

MINISTRY OF FINANCE

DEPARTMENT OF ECONOMIC AFFAIRS

**ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS
CONTAINED IN THE NINTH REPORT OF THE COMMITTEE ON ESTIMATES (17TH
LOK SABHA) ON 'RECENT BUDGETARY REFORM FOR BETTER MANAGEMENT
OF GOVERNMENT EXPENDITURE'**

**COMMITTEE ON ESTIMATES
(2022-23)**

SEVENTEENTH REPORT

(SEVENTEENTH LOK SABHA)



**LOK SABHA SECRETARIAT
NEW DELHI**

SEVENTEENTH REPORT
COMMITTEE ON ESTIMATES
(2022-23)
(SEVENTEENTH LOK SABHA)

MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS)

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CONTAINED IN THE NINTH REPORT OF THE COMMITTEE ON ESTIMATES (17TH
LOK SABHA) ON 'RECENT BUDGETARY REFORM FOR BETTER MANAGEMENT
OF GOVERNMENT EXPENDITURE'

(Presented to Lok Sabha on 08-08-2022)



LOK SABHA SECRETARIAT
NEW DELHI

.....August 2022/.....Shravana 1944(S)

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COMPOSITION OF THE COMMITTEE ON ESTIMATES (2022-2023)

Shri Girish Bhalchandra Bapat – Chairperson

Members

2. Kunwar Danish Ali
3. Shri Kalyan Banerjee
4. Shri Sudarshan Bhagat
5. Shri P.P. Chaudhary
6. Shri Nihal Chand Chauhan
7. Shri Harish Dwivedi
8. Shri Parvatagouda Chandanagouda Gaddigoudar
9. Dr. Sanjay Jaiswal
10. Shri Dharmendra Kumar Kashyap
11. Shri Mohanbhai Kalyanji Kundariya
12. Shri Pinaki Misra
13. Shri K. Muraleedharan
14. Shri Jua Oram
15. Shri Kamlesh Paswan
16. Dr. K.C. Patel
17. Col. Rajyavardhan Singh Rathore
18. Shri Vinayak Bhaurao Raut
19. Shri Ashok Kumar Rawat
20. Shri Magunta Srinivasulu Reddy
21. Shri Rajiv Pratap Rudy
22. Shri Dilip Saikia
23. Shri Francisco Cosme Sardinha
24. Shri Jugal Kishore Sharma
25. Shri Prathap Simha
26. Shri Parvesh Sahib Singh
27. Smt. Sangeeta Kumari Singh Deo
28. Shri Kesineni Srinivas (Nani)
29. Shri Sunil Dattatray Tatkare
30. Shri Shyam Singh Yadav

Secretariat

1. Smt Anita B. Panda - Additional Secretary
2. Shri Muraleedharan. P - Director
3. Smt. Geeta Parmar - Additional Director
4. Shri Gagan Kumar - Committee Officer

INTRODUCTION

I, the Chairperson of the Committee on Estimates (2022-23) having been authorized by the Committee to submit the Report on their behalf, do present this Seventeenth Report on action taken by the Government on the Observations/Recommendations contained in the Ninth Report (17th Lok Sabha) of the Committee on the subject 'Recent Budgetary Reforms for Better Financial Management of Government Expenditure' pertaining to the Ministry of Finance (Department of Economic Affairs).

2. The Ninth Report (17th Lok Sabha) of the Committee on Estimates was presented to Lok Sabha on 19 March, 2021. Action Taken Notes on Observations/Recommendations were received from the Ministry of Home Affairs on 14th June, 2022. The draft Report was considered and adopted by the Committee at their sitting held on 2nd August, 2022.

3. An analysis of action taken by the Government on the Observations/Recommendations contained in the Report of the Committee is given in Appendix-II.

NEW DELHI;
August, 2022
Shravana, 1944 (Saka)

GIRISH BHALCHANDRA BAPAT
CHAIRPERSON
COMMITTEE ON ESTIMATES

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by the Government on the Observations/Recommendations contained in the Ninth Report (Seventeenth Lok Sabha) on 'Recent Budgetary Reform for Better Management of Government Expenditure' pertaining to the Ministry of Finance (Department of Economic Affairs).

2. The Ninth Report was presented to Lok Sabha on 19 March 2021. It contained 11 Observations/Recommendations. Action Taken Notes on all these Observations/Recommendations were received from the Ministry of Finance (Department of Economic Affairs) on 15 June 2022.

3. Replies to the Observations and Recommendations contained in the Report have broadly been categorized as under:-

- (i) Observations/Recommendations which have been accepted by the Government:
Recommendation Para No. 1,2,3,4,5,6,8,9,10, and 11
**Total - 10
(Chapter-II)**
- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of Government's reply:
Recommendation Para No. Nil
**Total - 00
(Chapter-III)**
- (iii) Observations/Recommendations in respect of which Government's replies have not been accepted by the Committee:
Recommendation Para No. 7
**Total - 1
(Chapter-IV)**
- (iv) Observations/Recommendations in respect of which final reply of Government is still awaited:
Recommendation Para No. Nil
**Total - 00
(Chapter-V)**

3. The Committee desire that Action Taken Notes in respect of the Observations/Recommendations contained in Chapter-I of this Report may be furnished to them at the earliest.

4. The Committee will now deal with some of the Observations/Recommendations which require reiteration or merit further comments.

(Recommendations Para No. 2)

5. In their 9th Report, the Committee had expressed their happiness to find that Debt to GDP ratio was made one of the important yardsticks to measure fiscal consolidation and to make the existing fiscal legislative framework more effective and amendments were made by the Government in Fiscal Responsibility and Budget Management Act (FRBM) Act, 2003. The gross Debt-to-GDP ratio was expected to be close to about 51% in the years 2019-20 and 2020-21 despite the COVID impact from March, 2020 and consequent drop in the revenues. The Committee had appreciated that in the year 2020-2021, the Government had increased their borrowing programme from ₹ 7.8 lakh crore to ₹12 lakh crore and recommended that the Government should keep a constant watch on the economy of the country and initiate prompt action, if needed, to achieve targets of Central Government expeditiously.

6. The Department of Economic Affairs vide its Action Taken Reply has stated as under:

“ The observations of the Committee have been noted.

It may be submitted that Covid-19 inflicted an unprecedented adverse shock to the economy in 2020-21. Along with the economy, the finance of the Government was in stress for the greater part of four months and was particularly severe in the first quarter of 2020-21. In this background, to remain close to the potential output of the economy, the Government has revised its fiscal targets to 9.5% of GDP in RE 2020-21 from 3.5% of GDP in BE 2020-21. Fiscal Deficit in Actual 2020-21, however, stood at 9.2% of GDP. The increase in expenditure by the Government on health, livelihood and economic stimulus and the reduction in receipts is the reason for the increase in fiscal deficit.

Even as the Government provided relief and support to those affected by the pandemic, Government continued its structural reform measures. Initiatives, prominently faceless assessment and faceless appeal in Income tax and initiatives towards an Atmanirbhar Bharat were taken. Government during the year remained dynamic responding to the challenges posed by the pandemic at regular intervals. Economic packages were announced at regular intervals beginning with the Pradhan Mantri Garib Kalyan Yojana in 26th March 2020 to the Atmanirbhar Bharat 3.0 package on 12th November 2020. The impact of these measures will be visible

in the near to mid-term especially on the fronts of improved tax collections and economic growth by incentivizing industry and manufacturing in the country.

Along with the structural reform measures, the Government focused on its mandate in the preamble to the FRBM Act, of improving fiscal transparency. In 2020-21, the Government had paid around ₹ 1.5 Lakh crore of outstanding food subsidy related loans of the Food Corporation of India.

Government's approach to economic/ fiscal management in FY 2022-23 includes three well considered strategies. They include judicious mix of demand / supply side measures, timely, targeted and impact oriented development/ welfare policy actions, and balancing growth-inflation dynamics to boost and sustain growth. FY 2022-23 will see an unprecedented thrust on capex public spending which is crucial for economic growth and generation of productive employment.

Fiscal policy strategy of the Government for FY 2022-23, is guided by the principles of sustaining the economic growth momentum while being committed to the path of fiscal consolidation. It is also guided by the macroeconomic imperative of significantly increasing capital investments because of its multiplier effect. Theoretically, investing in capital expenditure tends to have a higher multiplier effect on economic recovery. In India, the multiplier effect of capital expenditure made by the Central Government is estimated at 2.45 in a period t and 3.14 in period $t+1$, (the RBI Bulletin, December 2020)."

7. The COVID-19 pandemic has inflicted an unprecedented adverse shock to the economy in 2020-21. The Committee note that in such unforeseen circumstances that necessitated higher expenditure by the Government on people's health, livelihood and income, despite lower receipts due to disruption in the economy, the Government had to revise the fiscal target from 3.5% of the GDP in BE 2020-21 to 9.5% of the GDP in RE 2020-21, although the actual deficit remained at 9.2% of GDP against the estimated target of 9.5% of the GDP. The Committee have been further apprised that even as the Government provided relief and support to those affected by the pandemic, its structural reform measures did continue. Along with the structural reform measures, the Government steadily focused on its mandate in the preamble to the Fiscal Responsibility and Budget Management Act (FRBM) Act 2003, of improving fiscal transparency. The Government's approach to economic/ fiscal management in FY 2022-23, as informed to the Committee, includes three well considered strategies i.e. judicious mix of demand / supply side measures, timely, targeted and impact-oriented development/ welfare policy actions, and balancing growth-inflation

dynamics to boost and sustain growth with an upthrust on public spending. Now that the F.Y. is well into its half year completion, the Committee hope that the above measures undertaken by the Government are proving to be helpful to achieve their goal of economic recovery. The Committee are desirous of knowing the Capex public spending so far. They would also like to be apprised of the fiscal target set for FY 2021-22 and FY 2022-23 against the actual fiscal deficit for both the years in terms of percentage to GDP as well as in rupees.

(Recommendations Para No. 3)

8. In their earlier Report, the Committee had noted with satisfaction that Union Budget cycle advancement started from 2017-18 and the Parliament had approved the appropriation bill before commencement of the financial year. Undoubtedly, this gave sufficient time and details of the kind of grants being released by the Union Government to the States. The Committee had however noted that though the total expenditure in the first three months of 2017-18 showed spurt as compared to total expenditure of the period of 2016-17, this growth declined in 2018-19. The Committee had, therefore, desired the Department to examine the factors responsible for such a decline in expenditure in 2018-19 and apprise them of the corrective measures taken in this regard. Further, the Committee had expressed their view that the Secretary of the concerned Ministry/Department, being the chief Accounting Authority, is responsible for monitoring the progress and implementation of the Ministry's schemes/projects and for keeping a close watch on their proper and expeditious implementation. Further, as per schedule of Grants, the Secretary, Department of Economic Affairs, being an overall controller of Government of India Accounting, is equally responsible for monitoring the progress and implementation of the schemes/projects of various Ministries/Departments. The Committee had also noted that there might be cases where progress of projects on Online Computer Monitoring System(OCMS) not being updated, the Department of Expenditure would have asked all Ministries/Departments on 15.5.2019 to upload the details of projects of more than ₹ 150 crore and its progress on OCMS portal for ensuring continuous monitoring and timely completion of the projects. The Committee, therefore, had desired to be apprised of names of the Ministries/Departments, who were habitual defaulters and recommended that a system for tracking the portal updation of the schemes/projects should be evolved in the Department, so that Budget Grants/Revised Grants to Ministries/Departments are made accordingly and if any updation is not made by any Ministry/Department, they should be persuaded to do so with strict warning, to avoid such lapses.

9. Department of Economic Affairs vide its Action Taken Reply has stated as under:

“ The recommendations of the Committee have been noted.

It may be submitted that the total expenditure of the Union Government in the first quarter (upto June) was 29.0% of BE 2018-19 as against 30.3% of corresponding period previous year. The expenditure on the scheme/projects is dependent on many reasons such as approved timing of the payment, release timelines, completion of the activities/work, expenditure sanction in terms of Cabinet/EFC/PIB approval etc. However irrespective of these challenges/issues, the expenditure for the projects/schemes which are ripe for payment cannot be held/delayed due to Vote on Account period with advancement of budget cycle. As can be seen from the expenditure report, the expenditure though on Revenue side was lower; however there was marked increase in the expenditure on Capital side in the financial year 2018-19:

(₹ in crores)

| | 2018 – 2019 | | % of Actuals to Budget Estimates | |
|--------------------------|-------------|-------------------|----------------------------------|-------|
| | BE | ACTUALS upto June | Current | COPPY |
| TOTAL EXPENDITURE | 2442213.3 | 707646.82 | 29% | 30% |
| REVENUE | 2142283.59 | 620658.75 | 29% | 32% |
| CAPITAL | 299929.71 | 86988.07 | 29% | 22% |

The reasons for lower expenditure were lower than anticipated proportionate expenditure registered by Ministry of AYUSH (23%), Department of Pharmaceuticals (10%), Ministry of Coal (24%), Ministry of Commerce and Industry (23%), Ministry of Corporate Affairs (18%), Ministry of Development of North Eastern Region (10%), Ministry of Earth Sciences (20%), Ministry of Environment, Forests and Climate Change (13%), Department of Economic Affairs (4%), Department of Expenditure(DoE) (14%), Department of Financial Services (24%), Department of Revenue (8%), Ministry of Food Processing Industries (8%), Ministry of Heavy Industries and Public Enterprises (13%), Ministry of Housing and Poverty Alleviation (23%), Ministry of Human Resource Development (23%), Ministry of Information and Broadcasting (22%), Ministry of Labour and Employment (18%), Ministry of Law and Justice (9%), Ministry of Micro, Small and Medium Enterprises (20%), Ministry of Minority Affairs (3%), Ministry of New and Renewable Energy (24%), Ministry of Panchayati Raj (1%), Ministry of Parliamentary Affairs (22%),

Ministry of Skill Development and Entrepreneurship (23%), Department of Space (24%), Ministry of Steel (18%), Ministry of Tourism (21%), Minister of Water Resources, River Development and Ganga Rejuvenation (15%) and Ministry of Youth Affairs and Sports (15%).

It may be noted that Central government also implemented cash management guidelines and revised General Financial Rules which were aimed at effective cash management and reduction in the float.

There could be various additional reasons for lower expenditure than anticipated proportionate expenditure in the first quarter such as releases to State Governments and other para-statal organisations, timing of the payments to contractors/suppliers, lower procurement in the first quarter, etc. Ministries/Departments are also expected to regulate the expenditure as per the Cash Management Guidelines.

The pace of expenditure will be dependent on various factors as mentioned above; however with the advancement of Budget cycle, the Ministries/departments are able to spend from first day of financial year as appropriation for full year duly authorized by the Parliament is available.

In this regard, it is submitted that the Department of Expenditure, Ministry of Finance has time to time issued instructions to the concerned Ministries/Departments to upload/update details of the Central Sector Infrastructure Projects (CSIPs) costing ₹ 150 crore and above on regular basis.

The Finance Secretary and Secretary (Expenditure) vide DO Letter dated 20th July 2021 (Annexure 'A') addressed to all the concerned/defaulters Ministries/Departments to adhere to the directions/guidelines issued by the DoE and the MoSPI for timely/regular uploading and updating of details of CSIPs on OCMS portal. The PMO is also monitoring all the projects from time to time. The Ministries/Departments have been directed to nominate an officer not below the rank of Director to ensure regular and timely uploading and updating of information on OCMS portal.

It is worth mentioning that online reporting of the projects on OCMS portal which was hovering around 65% from May 2019 till July 2021 (1052 out of total 1623 projects) has improved to around 96% since August 2021(1519 out of total 1579 projects) and is continuing at that level. Efforts are being made to get maximum reporting of the projects on OCMS portal."

10. The Committee note that the Finance Secretary and Secretary, DoE through his letter asked all the concerned/defaulters Ministries/Departments to adhere to

the directions/guidelines issued by the Department of Expenditure and the Ministry of Statistics & Programme Implementation(MoSPI) for timely/regular uploading and updating of details of Central Sector Infrastructure Projects(CSIPs) on Online Computer Monitoring System(OCMS) portal. It is satisfying to note that with the measures so taken, online reporting of the projects on OCMS portal has increased from 65% to 96%. The Committee, however, impress upon the Ministry/DEA to intensify the measures already initiated and strengthen their efforts to ensure smooth and seamless execution of Central Sector Infrastructure Projects. The Committee would further like to be apprised of the projects, which are not yet being reported on OCMS portal.

(Observations/Recommendations No. 7)

11. The Committee, in their 9th Report, had noted that the Central share for the schemes was being routed through the State/UT treasuries as Grants under various Object heads, except in the case of Direct Benefit Transfers where the functional heads could be used. The funds remain in State Treasuries till these are transferred to implementing agencies. The Finance Commission Grants, namely Post Devolution Revenue Deficit Grant and SDRF, released by DoE are mostly untied in nature, where States are not mandated to submit Utilisation Certificates. Local Bodies Grants are released on back to back basis to State Government, where these grants are released to local bodies through respective State Governments. Further, when States start spending, they have to do in a well-defined manner as per their General Financial Rules and the Central rules. But sometimes, the State Governments deposit the unspent balance of schemes/grants in banks and accrue some interest on such money. The Committee were sure that the States earn substantial amount of interest on unspent balances. The Committee, had, therefore, desired to know the details of interest earning of various States through deposits of unspent balances of various schemes in banks and the details of guidelines, if any, for utilisation of such amount.

12. The Department of Economic Affairs vide its Action Taken Reply has stated as under:

“Rule 230 (8) of the General Financial Rules, 2017 provides that ‘all interests or other earnings against Grants in aid or advances (other than reimbursement) released to any Grantee institution should be mandatorily remitted to the Consolidated Fund of India immediately after finalisation of the accounts. Such advances should not be allowed to be adjusted against future releases’. This is to ensure that the money drawn

by the beneficiary States should not exceed the authorization permitted by the Parliament.

Para 10 of the OM No. 1(313)/PFMS/FCD/2020 dated 23rd March 2021 issued by the PFMS division, DoE, MoF further provides that ***the SNAs shall ensure that the interest earned from the funds released should be mandatorily remitted to the respective Consolidated Funds on pro-rata basis in terms of Rule 230(8) of the GFR 2017. Interest earned should be clearly and separately depicted in PFMS, scheme specific portals integrated with PFMS and in MIS provided by the Banks.***

As per the records in e-lekha for FY 2021-22, an amount of ₹ 1,324.46 crore has been deposited in Consolidated Fund of India on account of interest on unspent balances.

The details have been annexed at Annexure 'E'."

13. The Committee in their earlier Report had desired that the details be furnished with regard to the interest earning of various States through deposits of unspent balances of various schemes in banks. However, in their action taken notes, the Department of Economic Affairs have instead furnished Ministry-wise details of the funds deposited in Consolidated Fund of India on account of interest on unspent balances amounting to ₹1324.46 crore. The Committee, therefore, reiterate their earlier recommendation and reasons if Statewise information is not reflected in the PFMS.

*** *** ***

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

(Observations/Recommendations No. 2)

The Committee are glad to note that Debt to GDP ratio has been made one of the important yardsticks to measure fiscal consolidation and to make the existing fiscal legislative framework more effective, amendments were made by the Government in FRBM Act, 2003. The gross Debt-to-GDP ratio will be close to about 51% in the years 2019-20 and 2020-21 despite the COVID impact from March from where the revenues had gone down. The Committee appreciate that in the year 2020-2021, the government has increased their borrowing programme from Rs.7.8 lakh crore to Rs.12 lakh crore. The Committee therefore, recommend the Government to keep constant watch on the economy of the country and initiate prompt action, if needed, to achieve targets of Central Government expeditiously.

Reply of the Government

“The observations of the Committee have been noted.

It may be submitted that Covid-19 inflicted an unprecedented adverse shock to the economy in 2020-21. Along with the economy, the finance of the Government was in stress for the greater part of four months and was particularly severe in the first quarter of 2020-21. In this background, to remain close to the potential output of the economy, the government has revised its fiscal targets to 9.5% of GDP in RE 2020-21 from 3.5% of GDP in BE 2020-21. Fiscal Deficit in Actual 2020-21, however, stood at 9.2% of GDP. The increase in expenditure by the Government on health, livelihood and economic stimulus and the reduction in receipts is the reason for the increase in fiscal deficit.

Even as the Government provided relief and support to those affected by the pandemic, Government continued its structural reform measures. Initiatives, prominently faceless assessment and faceless appeal in Income tax and initiatives towards an Atmanirbhar Bharat were taken. Government during the year remained dynamic responding to the challenges posed by the pandemic at regular intervals. Economic packages were announced at regular intervals beginning with the Pradhan Mantri Garib Kalyan Yojana in 26th March 2020 to the Atmanirbhar Bharat 3.0 package on 12th November 2020. The impact of these measures will be visible in the near to mid-term

especially on the fronts of improved tax collections and economic growth by incentivizing industry and manufacturing in the country.

Along with the structural reform measures, the Government focused on its mandate in the preamble to the FRBM Act, of improving fiscal transparency. In 2020-21, the Government had paid around `1.5 Lakh crore of outstanding food subsidy related loans of the Food Corporation of India.

Government's approach to economic/ fiscal management in FY 2022-23 includes three well considered strategies. They include judicious mix of demand / supply side measures, timely, targeted and impact oriented development/ welfare policy actions, and balancing growth-inflation dynamics to boost and sustain growth. FY 2022-23 will see an unprecedented thrust on capex public spending which is crucial for economic growth and generation of productive employment.

Fiscal policy strategy of the Government for FY 2022-23, is guided by the principles of sustaining the economic growth momentum while being committed to the path of fiscal consolidation. It is also guided by the macroeconomic imperative of significantly increasing capital investments because of its multiplier effect. Theoretically, investing in capital expenditure tends to have a higher multiplier effect on economic recovery. In India, the multiplier effect of capital expenditure made by the central Government is estimated at 2.45 in a period t and 3.14 in period t+1, (the RBI Bulletin, December 2020)."

Comments of the Committee

(Please see Para No. 7 of Chapter-I)

(Observations/Recommendations No. 3)

The Committee are happy to note that Union Budget cycle advancement was started from the year 2017-18 and the Parliament has approved the appropriation bill before commencement of the financial year. No doubt this has given sufficient time and details of kind of grants being released by the Union Government to States. The Committee note that though the total expenditure in the first three months of the year 2017-18 has shown spurt as compared to total expenditure of the period of 2016-17, however, this growth declined in the year 2018-19. The Committee therefore desire the Department to examine the factors responsible for such a decline in expenditure in the year 2018-19 and the corrective measures taken in this regard may be apprised to the Committee. The Committee also note that regarding implementation of the schemes/projects by the concerned Ministry/Department, Secretary being the chief Accounting Authority of the concerned Ministry/Department is responsible for monitoring the progress and implementation of the schemes/projects and for keeping a close watch

on proper and expeditious implementation of the schemes. However, the Committee are of the view that the Secretary, Department of Economic Affairs being an overall controller of Government of India Accounting is also equally responsible for monitoring the progress and implementation of the schemes/projects of various Ministries/Departments, as per the schedule of Grants. The Committee further note that there may be cases where progress of projects on OCMS was not updated due to which the Department of Expenditure has asked all Ministries/Departments on 15.5.2019 to upload the details of projects of more than Rupees 150 crore and its progress on OCMS portal for ensuring continuous monitoring and timely completion of the projects. The Committee, therefore, desire to know the names of the Ministries/Departments found habitual defaulters and recommend that a system for tracking the portal updation of the schemes/projects may be evolved in the Department, so that Budget Grants/Revised Grants to Ministries/Departments are made accordingly. and if any updation is not made by any Ministry/Department, they may be persuaded to do so with strict warning, so that such lapses do not occur in future.

Reply of the Government

"The recommendations of the Committee have been noted.

It may be submitted that the total expenditure of the Union Government in the first quarter (upto June) was 29.0% of BE 2018-19 as against 30.3% of corresponding period previous year. The expenditure on the scheme/projects is dependent on many reasons such as approved timing of the payment, release timelines, completion of the activities/work, expenditure sanction in terms of Cabinet/EFC/PIB approval etc. However irrespective of these challenges/issues, the expenditure for the projects/schemes which are ripe for payment cannot be held/delayed due to vote on account period with advancement of budget cycle. As can be seen from the expenditure report, the expenditure though on revenue side was lower; however there was marked increase in the expenditure on capital side in the financial year 2018-19:

(Rs in crores)

| | 2018 - 2019 | | % of Actuals to Budget Estimates | |
|--------------------------|-------------|-------------------|----------------------------------|-------|
| | BE | ACTUALS upto June | Current | COPPY |
| TOTAL EXPENDITURE | 2442213.3 | 707646.82 | 29% | 30% |
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It may be noted that Central government also implemented cash management guidelines and revised General Financial Rules which were aimed at effective cash management and reduction in the float.

There could be various additional reasons for lower expenditure than anticipated proportionate expenditure in the first quarter such as releases to State Governments and other para-statal organisations, timing of the payments to contractors/suppliers, lower procurement in the first quarter, etc. Ministries/Departments are also expected to regulate the expenditure as per the Cash Management Guidelines.

The pace of expenditure will be dependent on various factors as mentioned above; however with the advancement of Budget cycle, the Ministries/departments are able to spend from first day of financial year as appropriation for full year duly authorized by the Parliament is available.

In this regard, it is submitted that the Department of Expenditure, Ministry of Finance has time to time issued instructions to the concerned Ministries/Departments to upload/update details of the Central Sector Infrastructure Projects (CSIPs) costing ` 150 crore and above on regular basis.

The Finance Secretary and Secretary (Expenditure) vide DO Letter dated 20th July 2021 (Annexure 'A') addressed to all the concerned/defaulters Ministries/Departments to adhere to the directions/guidelines issued by the DoE and the MoSPI for timely/regular uploading and updating of details of CSIPs on OCMS portal.

The PMO is also monitoring all the projects from time to time. The Ministries/Departments have been directed to nominate an officer not below the rank of Director to ensure regular and timely uploading and updating of information on OCMS portal.

It is worth mentioning that online reporting of the projects on OCMS portal which was hovering around 65% from May 2019 till July 2021 (1052 out of total 1623 projects) has improved to around 96% since August 2021(1519 out of total 1579 projects) and is continuing at that level. Efforts are being made to get maximum reporting of the projects on OCMS portal.”

Comments of the Committee

(Please see Para No. 10 of Chapter-I)

(Observations/Recommendations No. 4)

The Committee note that with the passing of Finance Bill before commencement of financial year, business and industry had clarity on tax measures initiated in budget, which go towards better tax and business planning in advance and the benefit of new taxation measures involving legislative changes in central excise and service tax also accrue to the Government from the commencement of financial year. However, it has been observed by the Committee that the targets of Gross Tax collection and Net (to Centre) at BE and RE stage with Actual as percentage of Revised was 100.7% and 101.2% respectively in the year 2016-17, but these have declined to 98.6% and 97.9% respectively in 2017-18 and further reduced to 92.5% and 88.7% in the year 2018-19 and provisionally to 92.9% and 90.1% in the year 2019-20. The Committee, therefore, recommend the Government to conduct a study to find out and evaluate the reasons responsible for such decline of Gross Tax Collection and Net (to Centre) and apprise the outcome and corrective steps taken to the Committee.

Reply of the Government

“The recommendations of the Committee have been noted.

With regard to **the Direct Tax component**, the comments are as follows:

- a. The Gross/Net Direct tax collected during F.Y 2016-17 to 2019-20 *vis' a vis'* BE/RE are given below:

| (₹ in Crore) | | | | | | | | |
|--------------|---------|---------|--------------------------------|---------|---------|------------------------------|---------|---------|
| | BE# | RE# | Gross Collection ^{\$} | | | Net Collection ^{\$} | | |
| | | | Actuals | % of BE | % of RE | Actuals | % of BE | % of RE |
| 2016-17 | 847097 | 847097 | 1012827.06 | 119.56 | 119.56 | 850138.90 | 100.36 | 100.36 |
| 2017-18 | 980000 | 1005000 | 1154692.98 | 117.83 | 114.89 | 1002738.40 | 102.32 | 99.77 |
| 2018-19 | 1150000 | 1200000 | 1298797.11 | 112.94 | 108.23 | 1137718.47 | 98.93 | 94.81 |
| 2019-20 | 1335000 | 1170000 | 1234258.42 | 92.45 | 105.49 | 1050680.56 | 78.70 | 89.80 |

[Source:\$ Data received from Pr. CCA, CBDT;#Receipt Budget documents]

- b. It may be seen from above table that the actual Gross and Net direct tax collections have exceeded the BE/RE during the financial years 2016-17 and 2017-18. The Gross actual direct tax collections have exceeded the BE/RE during the financial year 2018-19 also, though there is a slight decline in actual net collection during the year. In FY 2019-20, there is a marginal decline in the actual collections of Gross/Net Direct taxes *vis' a vis'* BE/RE, which may be due to the reduction of the corporate tax rates announced by the Government during 2019-20.
- c. The Estimates for revenue collection of direct taxes invariably depend on:
- i. Nominal growth in GDP rates for the financial year;
 - ii. Collection figures for the preceding financial years;
 - iii. Assumption that there will be no change in the tax rates and any further concessions/incentives or exemptions are not given by the Government to achieve the targeted goals;
 - iv. Trend in collection of the year under reference for which estimates are made.
- d. As the corporate tax rates have undergone a reduction in FY 2019-20, the decline in FY 2019-20 might be attributable to the same. It may also be mentioned that the FY 2019-20 was partially impacted by the COVID pandemic. In respect of the measures taken by Government for achieving the targets for budget collection as per RE/BE, it may be mentioned that the CBDT has a robust mechanism for regular monitoring of the tax collection by field formation. The targets for collection of taxes are allocated region-wise to each Pr. CCIT region and the progress of collection is monitored by the Central Board Direct of Taxes

(CBDT) on a regular basis. Further, a detailed strategy for augmenting the direct tax collection is issued for the guidance of the field formation as per the Central Action Plan by CBDT every year with an objective of meeting and exceeding the budgetary targets.

- e. In order to establish a globally competitive business environment for certain domestic companies, attract fresh investment, create employment opportunities and give an impetus to the overall economy. Section 115BAA and 115BAB had been inserted to the Income-tax Act, 1961 through Taxation Laws (Amendment) Act, 2019 (TLAA). It provides for a concessional tax rate of 22% for existing domestic companies and of 15% for newly incorporated domestic companies which make fresh investment by 31st March, 2023 for manufacturing, production, research or distribution of such article or thing manufactured. This concession is subject to certain conditions including that they do not avail of any specified incentive or deductions. It has also been provided that the domestic companies opting for the concessional taxation regime shall not be required to pay any Minimum Alternate Tax (MAT).
- f. An analysis of the impact of this concessional tax incentive shows that out of the total corporate Returns of income in the Financial Year 2019-20, 1,45,448 have opted for the concessional tax rate under section 115BAA of the Income-tax Act, 1961, involving a total income of ₹ 9,33,429.91 crore and 1,244 have taken the option under section 115BAB of the Income-tax Act, 1961, involving a total income of ₹ 35.13. Crores. Thus, 15.85% of the companies having 61.91% of the total income have opted for the new tax scheme under section 115BAA and 0.14 % companies opted for taking benefit under section 115BAB of the Income-tax Act, 1961. It reflects an encouraging trend towards adoption of the new concessional tax regime by the companies and a simultaneous move away from the deduction and exemption regime. A comparison of Companies opting for the concessional tax regime and those under earlier tax regime (Financial Year 2019-20) [Number of companies: 9,17,494] has been made and is placed at Annexure 'B'.
- g. An analysis has also been made in the below table to estimate the revenue impact of the transition to a lower tax regime. The method adopted is to apply the effective tax rate in the new regime and compute the tax payable and then compare the same with the tax which would be payable if the said companies adopted the old 33% (tax rate of 30% plus surcharge and cess) regime. It has been presumed that these companies are not eligible for any deduction in this estimate.

| Total Income under 115BAA [2019-20] (in Crores) | Total Tax collection at earlier corporate rate (in crores) | Total Tax collection at concessional rate under 115BAA (in crores) | Revenue Impact [2019-20] (in crores) | Revenue Impact [2020-21] (in crores) |
|---|--|--|--------------------------------------|--------------------------------------|
| 9,33,429.91 | 3,22,780.06 | 2,34,944.31 | 87,835.75 | 96,399.74 |

(Source Calculation done based on the data received from the Directorate of Income Tax (Systems.)

With regard to the **Indirect Tax component**, the reasons for the variation of Actual Indirect tax collection with regard to the target set (RE) are as follows:

- a. Indirect tax is a consumption-based tax which depends on various macro-economic factors. Indirect tax targets are finalized making various assumptions with respect to GDP growth, level of domestic consumption of goods & services, change in tax policy, crude oil prices, change in tax rates, additional resource mobilization measures through annual budget (if any), improvement in tax compliance, broadening of tax base, rate of exchange of leading international currencies against INR and prices of the imported goods in the international market. However, actual revenue collections are based on the final outcome of above economic variables and hence may vary with regard to the target set for the financial year.
- b. The following Table provides the information on Gross Indirect Tax Collection (Customs + Central Excise + Service Tax + GST) at RE stage, together with actuals during the period 2016-17 to 2020-21:

| Indirect Tax Total [GST and Non-GST] | (in Crore) | | | | |
|--------------------------------------|-------------|--------------|-------------|-------------|-------------------|
| | F.Y 2016-17 | F.Y 2017-18* | F.Y 2018-19 | F.Y 2019-20 | # F.Y 2020-21 (P) |
| RE | 8,51,869 | 9,36,375 | 10,42,833 | 9,86,539 | 9,89,500 |
| Actuals | 8,61,625 | 9,11,653 | 9,37,321 | 9,53,513 | 10,74,809 |
| % Achievement of RE | 101.1 | 97.4 | 89.9 | 96.7 | 108.6 |

*GST has become operational w.e.f 1 July, 2017 [P] = Provisional; #Supplementary III figures received from PR CCA (CBIC)

c. Apart from the macro-economic reasons cited above, major policy related factors identified for the variation in RE and actual for FY 2017-18 to 2019-20 that have led to the shortfall in Indirect tax revenue as compared to RE are listed below:

- i. GST has been implemented w.e.f 1st July 2017. As per GST law and procedure, the GST rates on Goods & Services are determined by GST council. The GST targets were fixed based on pre-GST tax incidence and revenue neutrality of the rates. Since the inception of GST, a number of rate rationalizations have been done on the recommendations of the GST Council, which has led to a shortfall in GST revenue. GST rates have been reduced significantly, where relief of about Rs. 92,000 crore per year till July, 2019 has been given. As multiple taxes were consolidated into GST and in order to ensure the smooth and hassle-free transition, carry forward of input tax credits of legacy taxes to the GST regime were allowed (Transitional Credit) which also contributed in substantial revenue forgone. Also, GST Council revised the threshold turnover limits upwards for registration of taxpayers and composition levy scheme to Rs. 40 lakh and Rs 1.5 crore, respectively, which affected GST collections.
- ii. Other reason for variation in actual revenue collection vis-i-vis targeted revenue inter-alia include reduction in duty rate on FTA imports, impacts of exports promotional schemes, impact on account of reduction in excise duty on petrol and diesel (during 2017-18 and 2018-19) etc.

d. However, government is making concerted efforts to rationalize customs exemption and a large number of exemptions have been removed. Further, Policy changes like introduction of CAROTAR, extensive application of RMS, institutional mechanism of audits in customs etc. have helped in garnering additional revenue.

At the time of presentation of Budget for 2022-23, GDP estimates and movement in key economic activity indicators confirm strengthened momentum in India's economic recovery. India's nominal GDP in the financial year 2022-23 is projected to grow by 11.1 per cent over 2021-22.

Tax policy is directed towards twin objective of having broader tax base and higher tax collections. The Government policy is oriented broadly in favour of minimizing exemptions and broadening the tax base to achieve a higher tax to GDP ratio. In Budget 2022- 23, the gross tax revenue (GTR) has been estimated at 10.7 per cent of GDP."

(Observations/Recommendations No. 5)

The Committee are happy to note that with the advancement of Budget Cycle, the State Governments, which used to present their budget in the month of February, will now know the details about share of States in Central taxes, budget support for Central Schemes, external aided projects of State Government in the Union Budget and can plan their project financing, counter-part funding, implementation of central projects and borrowing requirements well in advance. The Committee note that the Department of Economic Affairs has not been able to furnish the comparative statement of the last four years in which State Government project financing, implementation of central projects and borrowing requirement have improved and the extent to which utilisation of allocations to States under various schemes have improved. The Committee therefore, desire the Department of Economic Affairs to furnish the details so that the Committee can analyse the advancement of Budget Cycle benefits to States.

Reply of the Government

"Advancement of Budget Cycle has enabled the States to take into cognizance the funds being made available out of their share in Central Taxes; the budgetary support being provided in respect of Central Schemes and the provisions made for external aided projects during the ensuing financial year. This facilitates the States to execute their respective budgeting strategies and prioritize the finances in advance.

A scrutiny of the budget documents of 10 sample States has revealed that while during the year 2016-17 (before the advancement of budget cycle), funds made available out of Central Taxes in the Union Budget are vastly in variance with the corresponding budgetary provisions made by the States, the budgetary provisions made by the same states during 2021-22 (after advancement of budget cycle) are in sync with the share of taxes indicated in Union Budget 2021-22. (Annexure 'C' and 'D')."

Comments of the Committee

(Observations/Recommendations No. 6)

1.17 The Ministries / Departments can plan their allocations for the full year by advancement of Budget and passing in the same Financial Year. The Committee note that the Department of Economic Affairs conduct mid-year review and based on the progress of expenditure and the absorptive capacity, the revised expenditure ceiling are approved for that year. The Committee observe that during the years 2017-18, 2018-19 and 2019-20, there were total 99, 97 and 100 Ministries/Departments respectively where surrender/savings occurred. Though information on surrender of actual savings are included in the Appropriation Accounts of each

Ministry/Department/Grant/Appropriation and audited and certified by Controller & Accounts, submitted to Parliament, the Committee is of the firm view that the objectives of advancement of Budget in this front needs to be reviewed so that the prevailing trend is discontinued and funds available with the Government in the Budget are optimally and fully utilised.

Reply of the Government

“An important premise of advancement of budget cycle has been to enable the Ministries/Departments to plan their allocations and prioritize the spending during the the ensuing financial year in a more optimal way. Mid-year review of the expenditure by the Department of Economic Affairs facilitates the Ministry of Finance to review and revise the ceilings on the budgetary allocations made to the Ministries during the announcement of budget. The Revised Estimates are accordingly curtailed/enhanced basis the flow of the expenditure by the administrative Ministries.

The expenditures by the Ministries/Departments are further regulated in terms of the Central Government –Modified Exchequer Control Based Expenditure Management Policy (Cash Management System) of the Government of India. The policy is reviewed regularly with the perspective of evolving situation (viz., Covidpandemic et al) and anticipated cash position of the Government of India. The Ministries are accordingly directed to regulate their expenditures either according to the Quarterly Expenditure Plan (QEP)/ Monthly Expenditure Plan (MEP) or making payments in relaxation Cash Management guidelines after taking permission from Ministry of Finance. This may facilitate the Ministry to spend and regulate the expenditure prudently.”

(Observations/Recommendations No. 8)

The Committee are happy that Budget Documents presented in the House provide detailed information in a book – Budget at a Glance, which contains outlay on major schemes by the Government of India. However, the funds allocated to the States and the money being provided for the States do not reflect in this document. Further, people are also desirous to know what States have got from the Centre. The Committee feel that a common man does not know what is happening with regard to the Budget, viz. how much money is being provided by the Centre and how much is being provided by the State. The Committee are of the view that the details of funds allocation to States may also be incorporated in the Budget Documents which will bring transparency and avoid the complaints of States to their people that Centre has not allocated funds to States. The Committee also feel that the size of Union Budget is so voluminous that the common man and the public representatives do not have time to go through such a huge document and give that much time required understanding the document. The Committee therefore, desire that a briefing session highlighting the

Budget Documents details for the Members may be organised by the Government immediately after the presentation of the Union Budget in the House.

Reply of the Government

“The recommendation of the Committee is noted.

The Reference Division, Lok Sabha Secretariat has been organizing briefing sessions for Hon'ble MPs on important Legislative Business. The Budget Division under the Department of Economic Affairs has been called to conduct the briefing sessions for Hon'ble MPs on Budgetary process and Union Budget after presentation of Union Budget in the budget session since last three years.

The details of the briefing sessions held during the last three years are enclosed as Annexure 'F'.”

Comments of the Committee

(Observations/Recommendations No. 9)

The Committee appreciate that the Government has announced 'Atmanirbhar Bharat' Package to mitigate the impact of Covid-19 pandemic. The packages of Atmanirbhar Bharat have not only boost the economy and employment, but also built confidence among various section of the society. Under One Nation – One Ration Card – now 68.6 crore beneficiaries have an option to lift their food grains from any FPS of their choice in any of the 28 States/UTs. In PM Street Vendor's AtmaNirbharNidhi, 26.62 lakh loan applications have been received and 13.78 lakh loans totalling Rs. 1373 cr. sanctioned. Work on Portal for migrant workers has commenced and 183.14 lakh applications for credit boost to 2.5 crore farmers through Kisan Credit Cards received and eligible farmers have been sanctioned Rs.1,43,262 crores in two phases. The Committee note that applications for KCC of 25.7 lakh farmers have not been issued. The Committee, therefore desire to know the reasons for not sanctioning KCC to these farmers and the details of steps taken by the Government to bring extensive awareness among farmers so that their applications are not rejected. Under Partial Credit Guarantee Scheme 2.0, Public Sector Banks have approved purchase of portfolio of Rs. 26.889 crore, under Special Liquidity Scheme, a sum Rs. 7227 crore has been disbursed to NBFC/HFC and under Liquidity Injection for DISCOMS, a loan amounting to Rs. 1,18,273 crore sanctioned to 17 States/UTs, however only 26.32% of loan i.e. Rs. 31,136 crore has been disbursed/released to 11 States/UTs have so far. The Committee note that only 11 state/UTs have so far availed the benefits of Liquidity Injection scheme for DISCOMS and 73.68% of funds provisions are yet to be utilised by other DISCOMS. The Committee therefore desire to know the steps taken by the government to ensure that the funds provisions are utilised fully in a time bound manner so that the objectives are

achieved. The Committee note that to boost the Rural Employment, PradhanMantriGaribKalyanRozgarYojana is in progress in 116 districts and a sum of Rs. 37,543 crores has been spent so far. The Committee appreciate that to accelerate growth of the rural economy, an additional outlay of Rs. 10,000 crores has been proposed for PM GaribKalyanRozgarYojana in the current financial year. The Committee note that out of approx 718 districts in the country, the Yojana is in progress only in 116 districts. The Committee therefore, recommend the government to expand the base of PM Garib Kalyan Rozgar Yojana so that the funds earmark are utilised with its objectives.

Reply of the Government

"The Kisan Credit Card (KCC) scheme was introduced in 1998-99, as an innovative credit delivery mechanism which aims at adequate and timely credit support from the banking system to the farmers for their cultivation needs including purchase of inputs in a flexible, convenient and cost-effective manner. Banks have been advised to issue Kisan Credit Cards (KCC) to all eligible farmers.

After the announcement made on 12th February, 2020, the Kisan Credit Card (KCC) Saturation Drive for PM Kisan beneficiaries was formally launched on 29th February, 2020 at Chitrakoot, UP. Thereafter, the drive was made part of the Atmanirbhar Bharat Package with the objective to cover 2.5 crore farmers, including Fishermen and Dairy farmers with a credit boost of Rs. 2 lakh crore. As a result of sustained and concerted efforts by the banks and other stakeholders in the direction of providing access to concessional credit to the farmers, a major milestone has been achieved by covering over 2.74 crore farmers (including Animal Husbandry & Dairy and fisheries farmers) under the KCC scheme with sanctioned credit limit of Rs. 2.94 lakh crore as on 24th December, 2021. Some KCC application have not been sanctioned due to default in existing loan, incomplete land records & no clear title, land not in agricultural use, loan amount not as per approved scale of finance (SoF), payment account in other banks etc.

The KCC Scheme has been simplified with facilities like one-time documentation, built-in cost escalation in the limit and facility of ATM enabled debit card etc. IBA has also designed a simple format for processing of KCC applications. Under the present guidelines of KCC, the limit is sanctioned for 05 years and the beneficiaries have ease and flexibility in drawl and repayment. RBI has raised the limit of collateral-free agricultural loan from Rs. 1 lakh to Rs. 1.6 lakh and banks have also been advised to waive margin requirement for loan upto this limit. It has reduced the documentation requirement for large number of KCC applications

In order to further streamline the process of credit delivery through KCC to the animal husbandry and fisheries farmers, a Standard Operating Procedure (SOP)/ Guidelines for issue of separate KCC for animal husbandry, dairy and fisheries farmers was issued on 24 September 2021. The SoP has been circulated among the banks and they have been advised to follow the procedure while issuing KCC to fishermen. Further, with a view to cover maximum number of fishermen, Animal Husbandry & Dairy farmers under KCC scheme, Government of India has launched an exclusive special 3-month weekly campaign starting from 15 November 2021 under the ongoing KCC saturation drive. For this purpose, a checklist has also been finalized to facilitate submission of applications by the farmers during the camp.

As regards Partial Credit Guarantee Scheme (PCGS 1.0), it is informed that the scheme was launched for providing guarantee to Public Sector Banks (PSBs) limited to first loss of upto 10% of fair value of pooled assets being purchased by the banks from financially sound Non-Banking Financial Companies (NBFCs)/Housing Finance Companies (HFCs) fulfilling the eligibility criteria prescribed under the Scheme.

The scheme (PCGS 1.0) was further extended to cover portfolio guarantee of up to 20% of first loss for purchase by PSBs of Bonds or Commercial Papers (CPs) with a rating of AA and below (including unrated paper with original initial maturity of up to one year) issued by NBFCs/ HFCs/Micro Finance Institutions (MFIs). The validity of the scheme has expired on 31.03.2021.

Guarantee has been executed for asset pool amounting to Rs. 11,769.59 crore (with Guarantee implication of ₹ 1,176.67 crore) under PCGS 1.0. Further, as reported by Public Sector Banks, they have purchased portfolio of ₹ 22,217 crore (with Guarantee implication of ₹4443.40 crore) under PCGS 2.0. A provision of amount ₹ 500 crore was made in FY 2020-21 for the said scheme to settle possible claims which may arise on invocation of guarantee given by Government to PSBs. Since no claim was received during the said period, the said amount was surrendered. In FY 2021-22, a provision of amount Rs. 1000 crore has been made.

As part of the Aatmanirbhar Bharat Abhiyan, the Union Cabinet approved the **Special Liquidity Scheme (SLS)** for Non-Banking Financial Companies (NBFCs) and Housing Finance Companies (HFCs) to improve their liquidity position. Under the Scheme, a Special Purpose Vehicle (SPV) viz. SLS Trust was set up under SBICAPS which issued interest bearing special securities guaranteed by the Government of India, which were purchased by Reserve Bank of India (RBI). The proceeds thereof were used by the SPV to acquire the debt of at least investment grade of short duration (residual maturity of upto 3 months) of eligible NBFCs/HFCs. The SPV would issue securities as per requirement subject to the total amount of securities outstanding not exceeding 30,000 crore to be extended by the amount required as per the need. The validity of the Scheme expired on 30.9.2020 and a total of ₹ 7,125.51 crore was disbursed by SLS

Trust by way of 28 instruments to 23 NBFC/HFC SLS Trust has received the repayment of principal and interest amounting to ` 7,249.60 crore by 31.12.2020 for all instruments. A provision of amount of Rs. 500 crore was made in the first Supplementary Demand for grants for settlement of claims on invoking guarantee given by Government under the Scheme. Since all the instruments issued under the scheme were repaid and there was no default, the said amount was surrendered. No provision has been made for SLS in FY 2021-22

As regards non-utilization of funds under PCGS and SLS, it is stated that funds were allocated under the respective budget heads for settlement of the claims, if any, under the schemes. The guarantee amount extended under these schemes is demand driven based on the liquidity need of NBFCs/HFCs/MFIs and availability of eligible assets/portfolio of Bonds & CPs for purchase by Public Sector Banks (PSBs) from various NBFCs/HFCs/MFIs.

In order to boost employment opportunities in the wake of COVID lockdown, Government of India had launched a campaign known as Garib Kalyan Rojgar Abhiyan (GKRA) of 125 days on 20th June, 2020.

Government of India launched a massive rural public works scheme "Garib Kalyan Rojgar Abhiyaan" on June 20, 2020 to empower and provide livelihood opportunities to the returnee migrant workers and rural citizens. 25 schemes of the government have been brought together under this programme and villages across 116 districts in the six states viz. Bihar, Uttar Pradesh, Madhya Pradesh, Rajasthan, Jharkhand, and Odisha through the Common Service Centres and Krishi Vigyan Kendras.

The Abhiyaan has achieved an employment generation of 50.78 crore persondays with a total expenditure of Rs 39,293 crore. The GaribKalyanRojgarAbhiyan ended on 22nd October, 2020."

(Observations/Recommendations No. 10)

The Committee note that there was no shortfall in terms of release of GST Compensation released to States during 2017-18 and 2018-19. The utilised GST compensation cess of approx 47,000 crore has been transferred to GST Compensation Fund in two instalments. GST Compensation Cess collected during Financial Year 2020-21 has been regularly transferred to Compensation Fund and was being utilized towards payment of GST Compensation to States. The Committee are happy to note that during transition period, the States' revenues are protected at 14% growth rate per annum over the base year revenue (2015-16). During the Financial Year 2019-20, compensation cess has not been sufficient to meet GST Compensation liability of

States and therefore, the same has been met partly by utilising unutilised cess which was kept in CFI during 2017-18 and 2018-19 and partly from the amount of reversal of IGST devolved during 2017-18. The Cess collection from April to October, 2020 was approximately Rs. 42,787 crore against the GST Compensation due to States of about Rs. 2 lakhs crore for the period April to September, 2020 and due to this, GST Compensation payable to States could not be released in a time bound manner. The Committee appreciate that to meet the shortfall, the Union Government has decided to borrow amount of Rs. 1.10 lakh crore using a special window and pass on the same to States as back to back loan to help the States to meet the resource gap due to non-release of compensation due to inadequate balance in the Compensation Fund during current Financial Year. The Committee is of the firm view that all the States should get sufficient funds to meet their requirement from the special window created by the Union Government and desire to know the outcome thereof.

Reply of the Government

In this regard, it is submitted per provisions of GST (Compensation to States) Act, 2017, GST compensation for financial years 2017-18, 2018-19 and 2019-20 has already been paid to all the States/UTs. However, the economic impact of the pandemic has led to higher compensation requirement due to lower GST collection and at the same time lower collection of GST on compensation cess. GST compensation of Rs. 1,48,464 crore has been released to States/UTS to Partly meet the compensation payable for the period April'20 to March'21 as the amount in GST Compensation Fund adequate to meet the full compensation requirement.

2. The issue of shortfall of cess collection into Compensation Fund and GST compensation to States/UTs due to economic impact of the pandemic has been deliberated in 41st, 42nd & 43rd GST council meetings. As per the decision of GST Council, Rs. 1.1 lakh crore for FY 2020-21 & Rs. 1.59 lakh crore for FY 2021-22 has been released to States/ UTs as back to back loan to meet the resource gap of the States/UTs due to shortfall in GST compensation. Release of this amount has been front loaded during the financial year to enable States/UTs to undertake capital expenditure. In addition, depending on the amount available in the Compensation Fund, Centre has also been releasing the regular GST compensation to States to make up for GST revenue shortfall.

3. Centre is committed to release full of GST Compensation to the States/UTs as per GST (Compensation to States) Act, 2017 for the transition period by extending the levy of Compensation cess beyond 5 years to meet the GST revenue shortfall as well as servicing the loan borrowed through special window scheme.

(Observations/Recommendations No. 11)

The Committee note and appreciate that in the wake of the COVID-19 pandemic scenario, the Expenditure rationalisation strategy has been implemented by the Government. Considering the gravity of stress on resource position of the Government, Ministries/Departments are re-grouped into three categories viz. Category A, Category B and category C and rationalisation strategy has been implemented by the Government. Considering the gravity of stress on resource position of the Government, Ministries/Departments are re-grouped into three categories viz. Category A, Category B and Category C. 17 Demands of different Ministries/Departments are placed in Category A, the expenditure of which is governed by their expenditure Plan indicated in the Detailed Demands for Grants. 31 Demands of Ministries/Departments placed in Category B, the expenditure of which will be restricted to 20% of BE in the first quarter. Monthly Expenditure will be restricted to 8% of BE in the first month and 6% for the remaining two months in the quarter. 52 Demands of Ministries/Departments are placed in Category C, the overall expenditure of which will be restricted to 15% of BE in the first quarter. The monthly expenditure under this category will be restricted to 5% of BE each month. The instructions have continued further. The Committee are of the firm view that once the extreme cash stress position is normalised, the restrictions introduced by the Union Government will be withdrawn.

Reply of the Government

“Considering the need to effectively manage the cash flows of the Government, the guidelines for expenditure control were reviewed in order to promote Government spending on infrastructure and manage other expenditure keeping in view the situation arising out of COVID-19 and the consequential lock down.

It was expected that the cash position of Government may be stressed. Accordingly, it was essential to regulate the Government expenditure and to fix the Quarterly Expenditure Plan (QEP)/Monthly Expenditure Plan (MEP) of specific Ministries/Departments in a specific manner.

The three categories were identified, wherein Category 'C' - Ministries/Departments were required to restrict the overall expenditure within 15% of BE 2020-2021 in a Quarter (*The monthly expenditure was to be kept at 5% each of BE 2020-2021 during the Quarter*); Category 'B' -Ministries/Departments were required to restrict the overall expenditure within 20% of BE 2020-2021 in that Quarter (with the rider that: *The monthly expenditure was to be kept at 8% of BE 2020-2021 for the first month and at 6% each of BE 2020-2021 for the last two (2) months of Quarter*) and the Category 'A' - Ministries/ Departments were to be governed by the extant MEP/QEP guidelines.

Above guidelines were revised/relaxed in sync with the changing cash stress position:

| Date of OM | Relaxations allowed |
|------------|--|
| 28.9.2020 | Expenditure on 'salaries' and 'pensions' were allowed as per actual requirement and within the overall limits prescribed |
| 29.10.2020 | Expenditure for the 3 rd Quarter of FY 2020-21 was relaxed to the extent of ceiling finalized during the pre-budget Meetings at the RE stage (2020-21); |
| 23.3.2021 | In order to bring about more effectiveness and efficiency in Cash Management System, Paragraph No. 4 (iii) of the O.M. dated 21.8.2017 which stipulated conditions regarding release of bulk payments (₹ 200 Cr to ₹ 2000 Cr) through a dated window of 5 days (21 st to 25 th of every month); above ₹ 2,000 crore but less than ₹ 5,000 crore in window of 17 th to 21 st in the last month of a Quarter was relaxed up to 31 st March 2021 to ensure expenditure as per the RE and approval of both SDGs in the relevant FY; |
| 22.4.2021 | Expenditure on Capital Heads under Budget was relaxed in terms of para 48 of the Budget Speech 2021-22 which <i>inter-alia</i> states, "I have kept a sum of more than ₹44,000 crore in the Budget head of the Department of Economic Affairs to be provided for projects/programmes/departments that show good progress on Capital Expenditure and are in need of further funds." |
| 24.9.2021 | <p>i. Withdrawal of the instruction restricting overall expenditure within 20% of BE 2021-22 in Quarter 2 (July-September, 2021) by the Demands/Appropriations mentioned under Category B in this Ministry's O.M. No. F. No. 12(13)-B(W&M)/2020 dated 30.6.2021, with immediate effect. Accordingly, all Ministries/Departments were allowed to spend as per their own approved MEP/QEP during remaining part of this financial year.</p> <p>ii. Also, to encourage the capital spending, the stipulations governing bulk items of expenditure (≥ Rs.</p> |

| | |
|------------|---|
| | 200 crore) stated in the MoF's O.M. No. F.No.15 (39)-B(R)/2016 dated 21.8.2017 was relaxed for items of Capital expenditure for the remaining part of the financial year 2021-22; |
| 15.11.2021 | For revenue expenditure, lower limit of ₹ 200 crore was enhanced to ₹ 1,000 crore. i.e. specific window (21 st to 25 th of each month) for big releases/payments and for capital expenditure the relaxation already provided was continued; |
| 20.1.2022 | It was decided to relax the upper limit of 33% of BE as applicable for last quarter of the current financial year 2021-22 as a one-time measure, subject to the condition that ceiling of RE 2021-22 is not exceeded. For the items of capital expenditure, ceiling of 15% of BE 2021-22 in the last month was also relaxed, provided the capital/overall expenditure being within the RE 2021-22 ceiling. Accordingly, Ministries/Departments were also permitted to carry out consequential modification to their MEP/QEP; |
| 21.3.2022 | To facilitate expenditure (capital as well as revenue) of the Ministries/Departments, it was decided to grant one time relaxation for the stipulations contained in the O.M. F.No.15 (39)-B(R)/2016 dated 21st August, 2017 related to MEP/QEP limits for the last quarter and last month of the financial year, release of bulk items of expenditure of Rs. 200 crore and above and carry forward of savings of previous QEPs. These relaxations were applicable with immediate effect and limited to the current financial year 2021-22 only. |

CHAPTER III

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

NIL

CHAPTER IV

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

(Observations/Recommendations No. 7)

The Central share for the schemes is routed through the State/UT treasuries as Grants under various object heads, except in the case of Direct Benefit Transfers where the functional heads could be used. The funds remain in State Treasuries till these are transferred to implementing agencies. The Committee note that Finance Commission Grants, namely Post Devolution Revenue Deficit Grant and SDRF, released by Department of Expenditure are mostly untied in nature, where States are not mandated to submit Utilisation Certificates. Local Bodies Grants are released on back to back basis to State Government, where these grants are released to local bodies through respective State Governments. The Committee note that when States start spending, which they actually spend, they have to do in a well-defined manner as per their General Financial Rules and the Central rules. But sometimes, the State Governments deposit the unspent balance of schemes/grants in banks and accrue some interest on such money. The Committee is of a firm view that the States earn substantial amount of interest on unspent balances. The Committee, therefore, desire to know the details of interest earning of various states through deposits of unspent balances of various schemes in banks and the details of guidelines, if any, for utilisation of such amount.

Reply of the Government

"Rule 230 (8) of the General Financial Rules, 2017 provides that '*all interests or other earnings against Grants in aid or advances (other than reimbursement) released to any Grantee institution should be mandatorily remitted to the Consolidated Fund of India immediately after finalisation of the accounts. Such advances should not be allowed to be adjusted against future releases*'. This is to ensure that the money drawn by the beneficiary States should not exceed the authorization permitted by the Parliament.

Para 10 of the OM No. 1(313)/PFMS/FCD/2020 dated 23rd March 2021 issued by the PFMS division, DoE, MoF further provides that ***the SNAs shall ensure that the interest earned from the funds released should be mandatorily remitted to the respective Consolidated Funds on pro-rata basis in terms of Rule 230(8) of the GFR 2017. Interest earned should be clearly and separately depicted in PFMS, scheme specific portals integrated with PFMS and in MIS provided by the Banks.***

As per the records in e-lekha for FY 2021-22, an amount of `1,324.46 crore has been deposited in Consolidated Fund of India on account of interest on unspent balances.

The details have been annexed at Annexure 'E'."

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

CHAPTER V

**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLY OF
GOVERNMENT IS STILL AWAITED**

NIL

**NEW DELHI;
August, 2022
Shravana, 1944 (Saka)**

**GIRISH BHALCHANDRA BAPAT
CHAIRPERSON
COMMITTEE ON ESTIMATES**

Annexure 'A'

डॉ. टी. वी. सोमनाथन, आई.ए.एस.
वित्त सचिव एवं सचिव (व्यय)
Dr. T. V. Somanathan, I.A.S.
Finance Secretary & Secretary (Expenditure)



भारत सरकार
वित्त मंत्रालय
व्यय विभाग
Government of India
Ministry of Finance
Department of Expenditure
नॉर्थ ब्लॉक, नई दिल्ली-110001
North Block, New Delhi-110001
Tel. : 23092929, 23092663
Fax : 23092546
E-mail : secyexp@nic.in
Website : www.finmin.nic.in



D.O. No.56(02)PFC-II/2018

20th July, 2021

Dear Secretary,

You may be aware that Ministry of Statistics & Programme Implementation (MoSPI) monitors 1768 Central Sector Infrastructure Projects (CSIP) costing Rs.150 crore and above, being implemented by different Ministries/Departments, through its Online Computerized Monitoring System (OCMS) on a monthly basis. MoSPI publishes monthly and quarterly Flash Reports on the status of the said projects. MoSPI also informs the monthly progress report to Department of Expenditure (DoE) based on the data uploaded on OCMS portal.

2. MoSPI in every report, mentions that there are data gaps in reporting of revised cost estimates and commissioning schedules, which results in under reporting of cost and time overrun by the project implementing agencies.

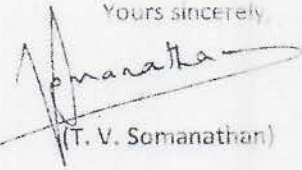
3. In this connection, please refer to DoE's OM No.24(350/PF-II/2012(PART) dated 28.05.2018 wherein concerned Ministries/Departments were requested to upload and update the details of CSIPs on OCMS portal on a monthly basis. It is also pertinent to mention that PMO also monitors all these project from time to time.

4. Two tables showing maximum cost overruns and time overruns for maximum five in number in respect of your Ministry/Department as per Flash Reports of MoSPI for the month of June, 2021 is enclosed for kind information and attention.

5. In view of above, I request you to personally look into the matter and adhere to the directions/guidelines issued by DoE and MoSPI for timely/regular/uploading and updating of details of CSIPs, being implemented by your Ministry/Department, on the OCMS Portal. It is also requested that the reasons of cost and time overruns in respect of enclosed projects and action taken by the Ministry/Department to minimise the same may kindly be sent to this Department. Further, to ensure regular and timely uploading and updating of the information on OCMS portal, an officer, not below the rank of Director, may be nominated under intimation to this Department

With regards,

Yours sincerely,


(T. V. Somanathan)

All concerned Secretaries of Govt. of India
(As per List attached)

Encl: as above

Comparison of Companies opting for the concessional tax regime and those under earlier tax regime (Financial Year 2019-20) [Number of companies: 9,17,494]

| S.No. | Slabs of Total Income (in Crores) | Number of Companies (u/s 115BAA) | Number of Companies (u/s 115BAB) | Number of Companies (under earlier tax rate of 30% plus surcharge and cess) | Total Income (u/s 115BAA) (in crore) | Total Income (u/s 115BAB) (in crore) | Total income (under earlier tax rate of 30% plus surcharge and cess) (in crore) |
|-------|-----------------------------------|----------------------------------|----------------------------------|---|--------------------------------------|--------------------------------------|---|
| 1 | Less than Zero and Zero | 44,067 | 981 | 4,83,002 | - | - | - |
| 2 | 0-1 | 74,948 | 256 | 2,48,934 | 13,792.48 | 24.69 | 28,561.38 |
| 3 | 1-10 | 19,642 | 7 | 19,400 | 63,106.44 | 10.44 | 57,498.13 |
| 4 | 10-50 | 4,742 | - | 3,060 | 1,04,060.15 | - | 64,506.88 |
| 5 | 50-100 | 849 | - | 463 | 59,812.06 | - | 32,727.46 |
| 6 | 100-500 | 954 | - | 440 | 201,569.09 | - | 92,647.91 |
| 7 | >500 | 246 | - | 130 | 4,91,089.68 | - | 2,95,778.13 |
| | Total | 1,45,448 | 1,244 | 7,55,429 | 933,429.91 | 35.13 | 5,71,719.89 |

[Source: Receipt Budget 2022-23 (Page No.34)]

Annexure 'C'

| Distribution of Net Proceeds of Union and State Taxes for 2016-17 | | | | | |
|---|----------------|-------------------|--------------------|---------------------|------------|
| S.No. | Name of State | Budget laid on | Grand Total(union) | Grand Total (State) | Difference |
| 1 | Andhra Pradesh | 10 March,2016 | 24637.36 | 20775.07 | 3862.29 |
| 2 | Assam | 26 July, 2016 | 18938.27 | 19045.31 | -107.04 |
| 3 | Haryana | 21 March, 2016 | 6188.8 | 6291.1 | -102.3 |
| 4 | Karnataka | 18 March,2016 | 26978.84 | 28229.24 | -1250.4 |
| 5 | Madhya Pradesh | 26 February, 2016 | 43211.39 | 43901.36 | -689.97 |
| 6 | Odisha | 18 March, 2016 | 26567.56 | 26599.56 | -32 |
| 7 | Punjab | 15 March,2016 | 9005.09 | 9104.83 | -99.74 |
| 8 | Rajasthan | 8 March, 2016 | 31477.89 | 31652.89 | -175 |
| 9 | Tamilnadu | 21 July, 2016 | 23018.12 | 23583.29 | -565.17 |
| 10 | Uttar Pradesh | 12 February, 2016 | 102649.91 | 105637.1 | -2987.19 |

Distribution of Net Proceeds of Union and State Taxes for 2021-22

| S.No. | Name of State | Budget laid on | Grand Total(union) | Grand Total (State) | Difference |
|-------|----------------|------------------|--------------------|---------------------|------------|
| 1 | Andhra Pradesh | 20 May, 2021 | 26935.32 | 26935.32 | 0 |
| 2 | Assam | 16 July, 2021 | 20818.82 | 20818.82 | 0 |
| 3 | Haryana | 12 March, 2021 | 7274.6 | 7274.6 | 0 |
| 4 | Karnataka | 8 March,2021 | 24273.06 | 24273.06 | 0 |
| 5 | Madhya Pradesh | 2 February, 2021 | 52246.68 | 52246.68 | 0 |
| 6 | Odisha | 22 Feb,2021 | 30136.68 | 30136.68 | 0 |
| 7 | Punjab | 8 March,2021 | 12026.71 | 12026.71 | 0 |
| 8 | Rajasthan | 24 Feb,2021 | 40106.81 | 40106.81 | 0 |
| 9 | Tamilnadu | 13 Aug,2016 | 27148.31 | 27148.31 | 0 |
| 10 | Uttar Pradesh | 22 Feb,2021 | 119395.3 | 119395.3 | 0 |

Annexure 'E'

Ministry-wise details of the funds deposited in Consolidated Fund of India on account of interest on unspent balances:

('in crore)

| Ministry/Departments | Receipts |
|--|----------------|
| AGRICULTURE | 420.7 |
| CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION | 0.06 |
| RURAL DEVELOPMENT | 7.93 |
| POWER | 55.7 |
| ECONOMIC AFFAIRS | 3.94 |
| HEALTH and FAMILY WELFARE | 384.42 |
| HOME AFFAIRS | 46.56 |
| INDUSTRY | 31.11 |
| LABOUR AND EMPLOYMENT | 9.73 |
| SUPPLY | 5.34 |
| CIVIL AVIATION & TOURISM | 16.34 |
| CBEC | 5.16 |
| CBDT | 0.03 |
| SPACE | 10.96 |
| ENVIRONMENT and FORESTS | 17.1 |
| FOOD PROCESSING INDUSTRIES | 3.66 |
| EARTH SCIENCES | 19.47 |
| POSTS | 1.77 |
| TELECOMMUNICATIONS | 15.07 |
| MINISTRY OF FISHERIES, ANIMAL HUSBANDRY AND DAIRYING | 59.44 |
| MINISTRY OF HOUSING AND URBAN AFFAIRS | 183.19 |
| PHARMA AND CHEMICALS | 1.97 |
| PLANNING STATISTICS AND PROGRAM | 2.47 |
| UTOF DADRA NAGAR HAVELI & DAMAN & DIU | 22.34 |
| TOTAL | 1324.46 |

Note: The data above does not contain the interest accrued in Mines and Principal PAO Audit Delhi as the amount was substantially low.

Details of the Briefing Session(s) for Hon'ble MPs organized by the Reference Division,
Lok Sabha Secretariat

| Sl. No. | Date | Time | Topics of Legislative Business | Status | Venue | Number of MPs attended Briefing Sessions |
|---|------------|---------------------|--|--------|-------------------------------|--|
| Budget Session, 2020 (31.01.2020 to 23.03.2020) | | | | | | |
| 1. | 03.02.2020 | 09:30 to 10:30 a.m. | General Budget-I | Passed | Room No. 62, Parliament House | 34 |
| 2. | 04.02.2020 | 09:30 to 10:30 a.m. | General Budget-II | Passed | Room No. 62, Parliament House | 10 |
| 3. | 05.02.2020 | 09:30 to 10:30 a.m. | Union Budget | Passed | Room No. 62, Parliament House | 12 |
| 4. | 06.02.2020 | 09:30 to 10:30 a.m. | Union Budget | Passed | Room No. 62, Parliament House | 17 |
| 5. | 02.03.2020 | 09:30 to 10:30 a.m. | The Direct Tax Vivad Se Vishwas Bill, 2020 | Passed | Room No. 62, Parliament House | 13 |
| Budget Session, 2021 (29.01.2021 to 25.03.2021) | | | | | | |

| | | | | | | |
|--|------------|---------------------------|--|-----------------|---|----|
| 6. | 03.02.2021 | 02:30 to 03:30 p.m. | Budgetary Procedures and Union Budget (2021-22) | Passed | Room No. 62, Parliamen t House | 24 |
| 7. | 04.02.2021 | 02:30 to 03:30 p.m. | Budgetary Proposals for different Ministries/ Departments including the Ministry of Railways (2021-22) | Passed | Room No. 62, Parliamen t House | 40 |
| Budget Session, 2022 (First Part) (31.01.2022 to 11.02.2022) | | | | | | |
| 8. | 02.02.2022 | 02:30 to 03:30 p.m. | Union Budget (2022-23): Key Features and Budgetary Procedures | To be passed | Room No. 53, Parliamen t House | 24 |
| 9. | 03.02.2022 | 02:30 to 03:30 p.m. | Budgetary Proposals for different Ministries/De partments including the Ministry of Railways (2022-23) | To be passed | Room No. 62, Parliamen t House | 17 |

Appendix II

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE NINTH REPORT OF THE COMMITTEE ON ESTIMATES (17TH LOK SABHA) ON 'RECENT BUDGETARY REFORM FOR BETTER MANAGEMENT OF GOVERNMENT EXPENDITURE' PERTAINING TO THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS).

| | | |
|-----|---|-----|
| I | Total Number of Recommendations | 11 |
| II | Observations/Recommendations which have been accepted by the Government: (Sl. Nos. 1,2,3,4,5,6,8,9,10, and 11) | 10 |
| | Percentage | 91% |
| III | Observations/Recommendations which the Committee do not desire to pursue in view of the Government reply: | Nil |
| | Percentage | Nil |
| IV | Observation/Recommendation in respect of which reply of the Government has not been accepted by the Committee and which require reiteration: (Sl. No. 7) | 1 |
| | Percentage | 9% |
| V | Observations/Recommendations in respect of which final replies of the Government is still awaited: | Nil |
| | Percentage | Nil |