75

STANDING COMMITTEE ON FINANCE
(2013-14)

FIFTEENTH LOK SABHA

MINISTRY OF FINANCE
(DEPARTMENTS OF ECONOMIC AFFAIRS, EXPENDITURE, FINANCIAL SERVICES & DISINVESTMENT)

[Action taken by the Government on the recommendations contained in Sixty Seventh Report on Demands for Grants (2013-14) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services & Disinvestment)]

SEVENTY FIFTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

December, 2013/ Agrahayana, 1935 (Saka)

SEVENTY-FIFTH REPORT

STANDING COMMITTEE ON FINANCE
(2013-2014)

(FIFTEENTH LOK SABHA)

MINISTRY OF FINANCE
(DEPARTMENTS OF ECONOMIC AFFAIRS, EXPENDITURE,
FINANCIAL SERVICES & DISINVESTMENT)

[Action taken by the Government on the recommendations contained in Sixty-seventh Report on Demands for Grants (2013-14) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services & Disinvestment)]

Presented to Hon'ble Speaker on 18 October, 2013

Presented to Lok Sabha on 09 December, 2013

Laid in Rajya Sabha on 09 December, 2013

LOK SABHA SECRETARIAT
NEW DELHI

December, 2013/ Agrahayana, 1935 (Saka)

CONTENTS

---

* *Not appended in the cyclostyled copy*

COMPOSITION OF STANDING COMMITTEE ON FINANCE (2013-14)

Shri Yashwant Sinha - Chairman

MEMBERS

LOK SABHA

2. Shri Suvendu Adhikari
3. Dr. Baliram
4. Shri Sudip Bandyoypadhyay
5. Shri Udayanraje Bhonsle
6. Shri Gurudas Dasgupta
7. Shri Nishikant Dubey
8. Shri Rahul Gandhi
9. Shri Deepender Singh Hooda
10. Shri Chandrakant Khaire
11. Shri Bhartruhari Mahtab
12. Dr. Chinta Mohan
13. Shri Sanjay Brijkishorlal Nirupam
14. Shri Prem Das Rai
15. Shri S.S. Ramasubbu
16. Adv. A. Sampath
17. Shri Thakur Anurag Singh
18. Shri Subodh Kant Sahai*
19. Dr. M. Thambidurai
20. Shri Shivkumar Udasi
21. Shri Dharmendra Yadav

RAJYA SABHA

22. Shri Naresh Agrawal
23. Shri Rajeev Chandrasekhar
24. Smt. Renuka Chowdhury
25. Shri Piyush Goyal
26. Shri Satish Chandra Misra
27. Dr. Mahendra Prasad
28. Shri Ravi Shankar Prasad
29. Shri P. Rajeeve
30. Shri Praveen Rashtrapal
31. Dr. Yogendra P. Trivedi

SECRETARIAT

1. Shri A.K. Singh - Joint Secretary
2. Shri Ramkumar Suryanarayanan - Additional Director
3. Shri T. Mathivanan - Committee Officer

---

* **Nominated as Member of the Standing Committee on Finance w.e.f 16th September, 2013**

INTRODUCTION

I, the Chairman of the Standing Committee on Finance, having been authorised by the Committee, present this Seventy Fifth Report on action taken by Government on the recommendations contained in the Sixty Seventh Report of the Committee (Fifteenth Lok Sabha) on Demands for Grants (2013-14) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services & Disinvestment).

2. The Sixty Seventh Report (15^{th} Lok Sabha) was presented to Lok Sabha/laid in Rajya Sabha on 22 April, 2013. Replies indicating action taken on all the recommendations contained in the Report were furnished by the Government on 25 July, 2013.

3. The Committee considered and adopted this report at their sitting held on 27 September, 2013.

4. An analysis of action taken by Government on the recommendations contained in the Sixty Seventh Report of the Committee is given in the Appendix.

5. For facility of reference, observations/recommendations of the Committee have been printed in thick type in the body of the Report.

New Delhi;	**YASHWANT SINHA**
<u>27 September, 2013</u>	**Chairman,**
05 Asvina, 1935 (Saka)	**Standing Committee on Finance**

REPORT

CHAPTER I

This Report of the Standing Committee on Finance (Fifteenth Lok Sabha) deals with action taken by the Government on the recommendations/observations contained in their Sixty-Seventh Report on the Demands for Grants (2013-14) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) which was presented to Lok Sabha and laid in Rajya Sabha on 22 April, 2013.

2. Action taken notes have been received from the Government on 25 July, 2013 in respect of all the 14 recommendations contained in the Report. These have been analyzed and categorized as follows:-

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

Recommendation Nos.1,2,3,4,5,6,7,8,9,10,11,12,13 and 14

Total: 14

(Chapter II)

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

Total: Nil

(Chapter III)

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

Total: Nil

(Chapter IV)

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

Total: Nil

(Chapter V)

3. **The Committee desire that the replies to the recommendations / observations contained in the Chapter I of this Report may be furnished to them expeditiously, in any case not later than three months of the presentation of this Report.**

4. The Committee will now deal with the action taken by the Government on some of their recommendations.

A. SWAVALAMBAN SCHEME

Recommendation (Para No. 6)

5. The Committee while observing that the Swavalamban Scheme aiming at encouraging people from unorganized sector to voluntarily save for their retirement under the New Pension Scheme (NPS) had not been well received among the people over the years, recommended the Ministry of Finance to restructure the Swavalamban Scheme and give wide publicity as well in order to attract more and more people from unorganised sector.

6. The Ministry of Finance in their action taken replies have stated *inter-alia* that:- :

> "The Swavalamban scheme has been aimed to benefit around 10 lakh additional subscribers every year. However, since the Swavalamban scheme was launched on 26.9.2010, a total of only 3.03 lakh subscribers could be benefitted under the Scheme during 2010-11. Since then, there has been a steady growth in number of beneficiaries under the Scheme. During 2011-12, a total of 6.44 lakh subscribers and during 2012-13, 11.04 lakh subscribers have been benefitted under the scheme.
>
> The Swavalamban Scheme is at a nascent stage of development and this Department has taken several steps to create awareness of Swavalamban Scheme among workers / labourers in unorganised sector.
>
> The steps taken so far by the Government have begun to bring positive results and a total of 20.50 lakh subscribers have already been benefitted under the Swavalamban. Government has already released a further Grant of Rs. 33.70 crore during 2013-14 and this is over and above Rs. 197.91 crore already spent under the Scheme. As the Scheme has begun to attract the people from unorganised sector, it is being felt that there is no urgent need at present to restructure the Scheme to achieve the objective of the scheme. The Scheme is

already being given wide publicity in order to attract more and more people from unorganised sector".

7. According to the information available in the website of the Ministry of Finance (Department of Financial Services), the Swavalamban Scheme will be available upto the year 2013-14.

Social Security Benefits to Unorganised Workers

8. It is reported in the Annual Report (2012-13) of the Ministry of Labour and Employment that the Government have been adopting two-pronged strategy i.e. legislative measures and implementation of welfare schemes and programmes has been followed to take care of the social security and welfare of unorganized workers. The legislative measures include enactment of the Unorganised Workers' Social Security Act, 2008, etc; and the welfare schemes include the Rashtriya Swasthya Bima Yojana (RSBY); the Aam Admi Bima Yojana (AABY); and the Swavalamban Scheme, etc.

9. It is also reported that as per the survey carried out by the National Sample Survey Organisation (NSSO) in the year 2009-10, the total employment in both organized and unorganized sector in the country was 46.5 crore. Out of this, about 2.8 crore (6%) were in the organized sector and the balance 43.7 crore (94%) in the unorganized sector.

10. With a view to providing social security to unorganized workers, the Government enacted the "Unorganised Workers' Social Security Act, 2008". Section 3(1) of the Act provides that the Central Government shall formulate and notify, from time to time, suitable welfare schemes for unorganized workers on matters relating to life and disability cover, health and maternity benefits, old age protection and any other benefit as may be determined by the Central Government. Section 3(2) of the Act provides that the schemes included in the Schedule 1 of the Act shall be deemed to be welfare schemes. Under Section 3(3) of the Act, the Central Government may, by notification, amend the Schedule(s) annexed to the Act. The schemes included in Schedule 1 to the Act are:- Indira Gandhi National Old Age Pension Scheme; National Family Benefit Scheme; Janani Suraksha Yojana; Handloom Weavers'

Comprehensive Welfare Scheme; Handicarft Artisans' Comprehensive Welfare Scheme; Pension to Master Craft Persons; National Scheme for Welfare of Fisherman and Training and Extension; Janshree Bima Yojana; Aam Admi Bima Yojana; and Rashtriya Swasthya Bima Yojana,.

11. The Central Government launched the Rashtriya Swasthya Bima Yojana (RSBY) to provide smart card based cashless health insurance, including maternity benefit to BPL families in the unorganized sector. The scheme became operation from 01.04.2008. Total number of beneficiaries covered under RSBY as on 31.03.2013 is 3.44 crore.

12. The Aam Admi Bima Yojana (AABY) was launched on 02.10.2007 with a view to providing insurance cover to the head of family or one earning member of rural landless households. Total number of beneficiaries covered under AABY as on 31.03.2013 is 4.80 crore.

13. Against the backdrop of under-achievement under the Swavalamban Scheme over the years, being implemented by the Government, the Committee had recommended for restructuring of the Scheme, as in its present form it had not been well received among the people. In the action taken replies, the Ministry of Finance submitted that since the Swavalamban Scheme was launched on 26 September, 2010, there has been a steady growth in number of beneficiaries under the Scheme, and therefore, there is no urgent need at present to restructure the Scheme. However, the Committee note from available facts that as against the total coverage target of 40 lakh subscribers for the year 2013-14, so far only about half the number i.e. 20.50 lakh subscribers have been enrolled. Though the enrollment has improved marginally, achieving the total coverage target remains doubtful, as the Scheme is available only upto March, 2014. Moreover, the coverage achieved under the

Swavalamban Scheme is not as satisfactory compared to the achievement made under other social security schemes, namely, the RSBY; and the AABY. The average beneficiaries enrolled per annum under the RSBY is 57.35 lakh and 80.15 lakh in the case of the AABY, while it is a mere 6.80 lakh under the Swavalamban Scheme. Thus, it is clearly evident that the steps taken by the Ministry under the Swavalamban Scheme wholly inadequate, considering the fact that 94 per cent of total employment i.e. 43.70 crore remains in the unorganized sector, which warrants extensive coverage under schemes such as this. Unlike other Social Security Schemes, for instance, the RSBY and the AABY included in Schedule I of the Unorganised Workers' Social Security Act, 2008 and deemed to be welfare schemes for unorganized workers, the Swavalamban Scheme is yet to find a place in the Schedule despite the Central Government having the power to amend the Schedule.

14. The Committee, therefore, while reiterating their recommendation to restructure the Swavalamban Scheme to cover more extensively the unorganized workers, urge the Government to amend the Schedule I of the Unorganised Workers' Social Security Act, 2008 to include the Swavalamban Scheme.

B. Agricultural Debt Waiver and Debt Relief Scheme, 2008

Recommendation (Para No. 6)

15. Since a number of discrepancies in implementation of the scheme "Agricultural Debt Waiver and Debt Relief Scheme, 2008" was reported, the Committee urged upon the Ministry of Finance (Department of Financial Services) to set up an exclusive

monitoring wing for the implementation and monitoring the various schemes under its jurisdiction. Further, in order to preempt such large scale deviation from the envisaged objectives of the schemes, the Committee desired that the Ministry of Finance (Department of Expenditure) should oversee the outcome of expenditure periodically in such big schemes.

16. In their action taken reply, the Ministry of Finance while informing the Committee of the action taken for rectification of the discrepancies in implementation of the scheme, have, among other things, stated that:-

> "As regards setting up an exclusive monitoring wing for implementation and monitoring of various schemes is carried out under the provisions of the respective Scheme. However, the Government has noted and proposes to set up a Monitoring Wing within the Department of Financial Services to monitor the schemes pertaining to this Department".

17. The Committee are happy to note that the Government proposes to set up a monitoring wing within the Department of Financial Services to monitor the schemes under its jurisdiction. However, no mention has been made in the action taken reply about overseeing the outcome of expenditure by the Department of Expenditure periodically in major schemes of the Central Government, as recommended by the Committee. The Committee desire to know the action taken by the Government in this regard.

C. Financial Inclusion

Recommendation (Para No.7)

18. The Committee had been repeatedly emphasizing that no other model could substitute brick & mortar branches in achieving the goal of financial inclusion. The Committee, therefore, recommended *inter-alia* the Ministry of Finance to review the Business Correspondent / Business Facilitator (BC/BF) model for better results, while ensuring that it should not become an instrument of exploitation of the rural poor.

They further recommended that social obligations on the part of private banks must also be strictly enforced.

19. The Ministry of Finance have stated, among other things, in their action taken replies as under:-

> "a) RBI had already issued instructions to Banks to implement safeguard measures, while adopting Business Correspondent model. Some of them are:
>
> (i) The banks should carry out a detailed review of the performance of various BCs engaged by them at least once in a year and they should monitor the activities of BCs through their Controlling Offices.
>
> (ii) The banks should constitute Grievance Redressal Machinery within the bank for redressing complaints about services rendered by the BCs and give wide publicity about it through electronic and print media.
>
> (iii) The retail outlet/sub-agent of the BC should be personally introduced to the members of public by the bank officials in the presence of village elders and government functionaries in a public meeting so that there is no misrepresentation/impersonation.
>
> (iv) The charges for offering various services should be indicated in a brochure and made available at the retail outlets/with the sub-agents.
>
> (v) As a measure of social audit, there could be periodic block level meetings where Lead District Manager (LDM) of the lead bank could attend such meetings in the district to get a direct feedback and provide such feedback to the controlling offices.
>
> (vi) The banks should ensure the preservation and protection of the security and confidentiality of customer information in the custody or possession of BC.
>
> b). New private sector banks are required to ensure that at least 25% of their total branches are in semi-urban and rural centres on an ongoing basis".

20. The Committee note with strong disapproval that the action taken replies are evasive with regard to review and effectiveness of the Business Correspondent / Business Facilitator (BC/BF) model; and fulfillment of the obligation of opening of 25 per cent of total branches in semi-urban and rural centres by the private banks. The Ministry have simply chosen to reproduce the

guidelines issued by the RBI and have not spelt out the action taken by them as the nodal agency. The Committee do not approve of such a routine approach and desire to be furnished a detailed reply including overseeing mechanism of BC/BF model in this regard.

D. Recapitalisation of Public Sector Banks

Recommendation (Para No. 8)

21. The Committee expressed their view that the extant practice of following easy route of capitalizing the Public Sector Banks (PSBs) from the budget would not only numb the PSBs but might also made them inefficient. The Committee, therefore, recommended the Ministry of Finance to propel the PSBs to generate funds internally also for their recapitalization instead of depending on budgetary support alone. They also urged the Ministry to expedite the process of setting up the holding company at the earliest.

22. The Ministry of Finance in their action taken replies have stated, among other things, that:-

> "The capital infusion by the Government in PSBs is done with the twin objective of adequately meeting the credit requirement of the productive sectors of economy as well as to maintain regulatory capital adequacy ratios in PSBs. The Government of India, as the majority shareholder, is committed to keep all PSBs adequately capitalized.
>
> The capital infusion in PSBs is in addition to their internally generated capital to enable them to maintain a comfortable level of Tier I CRAR of 8% which is 2% over and above the regulatory prescriptions. In the year 2010-11, Government also infused capital in some PSBs to increase its shareholding to 58% to create additional headroom to facilitate raising of capital by these PSBs from the market in future, as and when required, without the support of the Government. …….
>
> To meet the long term needs of capital of PSBs, the Government is considering formation of Holding Company under a Special Act of Parliament. A Draft Cabinet Note and Bill on formation of Holding Company duly approved by the Finance Minister is under inter-ministerial consultation. The proposal is at an

advanced stage of consultation with Department of Legal Affairs and Legislative Department……”

23. It is seen from the reply that though the Government is stated to have created additional headroom for the Public Sector Banks (PSBs) to raise capital from the market, the reply is silent whether the Ministry, as recommended by the Committee, instructed the PSBs to generate funds internally also for their recapitalization. The Committee would thus like to know the details of capital raised by the each PSB as against the capital infused by the Government during the last three years. They also urge the Government to expedite the process of setting up of the Holding Company to meet the long-term needs of capital of PSBs.

E. Non-Performing Assets (NPAs)

Recommendation (Para Nos. 9-13)

24. Concerning over rising NPAs of the most of Public Sector Banks (PSBs), the Committee urged the Government / RBI to constitute a special NPA Management Cell at the highest level to review the write-off / up-gradation and restructured advances and also to monitor the pace of recovery of NPAs. They also desired the Ministry to submit a report on the results achieved thereof within a period of three months from the presentation of this Report. In the meantime, the names of all willful-defaulters (Companies / Directors) should be published appropriately.

25. In their action taken replies, the Ministry of Finance while listing out the initiatives taken by the Government and RBI to contain NPAs, have stated, among other things, that:-

“To improve the health of the financial sector, to reduce the NPAs, to improve asset quality of banks, and to prevent slippages, Reserve Bank of India (RBI) has already issued several instructions from time to time which stipulate that each bank is required to have a robust mechanism for early detection of signs of distress including prompt restructuring in the case of all viable accounts; to have a loan recovery policy which sets down the manner of recovery of dues, targeted level of reduction (period-wise), norms for permitted sacrifice/waiver, factors to be taken into account before considering waivers, decision levels, and reporting to higher authorities; monitoring of write-off/waiver cases; valuation of properties including collaterals accepted for their exposures; and taking recourse to legal mechanisms like SARFAESI Act, 2002, DRTs and Lok Adalats…….Appointment of a Nodal Officer for recovery at the Head Office/Zonal Office/for each DRT…..Thrust on organizing Lok Adalats/Recovery Camps.

26. It is further stated that -

i) The review of the Non performing assets (NPAs) of commercial banks is undertaken at the highest level in RBI by the Board for Financial Supervision (BFS) on a quarterly basis.

ii) The issue of NPA has also been a matter of debate and discussion in the meetings of the Financial Stability Development Council (FSDC) of the Government. Besides, the Nominee Directors, from RBI and Government, on Board of PSBs also direct their efforts to help banks in adopting appropriate strategies in dealing with NPAs.

iii) During the Annual Financial Inspections (AFI) of RBI, the asset quality of the bank, including asset classification, restructuring of advances and the effectiveness in reducing NPAs of the bank are intensely scrutinised and discussed with the CMD/CEO of the banks and specific concerns incorporated in a Monitorable Action Plan of banks for compliance.

iv) The off-site monitoring mechanism with respect to asset quality is fairly exhaustive and aspects e.g. slippages, upgradation, recovery and write-off trends, which throw light on banks' efforts to manage NPAs, changes in asset quality profile and provisions held and made for various categories of NPAs are all discernible and picked up as pointers by RBI for follow-up with banks concerned.

v) To monitor NPAs and restructuring of advances, RBI has advised all PSBs to take adequate steps to strengthen their risk management systems, credit appraisal and sanction process, post sanction monitoring and follow-up and, have a robust MIS mechanism for early detection of incipient weaknesses/distress and for taking steps for remedial measures and recovery of bank's dues.

vi) Banks have been advised to restructure their NPAs in a transparent and objective manner and in conformity with the regulatory guidelines only. Further, NPA level in banks are also constantly monitored by RBI.

The recent guidelines on restructuring, issued on May 30, 2013, seeking to tighten the regime from the year 2015 on classification of restructured advances as non-performing exemplifies the fact that RBI adopts regulatory measures as and when required and they have stood the test of time.

Considering the above facts and that the Government is monitoring NPAs on regular basis, it is not advisable to constitute any further high level NPA Management Cell to review the write-off / up-gradation and restructured advances and also to monitor the pace of recovery of NPAs.

As regards, publishing of the names of all willful-defaulters (Companies / Directors) appropriately, it is stated that Section 45E of the RBI Act, 1934, the Acts establishing Public Sector Banks and the Public Financial Institutions (Obligation as to Fidelity and Secrecy) Act, 1983, provide for obligation of a bank or financial institution to maintain secrecy about the affairs of its constituents.

The said provisions do not make a distinction with respect to small or big borrowers and the prohibition from disclosure is applicable to all constituents alike".

27. An extract of Sections 45A [c] and 45E of the Reserve Bank of India Act,1934 related to definition of credit information and prohibition of disclosure of credit information is furnished below:-

"45A [c] "credit information" means any information relating to---

(i) the amounts and the nature of loans or advances and other credit facilities granted by a banking company to any borrower or class of borrowers;

(ii) the nature of security taken from any borrower [or class of borrowers] for credit facilities [granted to him or to such class];

(iii) the guarantee furnished by a banking company for any of is customers [or any class of its customers];

(iv) the means, antecedents, history of financial transactions and the creditworthiness of any borrower or class of borrowers;]

(v) any other information which the Bank may consider to be relevant for the more orderly regulation of credit or credit policy.]

45E. Disclosure of information prohibited

(1) Any credit information contained in any statement submitted by a banking company under section 45C or furnished by the Bank to any banking company

under section 45D, shall be treated as confidential and shall not, except for the purposes of this Chapter, be published or otherwise disclosed.

(2) Nothing in this section shall apply to-----

(a) the disclosure by any banking company, with the previous permission of the Bank, of any information furnished to the Bank under section 45C;

(b) the publication by the Bank, if it considers necessary in the public interest so to do, of any information collected by it under section 45C, in such consolidated form as it may think fit without disclosing the name of any banking company or its borrowers;

(c) the disclosure or publication by the banking company or by the Bank of any credit information to any other banking company or in accordance with the practice and usage customary among bankers or as permitted or required under any other law:

Provided that any credit information received by a banking company under this clause shall not be published except in accordance with the practice and usage customary among bankers or as permitted or required under any other law.]

(d) the disclosures of any credit information under the Credit Information Companies (Regulation) Act, 2005.]

(3) Notwithstanding anything contained in any law for the time being in force, no court, tribunal or other authority shall compel the Bank or any banking company to produce or to give inspection of any statement submitted by that banking company under section 45C or to disclose any credit information furnished by the Bank to that banking company under section 45D".

28. An extract of Sections 3(2) (a) & (c) of the Public Financial Institutions (Obligation as to Fidelity and Secrecy) Act, 1983 is given below:-

"3. Obligation as to fidelity and secrecy

(2) A public financial institution may, for the purpose of efficient discharge of its functions, collect from, or furnish to,-

(a) The Central Government; or

(b) ________________________

(c) Any other public financial institution, such credit information or other information as it may consider useful for the purpose, in such manner and at such time as it may think fit".

29. According to RBI's Financial Stability Report, June 2013, approved by the sub-committee of the Financial Stability and Development Council (FSDC), the strain on asset quality continues, although it has shown improvement during the quarter ended March, 2013. It is also stated that change in classification for restructured advances w.e.f April1, 2015 may have some adverse impact on the NPAs, unless banks take preventive measures in this regard.

30. The Committee find from the action taken replies furnished by the Ministry that review of the NPAs of commercial banks is being undertaken at various levels such as the RBI; nominee Directors from Government on Board of PSBs; and the Financial Stability and Development Council (FSDC). However, it is very strange to note that the Department of Financial Services, the administrative department, which is supposed to monitor the movement of NPAs closely, has no NPA management cell. In view of the apprehensions expressed in the RBI's latest Financial Stability Report published in June, 2013 that persistence of the current macroeconomic conditions; and the proposed change in classification for restructured advances *w.e.f* April 1, 2015, is likely to increase the quantum of NPAs, the Committee would expect the Ministry to take this matter more seriously and set up a NPA monitoring cell at the highest level in the Department of Financial Services to focus on asset quality of banks so as to achieve banking stability and sustainable credit growth. The NPA Monitoring Cell could look into review of top NPA accounts; write-off / up-gradation and restructured advances; pace of recovery of NPAs; delay in NPA reporting

mechanism; inadequate financing of Micro, Small and Medium Enterprises (MSMEs) leading to their financial stress and NPA. The Committee also desire to be furnished with a note detailing the effectiveness of several measures taken by the Ministry and the RBI in achieving credible and sustainable progress on asset quality of PSBs.

31. On another issue regarding publishing of the names of all willful-defaulters, the Ministry in its submission have stated that Section 45E of the RBI, Act, 1934, and the Public Financial Institutions (Obligation as to fidelity and secrecy) Act, 1983 provides for obligation of a bank or financial institution to maintain secrecy about the affairs of its constituents. It is, however, not clarified as to how, in the public interest and for efficient functioning of public sector banks, the disclosure of names of willful defaulters and their NPAs [not credit information of all borrowers or other credit information of defaulters] to a Parliamentary Standing Committee is prohibited especially when disclosure of such data is permitted under section 3(2) of the Public Financial Institutions (Obligation as to fidelity and secrecy) Act, 1983 which provides that a public financial institution may, for the purpose of efficient discharge of its functions, collect from, or furnish credit information to the Central Government. It is also not clarified as to how revealing of such information would affect the orderly regulation of credit or credit policy of Banks. The Committee believe that this would rather help their recovery process. The Committee would like to be apprised of the requisite information within one month from the presentation of this Report.

F. Disinvestment

Recommendation (Para No. 14)

32. The Committee *inter-alia* recommended the Department of Disinvestment to conduct a study in regard to return on disinvestment of Central Government's equity from CPSEs. They also recommended that instead of Offer for Sale of Shares route by promoters through Stock Exchange Mechanism, the Government should look for market penetration and encourage retail investors.

33. The Ministry of Finance in an action taken reply submitted, among other things, as under:-

> "…….Regarding the suggestion of the Committee for conducting a study regarding the returns on disinvestment of CPSEs during various phases of disinvestment, it may be mentioned that the relevance of the study would be interesting only when disinvestment methodology in all the phases of disinvestment was similar. It may be added here that in the initial phase of disinvestment, minority shares were sold in bundles to Public Sector Banks and Mutual Funds. Disinvestment in its next phase was undertaken through strategic sale, i.e. with transfer of management control. Presently, the disinvestment is undertaken through sale of shares in the capital market following SEBI Rules and Regulations with regard to IPO/FPO and OFS. Thus, methodology used being different and there being a big time gap between different phases of disinvestment when the dynamics of market and the Company changed substantially; the results of any study would not be comparable and therefore, no useful purpose would be served in getting a study done.
>
> The offer for Sale (OFS) is a new mechanism introduced by SEBI recently and is available only to the promoters to sale their shares either for the purposes of complying with the minimum public shareholding or otherwise by the promoters of Top-100 companies by market capitalization. The mechanism has been found efficient; cost effective in terms of money and time; and is quick. Presently SEBI has not kept any separate bucket in the OFS for retail investors and the concept of offering discount to retail investors, like in the case of IPO/FPO. As and when SEBI allows separate bucket for retail investors and permit discount to the retail investors, the Department will be using that method while following OFS mechanism".

34. With regard to conducting an evaluation on return on disinvestment, the Committee are not happy with the retraction by the Ministry in their Action Taken Reply from their submission made before the Committee during the

examination of the Demands for Grants (2013-14) on the ground that such study is not comparable and useful. Though the methodology used in different phases of disinvestment and results thereof may not be comparable, the Committee are of the view that such study is desirable and useful to assess the returns earned from different methodologies and process of disinvestment; and whether the synergies between the methodology and dynamics of market worked or not. Such study would also facilitate in setting up the benchmark for careful selection of future disinvestment methodologies. Since the likely impact on yields depends also on the methodology of disinvestment chosen, going forward without analyzing the returns could jeopardize the intention of disinvestment. The Committee, therefore, reiterate their recommendation that the Ministry should conduct a study in regard to return on disinvestment of Central Government's equity from Central Public Sector Enterprises (CPSEs). They also expect that the Ministry of Finance, being the administrative Ministry of the Securities and Exchange Board of India (SEBI), should take up with them the issue of encouraging retail investors in the disinvestment process, in order to ensure that such an arrangement is put in place by SEBI within a period of 3 months.

New Delhi;
27 September, 2013
05 Asvina, 1935 (Saka)

YASHWANT SINHA
Chairman,
Standing Committee on Finance

MINUTES OF THE SECOND SITTING OF THE STANDING COMMITTEE ON FINANCE (2013-14)

The Committee sat on Friday, the 27th September, 2013 from 1100 hrs to 1310 hrs.

PRESENT

Shri Yashwant Sinha – Chairman

MEMBERS

LOK SABHA

2. Dr. Baliram
3. Shri Gurudas Dasgupta
4. Shri Nishikant Dubey
5. Shri Deepender Singh Hooda
6. Shri Chandrakant Khaire
7. Dr. Chinta Mohan
8. Shri S.S. Ramasubbu
9. Adv. A. Sampath
10. Shri Subodh Kant Sahai
11. Dr. M. Thambidurai
12. Shri Shivkumar Udasi

RAJYA SABHA

13. Shri Naresh Agrawal
14. Dr. Mahendra Prasad
15. Shri P. Rajeeve
16. Shri Praveen Rashtrapal
17. Dr. Yogendra P. Trivedi

SECRETARIAT

1. Shri A.K. Singh – Joint Secretary
2. Shri Ramkumar Suryanarayanan – Additional Director
3. Shri Sanjay Sethi – Deputy Secretary
4. Shri Kulmohan Singh Arora – Under Secretary

2. At the outset, the Chairman welcomed Shri Subodh Kant Sahai and congratulated him on his nomination to the Committee for the year 2013-14. The Committee thereafter took up the following draft Reports for consideration and adoption :-

(i) Draft Report on action taken by the Government on the recommendations contained in the Sixty-seventh Report (15th Lok Sabha) on Demands for Grants (2013-14) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment);

(ii)	XX XX	XX XX	XX XX	XX XX
(iii)	XX XX	XX XX	XX XX	XX XX
(iv)	XX XX	XX XX	XX XX	XX XX
(v)	XX XX	XX XX	XX XX	XX XX

3. The Committee adopted the above draft reports with minor modifications. The Committee authorised the Chairman to finalise the Reports in the light of the modifications suggested and present these Reports to Hon'ble Speaker/Parliament.

The Committee then adjourned.

APPENDIX

(*Vide* Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE SIXTY SEVENTH REPORT OF THE STANDING COMMITTEE ON FINANCE (FIFTEENTH LOK SABHA) ON DEMANDS FOR GRANTS (2013-2014) OF THE MINISTRY OF FINANCE (DEPARTMENTS OF ECONOMIC AFFAIRS, EXPENDITURE, FINANCIAL SERVICES & DISINVESTMENT)

		Total	% of Total
(i)	Total number of Recommendations	14	
(ii)	Recommendations/observations which have been accepted by the Government (*Vide* Recommendations at Sl. Nos. 1,2,3,4,5,6,7, 8,9,10,11,12,13 and 14)	14	100.00
(iii)	Recommendations/observations which the Committee do not desire to pursue in view of the Government's replies	NIL	0.00
(iv)	Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee	NIL	0.00
(v)	Recommendation/observation in respect of which final reply of the Government is still awaited	NIL	0.00