions are sought other than for promotional campaigns of the insurance schemes and for the incentives for the pension scheme, that is, the Atal Pension Yojana. There is, however, a direct budgetary support for the senior citizen schemes which aim to protect the pension and the interest rates for the deposits of the senior citizens. There is an increase from Rs. 388 crore as per RE of this year to Rs.768 crore proposed BE for next year under these schemes."*

**D. Demand No. 33: Department of Public Enterprises**

**(Rs. in crore)**

| Year | BE | RE | Utilization amount | Surrendered amount |
|---|---|---|---|---|
| 2019-20 | 22.64 | 22.64 | 21.10 | 1.53 |
| 2020-21 | 24.15 | 17.84 | 16.15 | 7.99 |
| 2021-22 | 21.81 | 177.00 | | |
| 2022-23 | 30.00 | | | |

4.10 On being questioned about the reasons for steep increase in the RE in 2021-22 i.e. from BE Rs.21.81 crore to RE Rs. 177.00 crore and then BE 2022-23 back to a mere Rs. 30 cr, the Department of Public Enterprises furnished the following:

"The sharp increase in the allocation is largely owing to provisions for a SPV. In pursuance to the Budget announcement 2021-22 by the Hon'ble Finance Minister, the process of setting up of Special Purpose Vehicle (SPV) for monetization of surplus land with government Ministries/Department and Public Sector Enterprises has been initiated by DIPAM. It has been decided that once the SPV is approved the work related to it shall be handled by DPE. Committee of Establishment Expenditure (CEE) in its meeting on 07.07.2021 has also recommended establishment of land monetization SPV as a wholly owned CPSE with an authorized share capital of Rs.5000 crores and subscribed and paid capital of

Rs.150 crores to be funded by Government of India by way of equity for the purpose of for establishment, operation and management of the SPV. The Cabinet Note has been moved by DIPAM. Accordingly, an amount of Rs.150 crores as equity investment in SPV and Rs. 3 crores for the expenditure in connection with incorporation of the SPV has been provisioned in RE2021-22.

In BE for 2022-23 (i.e. Rs.30 crore), additional expenditure in comparison with BE in 2021-22 (i.e. Rs.21.81 crore) is Rs.8.19 crore. This consists mainly of additional requirements of Rs.3.35 crore for Professional & Special Services for SPV, Rs.2.38 crore for salaries, Rs.2.0 crore for Minor Work for upgrading office infrastructure."

**E. Financial support to National Credit Guarantee Trust Company (NCGTC) for Credit Guarantee Fund for providing Guarantees to loans extended under PMMY**

**Demand No: 32**
**Department: Financial Services**
**Major Head; 3465**
**Minor Head: 01**
**Detailed Head: 190.08.03.31**

**(Rs in crore)**

| Year | BE | RE | Actuals |
|---|---|---|---|
| 2019-20 | 500.00 | 500.00 | 0.00 |
| 2020 -21 | 500.00 | 500.00 | 0.00 |
| 2021-22 | 2500.00 | 10.00 | |
| 2022-23 | 100.00 | | |

4.11 Department of Financial Services was asked the reasons for inconsistency in the amount allocated under this Head of account i.e Rs.500 crore, Rs.2500 crore and Rs.100 crore allocated for 2020-21, 2021-22 and 2022-23 and the Department furnished the following:

"U.K. Sinha Committee on MSMEs had recommended enhancement of corpus of Credit Guarantee Fund for Micro Units (CGFMU) from Rs.3,000 crore to Rs.10,000 crore by 2024. Accordingly, a proposal to augment the corpus of CGFMU from Rs.3,000 crore to Rs.10,000 crore was sent to Department of Expenditure (DoE) initially on 17.09.2020 for seeking approval of EFC with the proposed allocation in the subsequent years as under: -

(in Rs. crore)

| Financial Year | Allocation of Funds |
|---|---|
| 2019-2020 | 500 |
| 2020-2021 | 2500 |
| 2021-2022 | 2000 |
| 2022-2023 | 2000 |

However, due to pandemic led restrictions certain steps were taken as part of Aatma Nirbhar Bharat Abhiyan to mitigate the effect of the lockdown due to COVID-19 pandemic, *inter-alia*, in respect of PMMY borrowers:

(i) Interest Subvention of 2% on prompt repayment of Shishu loans extended under PMMY for a period of 12 months to eligible borrowers;

(ii) As part of COVID-19 Regulatory Package, Reserve Bank of India (RBI) permitted all lending institutions to grant a moratorium of six months on payment of all installments of term loans including payment of interest on working capital falling due between 01.03.2020 and 31.08.2020. This moratorium also applied to PMMY loans;

(iii) Ex-gratia relief was provided by way of payment of difference between compound interest and simple interest on the outstanding as on 29.2.2020 to eligible borrowers in the specified loan accounts, for a period of six months from 01.03.2020 to 31.08.2020;

(iv) Under the Emergency Credit Line Guarantee Scheme (ECLGS) launched on 23.05.2020, fully guaranteed and collateral-free Guaranteed Emergency Credit Line (GECL) from Scheduled Commercial Banks, Financial Institutions and NBFCs is provided to eligible MSME units, business enterprises and individual loans for business purposes to the extent of 20% (since enhanced to 30%) of their outstanding credit as on 29.02.2020.

(v) RBI's scheme for one-time restructuring of loans to MSMEs was extended up to 31.3.2021 to support the viable MSME entities."

## F. Disinvestment Targets

4.12 Enquiring from Department of Investment and Public Asset Management (DIPAM) about the reasons for the large decrease in the target fixed for disinvestment in RE 2021-22 and BE 2022-23 i.e from a target of Rs. 1.75 lakh crore in BE 2021-22 and revising it to Rs.78000 crore in RE 2021-22 and now in FY 2022-23 setting a target of Rs. 65000 crore, the Secretary, Department of Investment and Public Asset Management (DIPAM) made the following oral submission during the sitting of the Committee held on 23.02.2022:

*"the other question was about the poor estimation. We are indicating a large disinvestment figure and we are not able to reach it year after year...*

*...So, we have learnt this that keeping a very high target and not being able to achieve is not something which is a good strategy to have."*

4.13 In the written replies, it was furnished that:

"The B.E for disinvestment receipts from CPSEs for 2021-22 was kept at Rs. 1,75,000 crore. However, the RE for FY 2021-22 and BE for FY 2022-23 have been kept at Rs. 78,000 crore and Rs. 65,000 crore respectively after careful consideration of feasibility of conclusion of transactions

Overall, from the value maximisation objective, it is felt that setting up and unrealistic disinvestment targets purely to address fiscal deficit may not be in the best financial interests of the Government, as it may lead to value erosion of CPSE stocks due to likely price overhang in anticipation of likely disinvestment by the Market-makers about which specific transactions Government might go ahead to meet high Budget targets. This impinges on the market Cap of major CPSEs which also impedes best value from the disinvestment transactions in the nature of minority stake sale transactions."

4.14 Further, the committee discussed about the development/redevelopment of land of certain PSUs and public enterprises which have been shut down/disinvested and their idle land is now being encroached. It was further deliberated that amicable solutions be reached at with the state governments so that valuable lands don't end up with no ownership or no value to the government.

4.15 On being asked about asset monetization and status of National Monetisation Pipeline, Secretary, DIPAM deposed as below:

*"There were also questions about asset monetization. On this, I would like to clarify that NITI Aayog monitors at the Ministry level on this issue because various Ministries are involved in asset monetization."*

**G. Capital Expenditure**

4.16 The Central Budget (2022-23) puts special focus on capital expenditure increasing it 35% higher than capital allocation in BE 2021-22. The Committee enquired about the major sectors in which the money is proposed to be spent, how the Government would fund and achieve their capital spending targets during the FY 2022-23, percentage of utilization of capex during the year 2021-22 and how much private sector capex does the government estimate in the forthcoming fiscal to supplement the proposed capex.

4.17 The Ministry furnished the following reply:

"The major sectors are as under:

| Sl. No. | Min/Dept./Sectors | Capital outlay in BE 2022-23 | |
|---|---|---|---|
| | | Amount (Rs. crore) | % |
| 1 | Road Transport & Highways | 1,87,744 | 25% |
| 2 | Railways | 1,37,100 | 18% |
| 3 | Defence Capital | 1,52,370 | 20% |
| 4 | Telecom | 54,150 | 7% |
| 5 | Special Assistance as Loan to States for Capital Expenditure | 1,00,000 | 13% |
| 6 | Housing and Urban Affairs (Metros) | 27,341 | 4% |
| 7 | Atomic Energy | 14,283 | 2% |
| 8 | Others | 77,258 | 10% |
| | Total | 7,50,246 | 100% |

Total expenditure in BE 2022-23 is estimated at Rs. 39.45 lakh crore. Rs. 31.95 lakh crore is estimated on revenue account and Rs. 7.50 lakh crore is estimated on capital account. It is proposed to finance the above expenditure by mobilizing resources from tax receipts (Rs. 19.35 lakh crore), Non-tax receipts (Rs. 2.70 lakh crore), Disinvestment receipts (Rs. 0.65 lakh crore), borrowings & other liabilities (Rs. 16.61 lakh crore)."

4.18 With regards to utilization of capex during the year 2021-22, it was furnished:

"BE 2021-22 for capital expenditure was Rs. 5.54 lakh crore. In RE 2021-22, capital expenditure is estimated at Rs. 6.03 lakh crore, which includes capital infusion/loans to AIAHL/AI for settlement of past guaranteed and sundry liabilities, not backed by assets amounting to Rs. 0.52 lakh crore. Therefore, actual capital expenditure in RE 2021-22, excluding this onetime provision (Rs. 0.52 lakh crore) is estimated at Rs. 5.51 lakh crore."

4.19 With regards to government estimate of private sector, the following was furnished:

"India needs to invest $1.4 trillion by 2024-25 on infrastructure to achieve $5 trillion GDP (Economic survey 2021-22). Public investment is the key to unlocking the private investment in infrastructure. Thus, in the forthcoming fiscal, there is an enhanced allotment for capex worth Rs 7.50 lakh crore, 35% increase over previous year. Government of India plays a catalytic role in crowding in funding from multiple sources. GoI has launched the National Infrastructure Pipeline worth Rs 111 lakh crore of which 83% is to be met from multiple sources of public funding, innovating financing instruments, bank debt and promoter equity. Of the total anticipated funding, around Rs. 6 lakh crore till 2025, is to be met through monetization and structured financing models of REITs and InvITs. With infrastructure focus through

NIP, NMP and PM-Gatishakti, an enhanced capex target, private investment is expected to rise over the years."

H. **Funds to states**

4.20 During the sitting of the Committee, the issue of capital expenditure push directed at States and it's impact on fiscal independence of the states was raised, to which the Finance Secretary clarified as below:

*"As regards the Capital Expenditure scheme it does not in any way reduce any other borrowing entitlement of the States. The four per cent of fiscal deficit that they are entitled to is intact. It is not part of that. It is over and above that. It, in no way encroaches upon any of the existing funding sources of any of the States. It is in no way tied to the back-to-back loans for GST. It is a completely orthogonal and different source of money. The States do not have to borrow this money. This money will be released by a release order from the Department of Expenditure to the States. So, they do not have to go to the market or raise this money from anybody. It is interest free and has a duration of 50 years...*

*...Apart from other reasons, every State does partake of externally-aided projects from the World Bank, the ADB, the Asian Infrastructure Bank. All of these are actually loans to the Centre which the Centre then lends to the State because the multilaterals only deal with the sovereign. They do not deal with sub-sovereign entities for these loans. So, there is no time in the foreseeable future where any State Government would not have indebtedness to the Central Government."*

4.21 The committee also discussed about the reduction in allocation of the price support scheme which is used to procure rice from farmers. The MOU which is signed between the Ministry of Food or the Food Corporation of India (FCI) in a tripartite kind of an agreement with the State Government involves giving a provisional subsidy and an advanced subsidy to the State Government which is then used as a rolling kind of a fund to buy paddy from the farmers, sell it back or give it to the PDS, and again reimburse the money from Government of India, use that money again.A systemic solution to the problem of state government borrowing from government of India to facilitate procurement from farmers and paying interest on it without any reimbursement puts pressure on the state's economy.

4.22 Finance Secretary on the issue deposed as follows:

*"I have taken note on the point of Food Corporation of India and the mechanism for payment and the delays and how can that be streamlined. I will certainly pass this on to the Food Secretary to do what we can to streamline that."*

## I. Employment Strategy

4.23 On being questioned about short term, medium term and long term plans for employment and job creation/growth the Finance Secretary deposed as follows during the sitting of the Committee on 23.02.2022:

*"In terms of short-term, medium-term and long-term plans for employment, what is envisaged in the Budget is that in the short-term it is a quick push towards labour-intensive capital expenditure both in the Central sector and through the States for which a substantial amount of money has been provided. The hope being that dispersed small capital projects spread across the country spent through the State Governments will give a kickstart to employment. Secondly, there is a thrust towards saving jobs, which has been the characteristic of response to last year, which is through keeping alive those micro, small and medium enterprises, which would otherwise have gone under which was through the Emergency Credit Line Guarantee Scheme. Thirdly, we have announced in the Budget -- which has not received much attention -- a revamping of the Credit Guarantee Fund Trust for Micro and Small Enterprises, which will actually involve a capital infusion into that Trust and the aim is to try and mimic the success of the ECLGS. ECLGS was for existing borrowers who were affected by the pandemic. The idea is to see if that can be reproduced for new borrowers...*

*...in the medium-term, there has been a series of initiatives for production-linked incentives to get India into global supply chains in critical industries of the future...*

*...It was mentioned in the Budget that approximately six million jobs are estimated to be created from these schemes when they are fully rolled out. So, that is part of the medium-term strategy.*

*In the longer-term, India has also entered into Free Trade Agreement with UAE. So, a strong look at export push is part of the strategy and in the long run the Budget spent a lot of time on sunrise industries of the future, which will actually create jobs of the future."*

## J. Borrowings

4.24 The committee enquired about the anticipated borrwings for this fiscal year and questioned about factoring in the fact of moving from an easing to a very rapid tightening cycle , disturbed global environment and the fiscal and debt dynamics in the modelling of borrowings.

4.25 Secretary, DEA elaborated on the issue as follows:

*"On the borrowings part, the fiscal deficit has gone up by about Rs. 1,50,000 crore, from 15.07 lakh crore to 16.01 lakh crore. But the market borrowing appears to be higher as the deficit is higher by Rs. 1,50,000 crore, and the repayments are more.*

*So, if you look at the net basis, it goes up by a smaller amount. The second one, the assumption is, the small savings, in the current year in the RE, are expected to give about Rs. 5.9 lakh crore. In the next fiscal year, it may be about Rs. 4.25 crore. It is an assumption and it is always a constant play."*

## K. Health of Banking Sector

4.26 The Committee enquired about the projections with respect to NPAs in the country and what specific measures are being undertaken to keep NPAs in check. Also, information on some heads with a comparative data / assessment of pre-covid and post-covid scenario for both public sector and private sector banks was sought, to which the following reply was furnished:

"The Reserve Bank of India has informed as under:

| Items | Public Sector Banks | | | | Private Sector Banks | | | |
|---|---|---|---|---|---|---|---|---|
| | 31-Mar-19 | 31-Mar 2020 | 31-Mar-2021 | 31-Dec-2021 | 31-Mar-2019 | 31-Mar-2020 | 31-Mar-2021 | 31-Dec-2021 |
| Gross NPAs outstanding | 7,39,541 | 6,78,317 | 6,16,616 | 5,60,378 | 1,80,872 | 2,05,848 | 2,02,266 | 1,91,273 |
| Gross NPAs to Gross Advances (%) | 11.59 | 10.25 | 9.11 | 7.90 | 5.25 | 5.45 | 4.94 | 4.33 |
| Decrease in Gross NPA* | 1,56,060.3 | 61,224.0 | 61,701.4 | 56,237.7 | -55,009.6 | -24,975.4 | 3,581.7 | 10,993.3 |
| Net NPAs outstanding | 2,84,689 | 2,31,551 | 1,97,360 | 1,68,985 | 66,895 | 55,632 | 56,269 | 49,221 |
| Net NPAs to Net Advances (%) | 4.80 | 3.76 | 3.11 | 2.52 | 2.01 | 1.53 | 1.42 | 1.15 |
| Decrease in Net NPA * | 1,69,531.6 | 53,138.3 | 34,191.1 | 28,374.4 | -3,134.6 | 11,262.4 | -636.8 | 7,047.9 |
| Stressed Advances (GNPAs+Rest StdAdv) | 7,70,312 | 7,11,109 | 6,69,855 | 6,69,294 | 1,91,154 | 2,11,941 | 2,24,382 | 2,73,950 |
| Stressed Advances (GNPAs+Rest StdAdv) to Gross Advances (%) | 12.07 | 10.75 | 9.89 | 9.44 | 5.55 | 5.61 | 5.48 | 6.20 |
| Decrease in stressed Assets * | 1,71,768.4 | 59,202.4 | 41,254.0 | 561.7 | -53,007.3 | -20,787.2 | -12,441.5 | -49,568.0 |
| Reduction in NPAs - due to write-offs - during- (April to Date) | 1,83,202 | 1,75,877 | 1,31,894 | 86,090 | 48,614 | 52,633 | 66,863 | 40,449 |
| Reduction in NPAs - due to write-offs (Technical/Prudential Write-offs/ AUC )-during- (April to Date) | 1,04,068 | 92,935 | 70,879 | 47,182 | 35,209 | 29,768 | 44,700 | 20,914 |
| Reduction in NPAs - due to upgradation -during- (April to Date) | 33,553 | 20,936 | 16,145 | 38,122 | 15,337 | 21,186 | 15,203 | 42,676 |
| Restructured Advances - Total | 1,50,841 | 1,20,565 | 1,34,928 | 0 | 39,082 | 30,902 | 42,720 | 0 |
| Loans sold to ARCs during (April to date) | 22,551 | 6,912 | 5,494 | 6,042 | 8,465 | 4,464 | 9,876 | 9,311 |

Source: RBI

'*' Negative figures indicate increase in Gross NPA/Net NPA/Stressed Assets

Data for ' Loans sold to ARC' - Global Operations is not available.

Data is as reported by Supervised entities

As per the Financial Stability Report (FSR) released by Reserve Bank of India (RBI) in July 2021, macro-stress tests indicate that the gross non-performing asset (GNPA) ratio of Scheduled Commercial Banks (SCBs), under the baseline scenario, may increase from 7.48 per cent in March 2021 to 9.80 percent by March 2022.

As per RBI inputs, the said GNPA ratio has been arrived at without factoring in the impact of the policy actions under way. Therefore, the actual movement of GNPAs of SCBs will depend on the extent to which the benefit of such policy interventions from the Central Government and RBI is availed of by the eligible borrowers which, in turn, facilitates revival of accounts under stress.

Comprehensive steps have been taken by the Government to reduce NPAs and to effect recovery, which enabled PSBs to recover Rs.5,49,327 crore over the last seven financial years. The steps taken include, *inter alia*, the following:

(1) Change in credit culture has been affected, with the Insolvency and Bankruptcy Code (IBC) fundamentally changing the creditor-borrower relationship, taking away control of the defaulting company from promoters/owners, and debarring wilful defaulters from the resolution process. To make the process more stringent, personal guarantor to corporate debtor has also been brought under the ambit of IBC. Under IBC, resolution plans have been approved in 394 cases up to June 2021, with Rs.2.45 lakh crore amount realisable by financial creditors.

(2) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 has been amended to make it more effective, with provision for three months' imprisonment in case the borrower does not provide asset details, and for the lender to get possession of mortgaged property within 30 days.

(3) As per RBI instructions, wilful defaulters are not sanctioned any additional facilities by banks or financial institutions, and their unit is debarred from floating new ventures for five years.

(4) Wilful defaulters and companies with wilful defaulters as promoters/directors have been debarred from accessing capital markets to raise funds, *vide* Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2016.

(5) Jurisdiction of Debt Recovery Tribunal (DRTs) was increased from Rs.10 lakh to Rs.20 lakh to enable the DRTs to focus on high value cases resulting in higher recovery for the banks and financial institutions. Six new DRTs have also been established to expedite recovery.

(6) With Government infusion supplementing the raising of capital by PSBs from market, PSBs have achieved a high provisioning coverage ratio of 83.7% as on 31.3.2021, equipping them to take decision on resolution of NPAs without being constrained on account of such decision impacting their profitability.

(7) Key reforms have been instituted as part of the Public Sector Banks Reforms Agenda, including, *inter alia*, the following:

(i) Stressed Asset Management Verticals were set up in banks for focused slippage prevention, recovery arrangement and time-bound action in respect of large-value stressed assets.

(ii) Board-approved loan policies of PSBs now mandate tying up necessary clearances/approvals and linkages before disbursement, scrutiny of group balance-sheet and ring-fencing of cash flows, non-fund and tail risk appraisal in project financing.

(iii) Use of third-party data sources for comprehensive due diligence across data sources has been instituted, thus mitigating risk on account of misrepresentation and fraud.

(iv) Monitoring has been strictly segregated from sanctioning roles in high-value loans, and specialised monitoring agencies combining financial and domain knowledge have been deployed for effective monitoring of loans above Rs.250 crore.

(v) To ensure timely and better realisation in one-time settlements (OTSs), end-to-end OTS platforms have been set up in PSBs."

4.27 Secretary, DFS on the issue of NPAs stated the following:

*"... some figures which are true given by the RBI related to NPA going up from 7.48 per cent as on 31st March, 2021 to 9.8 per cent this year. While I am not disputing those figures as those are the projections given by the RBI in July last year, in so far as the public sector banks are concerned, I am happy to state that the NPAs at the gross level have in fact decreased from 9.11 per cent as on 31st March, 2021 to 7.90 per cent as on 31st December, 2021."*

## L. Export Import (EXIM) Bank

4.28 The committee also dealt with the need for sufficient capitalisation of EXIM bank and possession of adequate credit skills from geo-political point of view for enhancing its competence.

4.29 During the sitting the following issue was talked upon:

*"...we are competing with China, particularly, in Africa, in financing many of these projects. We had a number of people from EXIM Bank. They feel that they are very under-capitalized and under-equipped to compete with China in these kinds of projects and it is also vitally important for our companies to be able to have access to financing for the projects that they compete with around the world."*

## M. The National Bank for Financing Infrastructure and Development (NaBFID)

4.30 The Committee enquired about the projections for NaBFID and provision of sufficient equity capital against the current modest funds provided, to which the Secretary, DFS stated the following during the sitting of the Committee on 23.02.2022:

> *"There was a question of NaBFID. Rs. 20,000 crores have been given as equity support and another Rs. 5000 crores will be given as a grant and as NaBFID is already operational, we had a meeting with the Chairperson. He is very confident that in the first quarter of the next fiscal, loans will be sanctioned. The target that we have set for the next year is about a lakh of crore. The full action plan is being prepared for the same."*

## N. National Asset Reconstruction Company Limited (NARCL)

4.31 On being asked about the status of the National Asset Reconstruction Company Limited (NARCL) or "Bad Bank' proposed in the previous Budget, concerns on the dual structure proposed, hindrances faced, if any, in rollout of the 'Bad Bank' and measures to rectify it, the following reply was submitted:

> "NARCL had received the Certificate of Registration (CoR) from RBI on October 4, 2021 with a six months window to commence operations from the date of CoR. Further, in respect of NARCL and IDRCL dual structure, a meeting led by Chairman, SBI with Dy Governor, RBI was held on 17.01.2022 wherein all outstanding issues were discussed and clarified. The draft Debt Management Agreement with the complete scope of work to be assigned to IDRCL under a Principal– Agent relationship with NARCL acting as Principal and IDRCL acting as its agent was forwarded to RBI on January 21, 2022. RBI vide its letter dated Jan 28, 2022 has advised that they have taken NARCL's submission on record. The submissions made by NARCL pertain to clarifications / status of compliance of conditions advised by RBI while granting Certificate of Registration (CoR). Based on RBI's confirmation vide letter dated 28.01.2022, NARCL, under Phase I, has issued preliminary expression of interest for acquisition of 15 accounts aggregating to Rs.50,335 crores on or before 31.3.2022.
>
> NARCL was proposed to be launched in FY 2021-22, and based on RBI's confirmation vide letter dated 28.01.2022, NARCL has issued preliminary expression of interest for acquisition of 15 accounts identified under Phase I and Due Diligence is presently underway in 14 accounts. The aggregate value of the 15 accounts for which NARCL has given Expression of Interest is approximately Rs. 50335.00 crore
>
> There are no major hindrances pointed out by NARCL at present. A few issues that had emerged have been addressed by all stakeholders"

## O. Digital economy

4.32 In the Central Budget (2022-23) the Government has proposed setting up 75 Digital Banking Units (DBUs) in 75 districts across the country through Scheduled Commercial Banks to boost the growth in the digital economy. Since development of digital infrastructure is critical to support digital banking the Committee sought details as to what steps have been taken by the Government in this regard and how rural India would have access to digital resources at par with those available in urban areas, to which the following reply was submitted:

"The inputs regarding setting up of 75 Digital Banking Units (DBUs) in 75 districts are as under:

(1) RBI has constituted a committee to layout a roadmap for successful implementation of the pilot Programme on establishment of Digital Banking Units (DBUs). The Committee is headed by Shri Ajay Kumar Choudhary, Executive Director, RBI. The Committee is having representation from Commercial Banks including SBI, Indian Banks' Association (IBA) and Departments from Reserve Bank of India.

(2) An initial meeting of the Committee was held on 09.02.2022. A Working group has also been formed based on the discussion held in the meeting. The Working Group has had a meeting on 11.02.2022 and have discussed on the following points:

a) Model to be followed for providing the facilities at DBUs.

b) Minimal facilities to be offered.

c) Future road map for the digital offerings both asset side and liabilities side.

d) Metrices to be followed for measuring the performance of the DBUs.

e) Monitoring the functioning of DBUs.

f) Cyber security awareness.

(3) Suggestions and feedback for successful implementation and establishment of Digital Banking Units (DBUs) would be deliberated upon by the Working Group and the Committee formed by RBI."

## P. ONLINE FRAUDS

4.33 In light of the rising number of online frauds, the Committee enquired about the steps taken to plug them, to which the following reply was submitted:

> "Reserve Bank of India, vide its circular dated 6th July, 2017, has issued guidelines for safeguarding the customers from unauthorized electronic banking transactions, which inter-alia, include steps to address such complaints. The guidelines include the following:
>
> (i) Strengthening of systems and procedures
> (ii) Reporting of unauthorized transaction by customers to banks.
> (iii) Limited liability of a customer
> (iv) Reversal timeline for zero liability/limited liability of customer.
> (v) Board approved policy for customer protection.
> (vi) Burden of proof on banks.
> (vii) Reporting and monitoring requirements.
>
> RBI has also issued a circular on Strengthening of Grievance Redress Mechanism in Banks on January 27, 2021, regarding strengthening and improving the efficacy of the grievance redress mechanism of banks and for facilitating better customer service."

PART II

OBSERVATIONS/RECOMMENDATION

DEPARTMENT OF ECONOMIC AFFAIRS (DEA)

1. The Committee have been impressing upon the need for realistic preparation of budget estimates and revised estimates and full utilisation of allocated funds. The Department of Economic Affairs, being the nodal department in formulation of the budget is expected to observe the requisite financial norms and maintain fiscal prudence, while making budgetary allocations and thus endeavour to be a role model for other Ministries/departments in preparation of realistic estimates and optimal utilisation of funds sanctioned. The Committee note that in the year 2021-22, the BE of Rs. 99549.53 crore was drastically reduced to Rs. 55168.83 crore in the revised estimates i.e. a steep decrease of Rs. 44380.70 crore. The reason cited by DEA for the decreased fund requirement is mainly on account of the Support for Infrastructure Pipeline, which was a centralized provision made in the demands of DEA to cater to the requirement of funds for projects / programs of various departments that show good progress on capital expenditure during the course of the year. The Committee are informed that the provision was accordingly reallocated for utilization by the various Ministries / Departments for their capital expenditure. It is further informed by the Department that the actual expenditure for 2021-22 as on 14.02.2022 is Rs. 40149.32 crore. The Committee would like to point out that compared to the RE 2021-22, the Department still has about Rs. 15019.51 crore (as on 14.2.2022) which remains unutilised with just about a month and a half to go for this

financial year. Needless to emphasise, such chronic instances of "March rush in expenditure" should be clinically avoided and evenness in spending should be maintained across quarters instead of heavy expenditure in the last quarter. This is necessary for better targeting and absorption of funds allocated while keeping the economy on the path of growth and fiscal stability.

2. With regard to Major Head 5465-Investment in General Financial and Trading Institutions, the Committee note that the budget estimate for 2019-20 was Rs. 2247.01 crore and the actual was Rs. 4041.34 crore while BE FY 2020-21 was Rs. 13500.03 crore and actual was Rs. 7482.72 crore. The actual expenditure up to 31.12.2021 is just Rs. 1219.43 crore against the budgeted allocation of Rs. 10750.01 crore. The Committee would expect the Ministry of Finance to refrain from such instances of inconsistent allocations in the budgetary exercise as a whole. The Committee would like to further highlight that schemes/activities should be adequately provided for and nurtured systematically and implemented vigorously so that desired objectives are fully achieved in the manner envisaged. The Committee are also concerned about the limited drawdowns from the National Investment Fund (NIF) over the years and its meager impact in terms of multiplier effect it was envisioned to bring in the economy i.e a significant corpus of government capital/equity investment in turn supporting a greater corpus in terms of debt investment. The Committee desire that this multiplier effect be efficiently realised and the government make gainful use of the corpus fund as mandated.

OUTPUT OUTCOME BUDGET

3. The Committee recommend that the output outcome budget be made more comprehensive and figures of achievement of the previous two or more fiscal years along with outputs and outcomes of the current fiscal year be included for better understanding and clearer picture of the objectives achieved. The Committee believe this will help in understanding whether the money spent last year for a purpose has actually achieved the intended objectives.

DEPARTMENT OF PUBLICENTERPRISES (DPE)

4. The Committee observe that the revised estimates for the Department of Public Enterprises for the year 2021-2022 rose by Rs. 155.19 crore to Rs. 177 crore from the initial budget allocation of Rs. 21.81 crore. It was informed that the sharp increase in the allocation is due to provisions for setting up of Special Purpose Vehicle (SPV) for monetization of surplus land with government Ministries/Departments and Public Sector Enterprises which has been initiated by DIPAM. The Committee were further informed that it has been decided that once the SPV is approved, the work related to it shall be handled by DPE. The Committee believe that the SPV for putting together of landholdings can be a major monetisation opportunity and execution of the plan remains key to its success. The Committee suggest selling the land at a higher cost after developing the land rather than just settling for the land value. The added value holds the potential to wonderfully aid the economy, given the current fiscal situation and the massive significant landholdings possessed by the Government. The Committee recommend bringing in commercial/private

expertise to ensure maximum value out of the significant landholdings. In the same vein, the Committee would like to point towards the need for development/redevelopment of land of certain PSUs and public enterprises which have long been shut down/disinvested and their idle land is now being encroached. Also, on the impasse of certain landholdings with the state governments, the Committee desire that amicable solutions be reached so that valuable lands don't end up with no ownership or no value to the Government.

DISINVESTMENT TARGETS

5. The Committee note the large decrease in the target fixed for disinvestment in RE 2021-22 and BE 2022-23 i.e from a target of Rs. 1.75 lakh crore in BE 2021-22, revising it downwards to Rs.78000 crore in RE 2021-22 and now in FY 2022-23 setting a target of just Rs. 65000 crore. The Committee are informed that setting up unrealistic disinvestment targets purely to address fiscal deficit is not in the best financial interests of the Government, as it may lead to value erosion of Central Public Sector Enterprises (CPSE) stocks due to likely price overhang in anticipation of likely disinvestment by the market-makers. It was further informed that, considering the limited disinvestment window i.e. as on 15.02.2022, the market cap of GoI equity in all listed CPSEs (above the 51% equity level) is only Rs. 155035 crore and hence the disinvestment targets for the FY 2022-23 (BE) have been fixed at Rs. 65000 crore, based on specific ongoing transactions that may be concluded during FY 2021-22 and transactions expected to conclude in FY 2022-23. The Committee are of the view that meeting disinvestment targets is pivotal to the budget and wavering from the estimates may lead to quantum

change in the fiscal dynamics and thus desire that disinvestment becomes more credible, purposeful and transparent. Along with the disinvestment targets, the Committee believes that it is necessary for DIPAM to publish an annual report on how it has managed public assets – in particular, DIPAM should highlight whether it is creating value or whether it has eroded value on an annual basis for the general public.

CAPITAL EXPENDITURE (CAPEX)

6. The Committee note the sharp jump of 35.4% in capex to fund various infrastructure projects in 2022-23 i.e the Government is to invest Rs. 7.50 lakh crore as capital expenditure next fiscal year, a sharp increase from Rs.5.54 lakh crore in the current year. The Committee understand that the intention for this ramping up of public capital spending in addition to giving an immediate boost and support to the economy is also to subsequently help crowd in private sector investments, which are currently subdued. The Committee hope that the allocated fund be productively, efficiently and adequately utilised and the set target of Rs.7.50 lakh crore be fully achieved. The Committee believe that this spending push towards capex will not only generate employment in various sectors such as construction, infrastructure, steel, cement etc. but if it is supplemented with continued and more vigorous support to our Micro, Small and Medium Enterprises (MSMEs) and startups, it holds the capability to act as a booster for the economy by being a significant source of job creation and thus driving up consumption which can further lead the economy into a virtuous growth cycle.

FUNDS TO STATES

7. The Committee desire that there should be seamless flow of funds which are allocated to the states under various announcements/schemes from the Centre as sound public finances are a precondition for sustained growth. In this regard, the Committee would like to highlight the issue faced by state governments while borrowing from Government of India to facilitate procurement of paddy from farmers. Due to provisional advance subsidy not being provided on time, the states later end up paying interest on the said borrowing without any reimbursement. Ensuring transparency and fixing responsibility is required to reach a systemic solution to the problem so that the objects of the scheme can be effectively attained. Funds released to states under various heads by the central government and the Finance Commission should be clarified and provided in the public domain in a transparent fashion for the general public.

INTEREST PAYMENTS AND GOVERNMENT BORROWINGS

8. The Committee observe that the BE on interest payments (on net basis) has risen by Rs. 130949.7 crore from Rs. 809701.32 crore BE (2021-22) to Rs. 940651.02 crore i.e an increase of 16.17%. The Committee were informed that this higher provision has been incorporated owing to higher volume of borrowing through issuance of government securities coupled with the anticipation of policy action from RBI which may result in hardening of yield. The Committee would like to emphasize on the need for measures that need to be undertaken at the earliest to rein in interest payments. The Committee feel that it is cardinally important to

bring down the fiscal deficit and efficiently manage the soaring Debt-GDP ratio so that the economy can stay on the path of fiscal stability.

HEALTH OF THE BANKING SECTOR

9. The Committee observe, at the outset that the banking system appears to have weathered the pandemic shock well with respect to Non-Performing Assets (NPAs). The Committee are informed that contrary to RBI's Financial stability Report projections of the gross NPA ratio of Scheduled Commercial Banks increasing from 7.48 percent in March, 2021 to 9.80 percent by March, 2022, the NPA figures at the gross level for Public Sector Banks have decreased from 9.11 percent as on 31$^{st}$ March, 2021 to 7.90 percent as on 31$^{st}$ December, 2021. The Committee would like to caution against any early euphoria on this count, as there may still be some lag impact of the pandemic for the banking sector in the pipeline. Absorbing excess liquidity that was injected as part of the pandemic response to stimulate the economy is necessary, as there may be the possibility of an increase in NPAs. The Committee feel that prudence is still required and the steps taken by the Government to reduce NPAs and to effect recovery such as the change in credit culture brought about by Insolvency and Bankruptcy Code (IBC), amendment of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI)Act to make it more effective, action against wilful defaulters by RBI and SEBI, increasing jurisdiction of Debt Recovery Tribunals, government infusion to supplement the raising of capital by PSBs to equip them to take decision on resolution of NPAs etc. should be continued with the same vigour.

EXPORT IMPORT (EXIM) BANK

10. The Committee understand that the EXIM Bank provides financial assistance to exporters and importers and functions as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade. The Committee are of the opinion that the EXIM bank should be adequately equipped with credit skills and sufficiently capitalised in the light of the current geo-political situation, so as to efficiently compete with other countries such as China in financing projects across countries especially in Africa and facilitate globalisation of Indian businesses, which will go a long way in making a difference to Indian companies with global aspirations.

THE NATIONAL BANK FOR FINANCING INFRASTRUCTURE AND DEVELOPMENT (NaBFID)

11. The Committee understand that NaBFID has been established to address market failures that stem from the long term, low margin and risky nature of infrastructure financing which needs patient capital. The Committee are informed that Rs 20000 crore has been given as equity support and anotherRs 5000 crore will be given as grant and are further informed that in the first quarter of the next fiscal, loans will be sanctioned. The Committee would like to emphasize on the need for providing NaBFID with sufficient equity capital for it to borrow and expand its balance sheet appropriately and provide debt financing for infrastructure projects. The Committee believe that it is essential to achieve the objective with which the Development Finance Institution (DFI) has been set up in

the first place i.e. to support the development of long-term non-recourse infrastructure financing in India, including development of the bonds and derivatives markets necessary for infrastructure financing and to carry on the business of financing infrastructure.

DIGITAL ECONOMY AND RISING ONLINE FRAUDS

12. The Committee note that the Government has proposed setting up 75 Digital Banking Units (DBUs) in 75 districts across India through Scheduled Commercial Banks in an attempt at a major push towards the growth of digital economy. DBUs have the potential to open up the rural market for service providers besides providing a boost to credit flow, as they would be cheaper to establish and provide better customer experience aided by technology. The Committee further note the announcement that hundred percent of 1.5 lakh post offices will come on the core banking system enabling financial inclusion and access to accounts through net banking, mobile banking, ATMs and will also provide online transfer of funds between post office accounts and bank accounts which will enable interoperability and enhance financial inclusion. The Committee take note of these steps towards enhancing the digital infrastructure and financial inclusion but recommend these to be supplemented with adequate awareness programmes so that the citizens don't fall prey to the rising number of online frauds, and they are safeguarded from unauthorised electronic banking transactions. Whenever such digital frauds are reported by the victims, the onus for prompt redressal should be on the concerned bank/financial institution and the customer should not be left in the lurch running from pillar to post for

grievance redressal. The Banking ombudsman under the aegis of RBI should play a pro-active and customer-friendly role in this regard.

13. The Committee further desire that wide publicity may be provided for the grievance redressal mechanism for facilitating better customer service and instilling trust in the users as a large proportion of population has initial inhibitions and apprehensions in making the shift towards digital economy. The systems and procedures need to be strengthened so that online frauds are minimised and in case of an online mishap the citizens need to be adequately aware and informed through wide publicity via prominent advertisements, street plays, seminars, posters etc especially in rural areas as to what their course of action should be to minimise their liability and be assured that their money is safe for the Indian economy to make a significant shift towards being digital.

New Delhi;
14 March, 2022
23 Phalguna, 1943 (Saka)

SHRI JAYANT SINHA,
Chairperson
Standing Committee on Finance

Minutes of the Ninth sitting of the Standing Committee on Finance (2021-22)The Committee sat on Wednesday, the 23rd February, 2022 from 1100hrs. to 1430 hrs in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

Shri Jayant Sinha – Chairperson

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Subhash Chandra Baheria
4. Dr. Subhash Ramrao Bhamre
5. Shri Gaurav Gogoi
6. Shri Manoj Kotak
7. Shri Pinaki Misra
8. Shri Gopal Shetty
9. Shri Parvesh Sahib Singh
10. Shri Manish Tewari

RAJYA SABHA

11. Shri Ahmad Ashfaque Karim
12. Shri Praful Patel
13. Dr. Amar Patnaik
14. Shri Mahesh Poddar
15. Smt. Ambika Soni

SECRETARIAT

| | | | |
|---|---|---|---|
| 1. | Shri Siddharth Mahajan | - | Joint Secretary |
| 2. | Shri Ramkumar Suryanarayanan | - | Director |
| 3. | Shri Kulmohan Singh Arora | - | Additional Director |
| 4. | Shri Kh. Ginlal Chung | - | Deputy Secretary |

## WITNESSES

### Department of Economic Affairs

1. Shri Ajay Seth, Secretary
2. Dr. A. Nageswaran, Chief Economic Adviser
3. Shri Rajat Kumar Mishra, Additional Secretary
4. Shri A.M. Bajaj, Additional Secretary
5. Shri Ashish Vachhani, Joint Secretary

### Department of Expenditure

1. Dr. T.V. Somanathan, Finance Secretary & Secretary (Expenditure)
2. Ms. Sonali Singh, Controller General of Accounts
3. Ms. Annie George Mathew, Special Secretary
4. Ms. Meera Swarup, Special Secretary & Financial Adviser (Finance)
5. Dr. Sajjan Singh Yadav, Additional Secretary (PF State)

### Department of Investment and Public Asset Management (DIPAM)

1. Shri Tuhin Kanta Pandey, Secretary
2. Ms. Parama Sen, Joint Secretary
3. Dr. Shailendra Kumar, Joint Secretary

### Department of Financial Services

1. Shri Sanjay Malhotra, Secretary
2. Shri Sanjeev Kaushik, Additional Secretary
3. Shri Amit Agrawal, Additional Secretary
4. Smt. Vandita Kaul, Additional Secretary

### Department of Public Enterprises

1. Shri Ali Raza Rizvi, Secretary
2. Shri Rajesh Kumar Chaudhry, Special Secretary

2. At the outset, the Chairperson welcomed the Members and the witnesses to the sitting of the Committee. The major issues discussed include the increased emphasis on capital expenditure, employment generation/growth, income inequality, K shaped recovery, stress faced by MSME sector, expected increase in gross NPAs, rural economy, online digital frauds, asset monetization policy, insurance penetration and insurance density in India, fiscal deficit and Fiscal Responsibility and Budget Management (FRBM) targets, fertilizer and food subsidies, States fiscal independence under the CapEx scheme, book value, fair market value of assets, long-term liabilities etc at time of disposition of Air India, disinvestment estimates for the year, status of national monetization pipeline, projections for National Bank for Financing Infrastructure and Development (NaBFID), credit guarantee schemes, strengthening SIDBI to meet requirements of MSME sector, capital infused into National Investment Fund (NIF) and its impact in terms of multiplier effect, sufficient capitalization of EXIM bank, anticipated borrowings for the fiscal year, making outcome and output budget more comprehensive, issue of states taking on burdens of education and old age, status of Special Purpose Vehicle (SPV) for putting together landholdings, fiscal and debt dynamics and trajectory of oil prices in next fiscal year in light of Ukrainian crisis and its impact on the economy.

3. The witnesses responded to the queries raised by the Members and the Chairperson then directed the representatives of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services, Investment and Public Asset Management and Public Enterprises) to furnish written replies to the points raised by the Members which could not be readily replied by them during the discussion within a week to the Secretariat.

The witnesses then withdrew.

A verbatim record of the proceedings has been kept.

Minutes of the Thirteenth sitting of the Standing Committee on Finance (2021-22) The Committee sat on Monday, the 14th March, 2022 from 1500hrs. to 1630 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri Jayant Sinha – Chairperson

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Subhash Chandra Baheria
4. Shri Shrirang Appa Barne
5. Dr. Subhash Ramrao Bhamre
6. Smt. Sunita Duggal
7. Shri Manoj Kotak
8. Shri Ravi Shankar Prasad
9. Shri Gopal Shetty
10. Shri Manish Tewari
11. Shri Rajesh Verma

RAJYA SABHA

12. Shri Sushil Kumar Modi
13. Shri A. Navaneethakrishnan
14. Shri Praful Patel
15. Dr. Amar Patnaik
16. Shri Mahesh Poddar
17. Shri G.V.L Narasimha Rao

SECRETARIAT

| | | | |
|---|---|---|---|
| 1. | Shri Siddharth Mahajan | - | Joint Secretary |
| 2. | Shri Ramkumar Suryanarayanan | - | Director |
| 3. | Shri Kulmohan Singh Arora | - | Additional Director |
| 4. | Shri Kh. Ginlal Chung | - | Deputy 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) Fortieth Report on Demands for Grants (2022-23) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services, Investment & Public Asset Management and Public Enterprises).

(ii) Forty-First Report on Demands for Grants (2022-23) of the Ministry of Finance (Department of Revenue).

(iii) Forty-Second Report on Demands for Grants (2022-23) of the Ministry of Corporate Affairs.

(iv) Forty-Third Report on Demands for Grants (2022-23) of the Ministry of Planning.

(v) Forty-Fourth Report on Demands for Grants (2022-23) of the Ministry of Statistics and Programme Implementation.

After some deliberations, the Committee adopted the 40$^{th}$ to 44$^{th}$ draft Reports on DFG (2022-23) and authorised the Chairperson to finalise them and present the Reports to the Parliament. The Committee decided to defer adoption of the Report on 'the Chartered Accountants, the Cost and Works Accountants and the Company Secretaries (Amendment) Bill, 2021' as some Members sought more time to consider the various issues related to the Bill.

The Committee then adjourned.

A verbatim record of the proceedings has been kept.