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**STANDING COMMITTEE ON FINANCE
(2014-15)**

SIXTEENTH LOK SABHA

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

**DEMANDS FOR GRANTS
(2015-16)**

TENTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 2015 / Vaisakha, 1937 (Saka)

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(2014-2015)

(SIXTEENTH LOK SABHA)

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

DEMANDS FOR GRANTS
(2015-16)

Presented to Lok Sabha on 24 April, 2015

Laid in Rajya Sabha on 24 April, 2015



LOK SABHA SECRETARIAT
NEW DELHI

April, 2015/ Vaisakha, 1937 (Saka)

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16 April, 2015

COMPOSITION OF COMMITTEE ON FINANCE – 2014-15

Dr. M. Veerappa Moily, Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Venkatesh Babu T.G.
4. Shri Sudip Bandyopadhyay
5. Shri Nishikant Dubey
6. Shri P.C. Gaddigoudar
7. Dr. Gopalakrishnan C.
8. Shri Shyama Charan Gupta
9. Shri Prataprao Jadhav
10. Shri Rattan Lal Kataria
11. Shri Bhartruhari Mahtab
12. Shri Prem Das Rai
13. Shri Rayapati Sambasiva Rao
14. Prof. Saugata Roy
15. Shri Jyotiraditya M. Scindia
16. Shri Gajendra Singh Sekhawat
17. Shri Gopal Shetty
18. Shri Anil Shirole
19. Shri Shivkumar Udasi*
20. Dr. Kiritbhai Solanki
21. Dr. Kirit Somaiya

RAJYA SABHA

22. Shri Naresh Agrawal
23. Shri Naresh Gujral
24. Shri A. Navaneethakrishnan
25. Shri Satish Chandra Misra**
26. Dr. Mahendra Prasad
27. Shri P. Rajeeve
28. Shri C.M. Ramesh
29. Shri Ajay Sancheti
30. Shri Digvijaya Singh
31. Dr. Manmohan Singh

SECRETARIAT

- | | | | |
|----|------------------------------|---|---------------------|
| 1. | Shri P.C. Koul | - | Director |
| 2. | Shri Ramkumar Suryanarayanan | - | Additional Director |
| 3. | Shri Kh. Ginalal Chung | - | Committee Officer |

* Nominated w.e.f. 24.02.2015 vide Bulletin Part - II dated 24.02.2015 against the vacancy caused due to induction of Shri Jayant Sinha, MP to the Union Council of Ministers w.e.f 09.11.2014.

** Nominated w.e.f. 08.01.2015 vide Bulletin Part - II dated 12.01.2015 against the vacancy caused by retirement of Shri Brajesh Pathak, MP from Rajya Sabha.

INTRODUCTION

I, the Chairperson of the Committee on Finance, having been authorised by the Committee, present this Tenth Report (Sixteenth Lok Sabha) on 'Demands for Grants (2015-16)' of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment).

2. The Demands for Grants (2015-16) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) were laid on the Table of the House on 13 March, 2015, under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha.

3. The Committee took oral evidence of the representatives of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) on 30 March, 2015. The Committee wish to express their thanks to the representatives of the Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the Demands for Grants (2015-16).

4. The Committee considered and adopted this Report at their Sitting held on 16 April, 2015.

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

**New Delhi;
16 April, 2015
26 Chaitra, 1937 (Saka)**

**DR. M. VEERAPPA MOILY,
Chairperson,
Committee on Finance**

REPORT

PART - I

I. INTRODUCTORY:

The Ministry of Finance is responsible for the administration of the finances of the Central Government and formulation of policies concerning major economic and financial matters for the country as a whole. It mobilizes resources for development, regulates the expenditure of the Central Government and deals with transfer of resources to States/Union Territory (UT)s Governments. It works with other Ministries/Institutions and other stakeholders for evolving policies for economic development, setting priorities for expenditure, seeking Parliamentary approval to the Budget and ensuring propriety in utilization of funds.

2. The Ministry comprises of five Departments namely: (i) Department of Economic Affairs; (ii) Department of Expenditure; (iii) Department of Financial Services; (iv) Department of Disinvestment; and (v) Department of Revenue.

The Ministry administers the following thirteen Demands:

DEMAND NOS.

34	Department of Economic Affairs
35	Department of Financial Services
36	Appropriation - Interest Payments
37	Transfers to State and Union Territory Governments
38	Loans to Government Servants, etc.
39	Appropriation - Repayment of Debt
40	Department of Expenditure
41	Pensions
42	Indian Audit and Accounts Department
43	Department of Revenue
44	Direct Taxes
45	Indirect Taxes
46	Department of Disinvestment

3. Out of these six Demands viz; 36- Interest Payments, 37-Transfers to State and Union Territory Governments, 38 - Loans to Government Servants, etc., 39- Repayment

of Debt, 41- Pensions and 42 Indian Audit and Accounts Department are specifically exempted from the purview of outcome budgeting. Demand nos. 43,44 and 45 pertaining to Department of Revenue, Direct Taxes and Indirect Taxes are examined and reported separately by the Committee since 1998-1999.

Department of Economic Affairs

4. The Department of Economic Affairs is the nodal Department of the Union Government which formulates the country's economic policies and programmes having a bearing on domestic and international aspects of economic management. This Department prepares the Annual Union Budget (excluding the Railway Budget) and the Economic Survey.

Other key functions include:

- Formulation and monitoring of macro-economic policies including issues relating to fiscal policy and public finance, inflation, public debt management and the functioning of Capital Markets, including Stock Exchanges; ways and means to raise Internal Resources through market borrowings and mobilization of small savings;
- Monitoring and Raising of External Resources through Multilateral and Bilateral Official Development Assistance and Sovereign Borrowings Abroad, Foreign Investments and Monitoring of Foreign Exchange Resources including Balance of Payments;
- Production of Bank Notes and Coins of various denominations, Postal Stationery, Postal Stamps etc.
- Cadre management, Career Planning and Training of the Indian Economic Service (IES) Officers.

Department of Financial Services

5. The Department of Financial Services (DFS) is mainly responsible for policy issues relating to Public Sector Banks (PSBs) and Financial Institutions including their functioning, Banking Sector reforms including formation of Key Advisory Groups on Chit Fund/Nidhi Companies, Setting up of Central KYC Registry, standardization of account opening form, Financial Inclusion, Implementation of Government sponsored schemes and KYC guidelines, automation of State Government treasuries; appointment of Chairman-cum-Managing Directors (CMDs) and Executive Directors (EDs), legislative matters, international banking relations, appointment of Governor/Deputy Governor of Reserve Bank of India, matter relating to National Bank for Agriculture and Rural Development (NABARD), Agriculture Finance Corporation, Co-operative Banks, Regional Rural Banks (RRBs), Rural/Agriculture Credit, matters relating to Insurance Sector and performance of Public Sector Insurance Companies, administration of

various Insurance Acts, policy matters relating to pension reforms including National Pension System (NPS), legislative proposals and administrative issues concerning the Pension Fund Regulatory and Development Authority (PFRDA) etc.

Major Schemes administered by DFS are as under:

- (i) Pradhan Mantri Jan Dhan Yojana (PMJDY)
- (ii) Interest Subvention for providing Short Term Credit to Farmers
- (iii) Recapitalization of Public Sector Banks
- (iv) Recapitalization of Regional Rural Banks (RRBs)
- (v) Varishtha Pension Bima Yojana (VPBY)
- (vi) Aam Aadmi Bima Yojana (AABY)
- (vii) National Pension System (NPS)
- (viii) Swavalamban Scheme
- (ix) Credit Guarantee Fund for Factoring

Department of Expenditure

6. The Department of Expenditure (DoE) is the nodal Department for overseeing the public financial management system in the Central Government and the matters connected with State finances. Its principal activities include pre-sanction appraisal of major schemes and projects (both Plan and non-Plan), transferring substantial Central budgetary resources to States, and implementing the recommendations of the Finance and Central Pay Commissions.

7. Department of Expenditure oversees expenditure management in the Central Ministries through its interface with Financial Advisors, who head the Integrated Finance Divisions in various Ministries, rendering advice on overall financial management to the Secretaries of Administrative Ministries, within the ambit of Financial Rules and Orders notified by DoE.

8. The Department manages financial aspects of personnel management in the Central Government, such as matters relating to pay, creation of posts, cadre reviews etc. The Office of Controller General of Accounts (CGA) and Chief Adviser Cost are two attached offices of Department of Expenditure. The Office of Chief Adviser Cost (CAC) assists Central Ministries in assessing the costs and prices of public goods and

services. The Controller General of Accounts is primarily responsible for preparation of Central Government Accounts, and assists ministries in making releases through its cadre of Controller Accounts and Pay and Accounts Officers. Service matters pertaining to Indian Audit and Accounts Service, Indian Civil Accounts Service and Indian Cost Accounts Service are dealt with by DoE. DoE has, under its administrative control, two autonomous institutions: the National Institute of Financial Management (NIFM) and Institute of Government Accounts and Finance (INGAF).

9. DoE carries out its business through its Establishment Division, Procurement Policy Division, Plan Finance-I and Plan Finance-II Divisions, Finance Commission Division, Staff Inspection Unit, Cost Accounts Branch, Controller General of Accounts and the Central Pension Accounting Office.

10. DoE examines large value capital acquisition proposals relating to Ministry of Defence and other security agencies such as NTRO and NIA as also matters relating to Department of Atomic Energy and Department of Space. A public procurement cell has been recently set up in DoE, which deals with procurement policy.

11. Direct Benefit Transfer (DBT) Division was created in the Planning Commission to act as the Nodal Agency in the implementing of DBT. The Division was shifted to DoE in July, 2013.

12. DoE examines from expenditure angle action taken by various ministries/departments for implementation of recommendations of the Expenditure Reforms Commission.

13. DoE compiles and brings out the Outcome Budget relating to social sector Flagship Programmes administered by various Ministries/Departments.

Department of Disinvestment

14. The Department of Disinvestment (DoD) is mandated the following work:

- (1)
 - (a) All matters relating to disinvestment of Central Government equity from Central Public Sector Enterprises(CPSEs);
 - (b) All matters relating to sale of Central Government equity through offer for sale or private placement in the erstwhile CPSEs;
- (2) Decisions on the recommendations of Disinvestment Commission on the modalities of disinvestment, including restructuring;

- (3) Implementation of disinvestment decisions, including appointment of advisors, pricing of shares, and other terms and conditions of disinvestment;
- (4) Disinvestment Commission (ceased to exist from November 2004);
- (5) CPSEs for purposes of disinvestment of Government equity only;
- (6) Financial policy in regard to the utilization of the proceeds of disinvestment channelised into the National Investment Fund.

15. Summary of Budgetary provisions for Demand Nos. 34,35,40 and 46 under the Ministry of Finance are given below:

**DEMAND NO. 34
DEPARTMENT OF ECONOMIC AFFAIRS**

Description	Actuals 2013-14			Budget Estimates 2014-15			Revised Estimates 2014-15			Budget Estimates 2015-16		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Total-Revenue Section	5054.90	5047.61	10102.51	9784.00	5935.27	15719.27	9266.76	6113.19	15379.95	9598.20	8176.68	17774.88
Charged	..	...	...	...	...	...	...	...	...	...	...	...
Voted	5054.90	5047.61	10102.51	9784.00	5935.27	15719.27	9266.76	6113.19	15379.95	9598.20	8176.68	17774.88
Total-Capital Section	1450.00	4518.93	5968.93	1643.00	4628.15	6271.15	573.00	10282.47	10855.47	512.50	5089.19	5601.69
Charged	..	..	..	...	..	...	...	...	...	...	...	...
Voted	1450.00	4518.93	5968.93	1643.00	4628.15	6271.15	573.00	10282.47	10855.47	512.50	5089.19	5601.69
Total (Revenue & Capital)	6504.90	9566.54	16071.44	11427.00	10563.42	21990.42	9839.76	16395.66	26235.42	10110.70	13265.87	23376.57
Charged	..	...	...	...	...	...	...	...	...	...	...	...
Voted	6504.90	9566.54	16071.44	11427.00	10563.42	21990.42	9839.76	16395.66	26235.42	10110.70	13265.87	23376.57

DEMAND NO. 35

DEPARTMENT OF FINANCIAL SERVICES

Description	Actuals 2013-14			Budget Estimates 2014-15			Revised Estimates 2014-15			Budget Estimates 2015-16		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Total-Revenue Section	784.18	9938.27	10722.45	650.00	7536.09	8186.09	350.00	11395.22	11745.22	250.00	15061.80	15311.80
Charged	...	...	...	...	...	...	...	...	...	...	...	...
Voted	784.18	9938.27	10722.45	650.00	7536.09	8186.09	350.00	11395.22	11745.22	250.00	15061.80	15311.80
Total-Capital Section	16882.78	0.22	16883.00	24650.00	0.01	24650.01	10553.30	818.29	11371.59	10555.00	...	10555.00
Charged	..	...	...	...	...	...	...	...	...	...	...	...
Voted	16882.78	0.22	16883.00	24650.00	0.01	24650.01	10553.30	818.29	11371.59	10555.00	...	10555.00
Total (Revenue & Capital)	17666.96	9938.49	27605.45	25300.00	7536.10	32836.10	10903.30	12213.51	23116.81	10805.00	15061.80	25866.80
Charged	...	...	...	...	...	...	...	...	...	...	...	...
Voted	17666.96	9938.49	27605.45	25300.00	7536.10	32836.10	10903.30	12213.51	23116.81	10805.00	15061.80	25866.80

DEMAND NO. 40

DEPARTMENT OF EXPENDITURE

Description	Actuals 2013-14			Budget Estimates 2014-15			Revised Estimates 2014-15			Budget Estimates 2015-16		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Total-Revenue Section	3.00	121.63	124.63	4.00	151.90	155.90	3.50	141.01	144.51	4.00	152.84	156.84
Charged	...	...	...	...	...	...	...	...	...	...	...	...
Voted	3.00	121.63	124.63	4.00	151.90	155.90	3.50	141.01	144.51	4.00	152.84	156.84
Total-Capital Section	...	...	...	...	...	...	...	...	...	...	...	...
Charged	...	...	...	...	...	...	...	...	...	...	...	...
Voted	...	...	...	...	...	...	...	...	...	...	...	...
Total (Revenue & Capital)	3.00	121.63	124.63	4.00	151.90	155.90	3.50	141.01	144.51	4.00	152.84	156.84
Charged	...	...	...	...	...	...	...	...	...	...	...	...
Voted	3.00	121.63	124.63	4.00	151.90	155.90	3.50	141.01	144.51	4.00	152.84	156.84

DEMAND NO. 46

DEPARTMENT OF DISINVESTMENT

Description	Actuals 2013-14			Budget Estimates 2014-15			Revised Estimates 2014-15			Budget Estimates 2015-16		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Total-Revenue Section	...	26.90	26.90		50.00	50.00		35.00	35.00		44.00	44.00
Charged
Voted	...	26.90	26.90		50.00	50.00		35.00	35.00		44.00	44.00
Total-Capital Section
Charged
Voted
Total (Revenue & Capital)	...	26.90	26.90		50.00	50.00		35.00	35.00		44.00	44.00
Charged
Voted	...	26.90	26.90		50.00	50.00		35.00	35.00		44.00	44.00

16. While tendering oral evidence before the Committee on 30 March 2015 in connection with examination of the Demands for Grants 2015-16, Finance Secretary made the following submission as stated under:

"I would like to thank the hon. Committee for giving us this opportunity to present the proposed budget proposals for their consideration.

In so far as the Department of Economic Affairs, in which I am Secretary, is concerned, it handles Demand Nos.34, 36, 38 and 39 which have to do with economic affairs, interest payments, debt repayment and loans to Government servants. In 2015-16 the budget estimated expenditure is Rs.17,77,477 crore, which is 5.73 per cent above the Revised Estimates of the current year and about a per cent lower than the Budget Estimates of 2014-15. The Plan Expenditure in 2015-16 is expected to be Rs.4,65,277 crore as against the Revised Estimates of Rs.4,67,934 crore in the current financial year. The Non-Plan expenditure is expected to be Rs.13,12,200 crore which is 7.57 per cent higher than the current financial year. The gross revenue receipts are expected to be Rs.14,49,490 crore which is 15.83 per cent higher than the Revised Estimates of the current financial year and 6.2 per cent higher than the Budget Estimates.

The non-tax revenues are Rs.2, 21,733 crore which is 4.34 per cent higher than the current financial year. The revenue deficit in the current financial year is likely

to be 2.9 per cent. In the next financial year it is expected to be 2.8 per cent. The fiscal deficit in the current financial year would be 4.1 per cent and it is expected to be budgeted to be 3.9 per cent in the next financial year."

17. Clarifying how the 14th Finance Commission affects the budget 2015-16, the Finance Secretary further made the following oral submission as stated under:

"What the Finance Commission has done, and it says so in its Report that they have changed the composition of that transfer. Basically, it is not as if there is any claim that total devolution is extra. It is just that, as was pointed out earlier, that considering the demand, the Finance Commission in its Report actually quotes this at least twice it quotes the States as saying that an overwhelming number of States want more untied funds. Since an overwhelming number of States wanted it, they have conceded that demand and transferred untied funds, and left less resources to the Centre and given more resources to them. Therefore, naturally, the responsibility will have to shift to the States also whether it is backward region grant release fund or whether it is Central share to the CSS will have to shift to them also because there is no extra money in the system. The divisible pool is a divisible pool. You can divide it 32:68 or you can divide 42:58 and whoever has 42 will have to share a little more responsibility than the person who is 32. It is a change in composition."

18. He further added:

"The Finance Commission's recommendations are taken as an award. Basically, the inter-State distribution was determined by the Finance Commission. It has not been changed and it has been accepted as it is."

19. The Secretary, Department of Expenditure (DoE), deposing before the Committee on 30 March 2015, further added as submitted below:

"We are in the last year of the 13th Finance Commission. If we run through the devolutions which happened and what has been recommended in the Budget Estimate on account of the 14th Commission, I will just quote a few figures.

In the current financial year, the tax devolution, BE for 2014-15, was Rs. 3.82 lakh crore. There were 16 FC grants were there for which a provision of Rs. 64,675 crore was made. The total FC transfers for 2014-15 came to about Rs. 4.46 lakh crore"

20. Replying to a specific query raised by the Committee during the sitting held on 30 March 2015 on reduction of subsidies in the Budget 2015-16 and the how the Nirbhaya Fund has been managed, representatives of the Ministry of Finance gave the following oral submission during:

"On subsidy, there has been a reduction of about Rs.23,000 crore. It is rightly based on petroleum assessment. In 2014-15, when we started we took an assessment based on 112 dollar a barrel; this year, it is 70 dollar. About Nirbhaya fund, this fund was created with a corpus of Rs.1,000 crore. Now, we have Rs.3,000 crore. There are three major schemes. We have provided a nominal amount. It is going to take up this year – the expenditure on these

schemes would go up. Major expenditure would be on road and transport – Rs. 1000 crore; IT based system which the Home Ministry is taken up is R.1,700 crore; women and child welfare one-stop crisis centre, which the Cabinet has approved, for Rs.20 crore. Since this is in public account, transfer of money will not affect the fiscal deficit; any amount of money can be used."

II. BUDGETARY ALLOCATIONS: INCONSISTENCY AND UNDER-UTILISATIONS

21. During the course of examination of the Demands for Grants (2015-16), the Committee noticed that there were trends/instances of inconsistencies in budgetary allocations as also under-utilisation of budgeted funds as highlighted by the following illustrative examples:

II(a)

DEMAND NO. 34
MAJOR HEAD :2052
MINOR HEAD :00.090
DETAILED HEAD : 09.01.28

NON PLAN

(Rs in crores)

YEAR	BE	RE	ACTUALS
2013-14	5.10	31.00	18.54
2014-15	33.40	25.09	
2015-16	48.08		

22. The Ministry on being asked to furnish details of the expenditure incurred under this Head for 2014-15 inter alia submitted as below:

1. Payment to consultants
2. Payment on account of Legal Service Charges
3. Payment on account of MoUs with IGIDR and NIPFP'

There have been huge unexplained variations between the BEs REs and Actuals under this Head. To explain the reasons for the variations the Ministry of Finance stated that the Budget provision of Rs.33.40 crore (including Rs.25.crores for International Arbitration charges) at BE stage was kept. The amount was reduced to Rs.25.09 crore at RE stage anticipating a fewer bills. Due to non-receipt of bills as expected, funds could not be utilised fully.

23. On the reasons for the huge mismatch between the BE and Actuals in 2013-14, the Ministry of Finance submitted as under stated that in view of the International arbitration notice served by M/s Tenoch Holding Ltd., appointment of arbitrator and other legal defence services charges, amount was increased at RE stage and due to non-receipt of bills as expected, funds could not be utilised fully.

24. On being asked for the details of the professional services availed under this Head in 2014-15, the Ministry of Finance furnished the following as shown below:

- | | |
|----------------------------|------------|
| 1) Payment to consultants: | Rs.1.75 Cr |
|----------------------------|------------|

2) Payments against MoUs (IGDIR and NIPFP):	Rs. 4.85 Cr
3) Payment on account of Legal services For International Arbitration:	Rs. 3.86 Cr
4) Payments for Research studies and Editing work of Economic Survey:	Rs. 30 Lakh

25. The allocation for 2015-16 is Rs 48.08 crore, a steep rise from the BE of 2014-15. The reasons stated by the Ministry of Finance for the steep rise was that the additional provision of Rs. 20 crore under Professional services has been kept for procurement of Technical Consultants for various services of the task forces set up for the upgradation/establishment of existing/new agencies recommended by the FSLRC.

II(b)

DEMAND NO. 46

MAJOR HEAD-3451

MINOR HEAD-00.090

DETAILED HEAD- 52.01.26

(Rs in crores)

YEAR	BE	RE	ACTUALS
2013-14		6	4.63
2014-15	21	5	0.26
2015-16	13		

26. When asked to furnish the details of expenditure under this Head, and to explain the reasons for reduction/revision of the allocation under this Head to about 1/4th at RE stage in 2014-15, the Ministry of Finance inter alia submitted that prior to January 2014, expenditure incurred on Advertisement & Publicity of a disinvestment transaction was booked under the Professional & Special Services (PSS) Head. A separate head for Advertisement & Publicity was created in January 2014 and a provision of Rs.6 crore was made in RE 2013-14. The actual expenditure was Rs.4.63 crore. During 2014-15, the actual expenditure was Rs.26 lakhs.

27. During FY 2014-15, 3 IPOs and 9 OFS and some other transactions were planned to achieve the budgetary target of approximately Rs.51,925 crore. The three IPOs were Hindustan Aeronautics Ltd.(HAL), RashtriyaspatNigamLtd. (RINL) and THDC.

28. Three IPOs and several other OFS transactions could not be done for various reasons. RINL IPO was postponed in view of the hurricane hitting the steel plant at Vishakhapatnam in October 2014 and the IPOs of HAL and THDC could not be completed due to procedural delays not in the control of Department. Due to the non-completion of these planned Public Issues, the allocation was reduced from Rs.21 crore to Rs.5 crore at RE stage in 2014-15. In FY 2014-15, two OFS transactions of Steel

Authority of India Ltd. (SAIL) and Coal India Ltd. (CIL) have been completed. The Government has raised about Rs.24,277.17crore, which has been the highest ever disinvestment proceeds in a single financial year.

29. Explaining the basis of allocation of Rs. 13 crore for 2015-16 under this Head, the Ministry of Finance submitted the following: there are several IPOs of HAL, RINL, THDC and other transactions planned for the FY 2015-16 to achieve the ambitious target of Rs.69,500 crore for disinvestment. Hence, allocation of Rs.13 crore has been made in BE 2015-16 under Advertisement & Publicity Head.

I(c)

DEMAND NO. 34

MAJOR HEAD:5466

MINOR HEAD: 00.207

SUB HEAD: 02

DETAILED HEAD: 02.00.54

NON PLAN			Rs. in crores
YEAR	BE	RE	ACTUALS
2013-14	.01	192.79	192.79
2014-15	500	4618.79	4618.80
2015-16	0.01		

30. Explaining the reasons for occurrence of wide variation in the BE and RE in the years 2013-14 and 2014-15 and drastic reduction in BE 2015-16 under this Head, the Ministry of Finance in written submission stated that this is an international obligation of India towards International Monetary Fund (IMF) for maintenance of SDR value of IMF's holdings of Indian currency in the General Resources Account (GRA) of IMF.

31. Ministry of Finance further stated that in accordance with the Article V, Section 11 of the Articles of Agreement of IMF, **India is required to maintain the SDR value of the Fund's holdings of Indian currency in the GRA.** At least once each year, usually at the end of the Fund's financial year (April 30), all Fund currency holdings are revalued based on the prevailing SDR exchange rate. Since a member is obligated to maintain the value of its currency in the GRA in terms of the SDR, to account for the exchange rate fluctuations, **a member has to pay additional currency if its currency depreciates against the SDR while if the currency appreciates, the IMF refunds some of this currency holdings.**

Reasons for wide variations furnished by the Ministry were:

- a. The revaluation by IMF in its holdings of INR with India resulted in a valuation adjustment as India's currency depreciated against SDR. Therefore, there was a requirement to pay additional currency to IMF by India, which resulted in wide variations between BE and RE in the years 2013-14 and 2014-15.
- b. The BE 2015-16 is a **token provision** since the actual disbursements can vary considerably based on variations in the SDR-INR exchange rate. Based on the advice received from IMF in May, exact requirement (if any) for this payment to IMF by India will be sought through supplementary grants.

I(d) **MH-5475 – Capital Outlay on Other General Economic Services**

32. The Ministry of Finance (Department of Economic Affairs) has stated in their replies on this Budget Head that the provision is for India Infrastructure Project Development Fund (IIPDF) and activities for mainstreaming Public Private Partnership (PPP) projects and for design and Development of Internet Based Database for PPP. The provision has been kept at Rs. 5.80 crore in BE 2011-12. The provision for BE 2012-13 has been kept at Rs. 6.30 crore. The provision for BE 2013-14 was Rs. 7005.30 crore. In BE 2013-14 a provision of Rs. 7000.00 crore is for lumpsum provision for funding initiatives for Social and Infrastructure Development. A number of new and innovative ideas can be translated into viable projects/schemes. To facilitate implementation of such schemes in this provision is being made. In BE 2014-15 a provision of Rs. 583.56 crore was kept under thishead for various programmes of Government, whereas provision of only Rs.2.01 crore is kept during 2015-16 towards India Infrastructure Project Development Fund (IIPDF).

33. There was a huge rise in the BE of 2013-14 vis-à-vis the allocation of BEs 2012-2013. Again there was a huge decrease in the BE for 2015-16 vis-à-vis 2014-15. On being asked to explain the reason for variations and inconsistency witnessed in the budgetary provision and Actuals under this Head, the Ministry of Finance inter-alia in their written reply stated that the huge variations under this Head in 2013-14 is on account of provision for transfer to the Social and Infrastructure Development Fund in the Public Account of India to fund various social and infrastructure development initiatives. In 2014-15 while there was no provision for SIDF, keeping in view the available balances and commitments a provision of Rs.583.56 crore was kept for this Head for various programmes viz. India Infrastructure Project Development Fund (IIPDF) and activities for mainstreaming PPP projects and for design and development of internet based database for PPP etc. while in 2015-16 the provision of Rs. 2.01 crore

has been kept towards IIPDF. Thereby, there are huge variations under this Head. For PPP specifically, the allocation in this head was Rs. 6.3 crore in BE 2012-13, Rs. 5.3 crore in BE 2013-14, Rs. 5.65 crore in BE 2014-15 and Rs. 2.00 crore in BE 2015-16. The reasons for variation for the PPP portion are due to changes in the number of projects approved by the Empowered Institution, the estimated project development expenses indicated by various project authorities and their likely requirement of funds in the current and the following year. The reduction in actual expenses during 2013-14 as compared to budget provision were due to 10% mandatory cut as per economy of expenditure measures by Department of Expenditure, cancellation of awarded contract for Database management and inordinate delays by the States/project's authorities in draw down for IIPDF projects.

34. The Ministry of Finance further furnished the Actuals for the year 2012-13 to 2014-15, (year wise break up) as below:

Budget provision for PPP Activities					
	2011-12 (Rs. crore)	2012-13 (Rs. crore)	2013-14 (Rs. crore)	2014-15 (Rs. crore)	2015-16 (Rs. crore)
BE	5.8	6.3	5.3*	5.65*	2.0*
RE	11.67	5.67	0.82	2.0	-
Final	8.691	2.09	0.82	0.428	-
Actual expenditure by 31st March of FY	8.691	2.09	0.0188	0.428	-

* It excludes budget provision of Rs. 7000.00 crore for BE 2013-14 made under Social & Infrastructure Development Fund (SIDF.)

35. The Committee desired to know the social projects/schemes initiated and funded under this head, and the beneficiary groups of these schemes/projects. The Ministry of Finance inter alia informed that for PPP, the Government of India notified the Scheme and Guidelines for India Infrastructure Project Development Fund to operationalise financial support for quality project development activities to the States and the Central Ministries. The objective is to fund project development expenses of potential Public Private Partnership projects' including cost of engaging consultants and transaction advisor, thus increasing the quality and quantity of successful PPPs and allowing informed decision making by the Government based on good quality feasibility reports. The IIPDF will assist projects that closely support the best practices in PPP project identification and preparation. *So far, 53 projects have been approved under IIPDF Scheme. As regards SIDF, while the provisions in budget are transferred to the Fund in the Public Account, they are spent subsequently on various social and infrastructure development initiatives of the government."*

36. To justify the allocation of Rs. 7005.30 crore, registering a steep rise from an allocation of Rs 6.3 crore in 2012-13 and to explain the reasons for allocation a meagre Rs. 2.01 crore for 2015-16 vis-à-vis the allocation of Rs. 583.56 crore in 2014-15 under this Major Head, the Ministry of Finance stated that the increase in BE 2013-14 to Rs. 7005.30 crore was due to budget provision of Rs. 7000.00 crore made for SIDF while only Rs. 5.3 crore was made for PPP activities. In BE 2012-13, Rs. 6.3 crore was provisioned for PPP activities.

l(e) Analysis Of Budget Provisions And Actual Expenditure During 2012-13, 2013-14 And 2014-15, Department of financial Services

(Outcome Budget 2015-16, page 63)

37. During 2014-15, the provision was Rs 32,836.10 crore in BE. This was revised down to Rs 23,116.81 crore in RE 2012-13. Actual expenditure was Rs 7,509.48 crore.

(Outcome Budget 2015-16, pg. no. 63)

38. It is observed that there have been yawning gaps between the budgetary provisions (BEs) and Actuals consecutively every year. The mismatch between the BE and Actuals in 2012-13, 2013-14 and 2014-15 were to the extent of Rs 2,519.48 crore, Rs. 9,763.94 crore and Rs 25,326.62 crore respectively (as an December 2014).

39. The Committee desired to know the reasons for this recurrent trend of huge shortfalls/underutilisation of Budgetary provisions year after year. The Ministry of Finance inter alia furnished the following written submission as stated that the major portion of the provision made for the Department of Financial Services is in the form of capital/equity support to the Banks/ Financial Institutions, subsidy, contribution and grant. The release of funds in the nature of subsidy or capitalization is dependent mostly on requirement of actual claims received from nodal (outside) agencies and in some cases also depends on release of proportionate share of State Governments/ other agencies. *Moreover, some of the Schemes proposed to be implemented during the years, could not be implemented for some reasons like for the want of due approval of the competent authority or due to some procedural requirement etc.* These factors, which were not possible to be anticipated in advance, and also implementation of instructions on Economy Measures issued by Department of Expenditure caused variations in the BE/RE and actual under the Grant relating to the Department during the financial years 2012-13, 2013-14 and 2014-15.

40. In addition, as per the decision of the Government to finance recapitalisation of Public Sector Banks (PSBs) through National Investment Fund from the disinvestment receipts of the Government, a provision equal to the provision made for Recapitalisation of Public Sector Banks were made under 'Transfer to National Investment Fund' during the financial years 2013-14 (i.e. Rs. 14000 crore) and 2014-15 (i.e. Rs. 11200 crore). However, keeping in view the less disinvestment receipts, the provisions under 'Transfer to National Investment Fund' were brought down to 'Nil' for the year 2013-14 and Rs.1253.30 crore for the year 2014-15.

41. It was further submitted by the Ministry that as regards the financial year 2014-15, it may be noted that the figure of actual expenditure i.e. Rs.7509.48 crore is upto December, 2014. *Major portion of the balance amount has been/ is being utilized in the last quarter of the current financial year, due to nature of schemes, which are dependent mostly on requirement of actual claims received from nodal (outside) agencies. Moreover, release of funds for capitalizing Public Sector Banks was contingent upon receipt of their 3rd quarter capital data due to which release could be effected only in last quarter. "*

II(f)

Demand No. 38

Major Head 7610

(Rs. in crore)

Year	BE*	% of decrease over previous year	RE	% of decrease over previous year	Actuals	% of decrease over previous year
2010-11	300.00		300.00		236.19	
2011-12	300.00	0.00	250.00	(-) 16.67	212.69	(-) 9.95
2012-13	250.00	(-) 16.67	235.00	(-) 6.00	184.18	(-) 13.40
2013-14	225.00	(-) 10.00	200.00	(-) 14.89	164.80	(-) 10.52
2014-15	200.00	(-) 11.11	200.00	0.00	Yet to be finalized	
2015-16	200.00	0.00				

42. The Ministry of Finance (Department of Economic Affairs) explained in their replies that the Demands title "Loans to Government Servants, etc." is a composite grant in which provisions are made for all central Ministries/Departments, offices under then and Union Territory Administrations for disbursement of loans and advances to their employees as household building advances, conveyance advances, advances for

purchase of computers and warm clothing. It also includes provision for advances to Members of Parliament for purchase of Motor Conveyances."

43. The reasons why the allocation under this MH 7610 have witnessed downward trend since 2011-12 till 2015-16. On being asked to explain the reasons attributed for consistent shortfall in the utilization of funds allocated under this Head, the Ministry of Finance stated that the provision under MH 7610 was finalized based on the actual expenditure and requirements projected by user Ministries/Departments, which was decreasing year by year due to lesser demands from Govt. employees for loans etc. The reason perhaps was due to availability of loans in the market on cheaper and attractive terms. Also, the amount of loan disbursed is very small in terms of the cost of house, vehicles etc. It was stated that the consistent shortfall in the utilization of funds was due to lesser demands from Govt. employees for loans etc.

44. On the actuals for 2014-15, Ministry of Finance stated that the actuals for 2014-15 have not yet been finalized.

45. In reply to a specific query on raising the upper limit of the loans disbursable under this Head, the Ministry of Finance inter alia informed that the amount of advance admissible is very small in comparison to actual requirement. In the case of House Building Advance, the 6th Central Pay Commission recommended modifications in the scheme. Pursuant to that, Ministry of Urban Development had submitted a proposal to D/o Expenditure recommending enhancement of cost ceiling limit for purchase/construction of house from 134 times to 290 times of pay in Pay Band. It was stated that D/o Expenditure has, however, advised to maintain the present ceiling since the revised scheme on interest bearing advances including HBA is under consideration and 7th CPC is already setup.

46. The Ministry of Finance further added that in case, the quantum of loan was increased and the terms and conditions including rate of interest were made more attractive and at par or better in comparison to market, it is expected that budgetary provision under this head can be utilized to the fullest extent.

I(g)

Demand No. 36
Appropriation- Interest Payments

(Rs. in crore)

Year	Budget	% increase over previous year	Revised	% increase over previous year	Actuals	% increase over previous year
2012-2013	324,769	19.26	333,997	17.51	330,183	14.97
2013-2014	385,000	18.55	400,501	20.02	395,200*	19.69
2014-2015	449,883	16.85	430,779	8.23		
2015-2016	476,089	5.83				

*Actuals of 2013-2014 are provisional.

47. On this Demand, the Ministry of Finance in their preliminary replies have explained that the entire expenditure included in the appropriation is classified as Non-Plan expenditure of the Central Government and is 'Charged' on the Consolidated Fund of India in terms of article 112 (3) (c) of the Constitution of India. The Appropriation provides for interest charges on Central Government's debt obligations both internal and external. It also includes provisions for interest payable on provident funds, special securities issued to National Small Savings Fund, special deposits with the Government besides depreciation and other reserve funds of commercial departments like Railways, provisions for management of debt and other liabilities of the Central Government.

48. On being asked to explain about the under-allocation of budget year after year under Demand no. 36 contrary to the general trend of over-allocations and shortfalls in utilisation, the Ministry of Finance inter alia furnished the following written submission that the allocations towards interest payments in Budget Estimates vis-à-vis Revised Estimates were made on progress of expenditure during the year, movement of interest rates in the market, fluctuation in the exchange rates, accretion in the funds/deposits kept in the Public Account of India, volume of Government borrowing, etc. Since the budget estimates were made on certain assumptions, comparison of budget estimates of one year with budget estimates of previous year may not give correct picture on the trend of outgo on account of interest payments. The assumptions made at the time of framing budget estimates may differ during the course of the year based on the revenue realization of the Government, variation in the interest rates in the market, exchange rate fluctuations, net accretion in the funds kept in the public account, etc. The Ministry furnished that the appropriate comparison of interest payments during the recent past will be as indicated in the following table:

(Rs in crore)

Year	2012-13 Actuals	2013-14 Actuals	2014-15 Revised	2015-16 Budget

Amount	330,183	395200	430,779	476,089
% increase	14.97%	19.69%	9.00%	10.52%

49. It was further added by the Ministry of Finance that as may be seen from the above table, the reduction in the outgo of Interest Payments started from the year 2014-15 mainly on account of retirement of Government debt, favourable movement of interest rates and favourable movement in exchange rates. Based on the same trend, the appropriation for Interest Payments for 2015-16 is fixed.

50. Replying to a specific query as to whether payment to be made by the Central Government as interest charges on its debt obligations both internal and external could be estimated more accurately to avoid routine mismatch between the Budgetary provisions and the Actuals, the Ministry of Finance stated that the precise estimate in respect of Appropriation – Interest Payments is not feasible for the reasons mentioned above. And that the final requirement for payment of interest in 2014-2015 was assessed at Rs 426,928 crore. The actual expenditure on interest payments for the year 2014-15 would be known after compilation of Union Government accounts for the year.

51. Justifying the allocation of Rs. 476089 crore for 2015-16 under Demand No. 36, the Ministry of Finance stated in the post evidence reply that the allocation of Rs 476,089 crore towards interest payments for the year 2015-16 is 10.52% more over RE for 2014-15, which is in pace with 9% growth over actuals for 2013-14.

III FUNDS TRANSFERRED/ALLOTTED UNDER PUBLIC ACCOUNT OF INDIA.

CONSOLIDATED FUND OF INDIA:

52. Under Article 266 (1) of the Constitution of India, all revenues (example tax revenue from personal income tax, corporate income tax, customs and excise duties as well as non-tax revenue such as licence fees, dividends and profits from public sector undertakings etc.) received by the Union government as well as all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Union Government in repayment of loans shall form a consolidated fund entitled the 'Consolidated Fund of India' for the Union Government.

53. Similarly, under Article 266 (1) of the Constitution of India, a Consolidated Fund Of State (a separate fund for each state) has been established where all revenues

(both tax revenues such as Sales tax/VAT, stamp duty etc..and non-tax revenues such as user charges levied by State governments) received by the State government as well as all loans raised by issue of treasury bills, internal and external loans and all moneys received by the State Government in repayment of loans shall form part of the fund.

54. The Comptroller and Auditor General of India audits these Funds and reports to the Union/State legislatures when proper accounting procedures have not been followed.

55. All revenues received by the Government by way of taxes like Income Tax, Central Excise, Customs and other receipts flowing to the Government in connection with the conduct of Government business i.e. Non-Tax Revenues are credited into the Consolidated Fund constituted under Article 266 (1) of the Constitution of India. Similarly, all loans raised by the Government by issue of Public notifications, treasury bills (internal debt) and loans obtained from foreign governments and international institutions (external debt) are credited into this fund. All expenditure of the government is incurred from this fund and no amount can be withdrawn from the Fund without authorization from the Parliament.

56. All revenues received by Government by way of taxation like income-tax, central excise, custom, land revenue (tax revenues) and other receipts flowing to Government in connection with the conduct duct of Government business like receipts from Railways, Posts, Transport etc. (non-tax revenues) are credited into the Consolidated Fund. Similarly, all loans raised by Government by issue of Public notifications, treasury bills (internal debt) and loans obtained from foreign governments and international monetary institutions (external debt) and all moneys received by Government in repayment of loans and interest thereon are also credited into this Fund. All expenditure incurred by the Government for the conduct of its business including repayment of internal and external debt and release of loans to States/Union Territory Governments for various purposes is debited against this Fund.

PUBLIC ACCOUNT OF INDIA:

57. In the Public Account constituted under Article 266 (2) of the Constitution, all Public Money received by Government other than those which are for credit to the

Consolidated Fund of India are accounted for under Public Account. The receipts into the Public Account and disbursements out of it are not subject to vote by the Parliament. Receipts under this account mainly flow from the sale of Savings Certificates, contributions into General Provident Fund and Public Provident Fund, Security Deposits and Earnest Money Deposits received by the Government. In respect of such receipts, the Government is acting as a Banker or Trustee and refunds the money after completion of the contract/event. The Public Account also includes various suspense and remittance heads.

58. The transactions in Public Account relate to debt other than those included in the Consolidated Fund of India. The transactions under Debt, Deposits and Advances in this part are those in respect of which Government incurs a liability to repay the money received or has a claim to recover the amounts paid. The transactions relating to 'Remittance' and 'Suspense' shall embrace all adjusting heads. The initial debits or credits to these heads will be cleared eventually by corresponding receipts or payments. The receipts under Public Account do not constitute normal receipts of Government. Parliamentary authorization for payments from the Public Account is, therefore, not required.

III(a)

MAJOR HEAD:3054

PLAN

Rs. in crores

YEAR	BE	RE	ACTUALS
2013-14	2204.9	2204.9	2204.9
2014-15	2992	2992	
2015-16	3291.2		

59. The provision is for Railway Safety Work. The provision is made strictly as per requirements from Railways in this regard. An equivalent amount is transferred to Central Road Reserve Fund as inter account transfer. During 2012-13 there was a provision of Rs. 1102.45 crore. BE 2013-14 provision was kept at the BE 2012-13 level and the whole provision was utilized. BE 2014-15 has been kept at Rs.2992.00 crore. BE 2015-16 has been kept at Rs.3291.20 crore.

60. On Major Head 3054, the Ministry of Finance in their written submission stated that the provision of Rs. 2,992 crore made in 2014-15 was for transferring an amount of Rs. 1,496 crore to Central Road Fund kept in the Public Account of India and releasing an equivalent amount of Rs. 1,496 crore to Ministry of Railways towards Railway Safety

Works after withdrawing the amount from Central Road Fund. Thus, approval of Parliament was obtained for twice the amount of Rs.1,496 crore viz. Rs. 2,992 crore.

61. Further that the provision made under this head is not as per the requirement projected by Ministry of Railways. It is as per the entitlement prescribed under Central Road Fund Act, 2000. Railways are entitled to an amount equal to twelve and one half per cent of the balance amount, after allocating fifty per cent of the cess on high speed diesel oil/petrol for the development of rural roads, for the construction of road either under or over the railways by means of a bridge and erection of safety works at unmanned rail-road crossings.

62. On the utilisation of funds under this Head for 2014-15, the Ministry of Finance as stated that during the year 2014-15, entire amount of Rs. 1,496 crore has since been transferred to Central Road Fund kept in the Public Account of India in four (4) instalments of Rs. 374 crore each. Out of Rs. 1,496 crore transferred to Central Road Fund, total amount of Rs. 1,496 crore has been released to Ministry of Railways, in four (4) equal instalments of Rs.374 crore each, towards Railway Safety Works;

63. On the basis for allocation of Rs. 3291.2 for 2015-16, the Ministry of Finance stated that the Budget provisions are made based on the estimated/anticipated collections of cess on high speed diesel oil/petrol.

64. The Committee specifically asked the Ministry to clarify whether there was double provisioning in the Head. In their reply Ministry of Finance inter alia stated that Article 114(3) read with Article 266(3) of the Constitution of India provides that no money shall be withdrawn from the Consolidated Fund of India except under appropriation made by law passed in accordance with the provisions of this article. Thus, approval of Parliament is required for (i) transferring the money from Consolidated Fund of India to Public Account of India and (ii) releasing the amount to Ministry of Railways through Consolidated Fund of India by withdrawing equivalent from Public Account of India. This is an established accounting and budgetary procedure drawn up keeping in view the extant constitutional provisions. While the approval of Parliament is taken twice as indicated supra, the outgo of cash takes place only once when the actual amount is released to Ministry of Railways through Consolidated Fund of India.

65. The Committee also sought the Ministry's views on the recent budgetary trends involving transfer of large amount of funds to Public Account of India and its implications for the budgetary process. The Ministry furnished their written reply submitted that the reserve/corpus funds were created and established in the Public Account of India with an objective of regulating flow of funds for specific purpose. The balances available in reserve/corpus funds maintained in the Public Account do not lapse at the close of the financial year and were available for being spent, through Consolidated Fund, in the subsequent financial year with due appropriation authorised by Parliament. Funds were generally created to regulate the flow of funds with dedicated receipts in the form of cess, levies, annual contributions, etc. and proceeds assigned to the specific purpose as laid down in the statute, acts, rules, etc. Funds such as Central Road Fund, Prarambhik Shiksha Kosh, National Clean Energy Fund, Universal Service Obligation Funds, National Investment Fund, etc. were those reserve/corpus funds which are backed by receipts in the form of cess, levies, disinvestment proceeds, etc. National Social Security Fund, Guarantee Redemption Fund are those funds which are seeded by annual contributions from Government. All these funds are maintained in the non-interest bearing funds. Railway funds were, however, interest bearing as these funds are maintained from the operational revenues of Railways.

66. It was further stated that since the corpus of these funds were utilized towards implementing Government schemes/programmes, these were subject to Parliament scrutiny and appropriations out of such funds were authorized by Parliament through Demands for Grants of the respective Ministries/Departments through Appropriation Bill of the Government. Expenditure of such funds were routed through Consolidated Fund of India, for which appropriations are sought through Demands for Grants and Appropriation Bill."

III(b)

DEMAND NO. 34
MAJOR HEAD:2235
MINOR HEAD: 797
SUB HEAD: 02
OBJECT HEAD: 02.00.63

NON PLAN

Rs. in crores

YEAR	BE	RE	ACTUALS
2013-14	609.55	200	200

2014-15	607	107	107
2015-16	607		

67. Regarding the nature of expenditure incurred under this head, Ministry of Finance have stated that the National Social Security Fund (NSSF) for Unorganized Sector Workers (USW) came into existence in the year 2010-11 with a vision to initiate schemes relating to health and maternity benefits, life and disability cover, old age protection or any other schemes as may be determined by the Central Government. The funds are provided through Plan expenditure.

68. On the Actuals incurred in 2014-15, it was stated by the Ministry of Finance that no expenditure has been incurred during 2014-15. However, an amount of Rs. 107 crore was transferred to the fund maintained in Public Account under Major Head 8235.

69. On being asked to explain the reasons for the reduction at RE stage both in 2013-14 and 2014-15, the Ministry of Finance inter alia submitted that the provision was curtailed by about Rs. 400 crore and Rs. 500 crore in RE 2013-14 and 2014-15 respectively due to large accumulations and less utilization of funds for the purpose.

70. Justifying the allocation for 2015-16, the Ministry have stated that the allocation has been enhanced to the extent of Rs. 607 crore in BE 2015-16 i.e. equivalent to the previous year's BE level with a view that the utilization of funds will take a start for the various welfare schemes.

IV **INTEREST SUBVENSTION SCHEME FOR CROP LOANS**

DEMAND NO: 35

MAJOR HEAD: 2416

MINOR HEAD: 00.102

DETAILED HEAD: 01.00.33

NON PLAN

(Rs in crores)

YEAR	BE	RE	ACTUALS
2013-14			
2014-15	00	00	00
2015-16	13,000		

71. Explaining the basis for allocation of Rs. 13,000 crore under this Head for 2015-16, the Ministry submitted their written reply stated that this is an existing Major Head of Expenditure (though Minor Head and Detailed Head have been changed for 2015-16). The Head is meant for Interest Subvention Scheme for short term crop loans upto Rs.3.00 lakh. With a view to ensuring availability of agriculture credit at a reasonable

cost at a reduced rate of 7% p.a. to farmers, the Government of India has been implementing the Interest Subvention Scheme for short term crop loans upto Rs.3.00 lakh since 2006-07. This scheme is being implemented through public sector banks, private sector commercial banks (reimbursement through RBI), Regional Rural Banks and Cooperatives (Reimbursement through NABARD). Currently, besides 2% interest subvention given to banks, 3% incentive is given for prompt repayment of loan, reducing effectively the rate of interest to 4% for prompt payee farmers.

72. On the allocation of Rs. 13,000 crore under this Head for 2015-16, the Ministry of Finance inter alia stated in their written submission that with the rise in agriculture credit target and agriculture credit flow every year, the financial liability towards Interest Subvention Scheme has been increasing sharply. However, for the past several years the budget allocation for implementation of the Interest Subvention Scheme is far below the actual requirement resulting in backlog of settlement and release of claims to banks.

73. As against the required expenditure of Rs.11,343 crore, Rs.15,649 crore and Rs.18,904 crore for Interest Subvention Scheme in 2012-13, 2013-14 and 2014-15 respectively, budgetary allocation towards this end have been Rs.5,400 crore, Rs.6,000 crore and Rs.6,000 crore during 2012-13, 2013-14 and 2014-15 respectively.

74. It was further added that as per the pending claims on hand, by the close of the current financial year, there would be a backlog of approximately Rs.6,500 crore in settlement of interest subvention claims. Besides, further claims in the range of approximately Rs. 28,000-29,000 crore are expected for the Scheme year 2012-13, 2013-14 and 2014-15.

75. The Ministry thus stated that it also merits mention that under the provisions of the Interest Subvention Scheme, banks charge 7% interest rate upfront on short term crop loans upto Rs.3.00 lakh and claim 2% subvention from Gol afterwards. Similarly, the benefit of 3% additional subvention on the basis of prompt repayment is passed on to the concerned farmers upfront by banks, which is claimed later on reimbursement basis. Therefore, due to the backlog in settlement of interest subvention claims on account of insufficient budget allocation, the burden of liability is being borne by banks for a longer period which is affecting their financial health in terms of interest loss. The increased allocation is justifiable to clear the backlog in settlement of interest subvention claims to a reasonable extent. However, it is submitted that even the allocation of

Rs.13,000 crore for Interest Subvention Scheme during 2015-16 may not be sufficient enough to settle the subvention claims for previous years as well as for 2015-16.

V TRANSFER TO STATES AND UNION TERRITORY GOVERNMENTS

Demand No. 37

76. The State Finances Division of Department of Expenditure looks after matters relating to finances of the State Government, including fixing of borrowing ceiling of the States, issue of permission for borrowings under Article 293(3) of the Constitution of India, debt relief measures (as recommended by the Finance Commissions) and some State Plan releases and Non-Plan grants releases on recommendation of Finance Commissions under Demand No. 37 (formerly Demand No. 36). The Ministry in their written replies have explained that till 2014-15, PF-I Division has been releasing the funds under Demand No. 37 (formerly Demand No. 36) which include releases both under Plan & Non-Plan. Plan Grants comprise of 'Block Grants' which consists of Normal Central Assistance (NCA), Backward Regions Grant Fund (BRGF)- Scheme (State Component), Additional Central Assistance (ACA) for Externally Aided Projects (EAPs), Special Central Assistance (SCA), Special Plan Assistance (SPA), etc. Non-Plan Grants were provided as recommended by Finance Commission for its award period 2010-15. These Non- Plan Grants are covered under Article 275(1) of the Constitution and are charged expenditure. The Non- Plan Grants thus recommended are for Non-Plan Revenue Deficit, Elementary Education, Environment, Improving outcomes, Maintenance of roads & bridges, Local bodies, Calamity relief and for the State specific needs.

77. Further, on Normal Central Assistance (NCA) the Ministry of Finance made the following written submission wherein it was stated that NCA is governed by Gadgil-Mukherjee formula and is provided to all States under State Plan Schemes in 12 equal monthly installments as block grant as per allocation made by Planning Commission. And that this is an untied grant.

78. It was stated that the Budget Estimates for 2014-15 was Rs. 28,514 crore. From 01.04.2015 onwards, there is no allocation under NCA.

79. On being asked to state the reasons why no allocation under NCA is made for 2015-16, and the fate of those schemes/projects that have availed assistance till 2014-15, the Ministry of Finance have inter alia stated as under in their post-evidence replies, have stated that the FFC has substantially enhanced the share of the States in the Central divisible pool from the current 32 % to 42 %, which is the biggest ever increase in vertical tax devolution. FFC recommendations factor in both Plan and Non-plan revenue expenditure of the States and tax devolution is untied. The last two Finance Commissions i.e. 12th FC (2005-10) and 13th FC (2010-15) had recommended increase of 1% and 1.5% respectively. Besides share of central taxes, FFC has recommended grant – in –aid amounting to Rs.5.4 lakh crore over its award period to cover Revenue Deficit of States, local body grants (both to rural and urban local bodies) and grants for augmenting the State's Disaster Response Fund (SDRF). Seen over the Finance Commission's award period, there is an increase of about Rs. 25 lakh crore in tax devolution and Rs.2.7 lakh crore in grant-in-aid recommended by the FFC as compared to the 13th Finance Commission. During 2015-16 alone, increase in transfer to States over 2014-15 (both from tax devolution and FFC grants together), is estimated to be about Rs. 2.1 lakh crores.

80. Since NCA was an untied assistance, higher transfer of untied devolution of taxes will take care of no allocation under NCA. From 2015-16 onwards, the allocations under NCA were subsumed in the increased rate of tax devolution."

81. On the issue of NCA, the Ministry of Finance, have further furnished in their post evidence reply that:

- (i) All untied Block Grants are subsumed in higher devolution of taxes. However, an amount of Rs. 20000.00 crore has been provided under the Central Plan Scheme for assistance to States as Special Assistance.
- (ii) Non-Plan transfers are made based on the recommendation of Finance Commissions while Plan transfers are based on the recommendation of line ministries/NITI Aayog. In the Budget 2015-16, Plan and Non-Plan transfers are continuing. BE 2015-16 for Plan (State and Central Plan both) and Non-Plan are Rs. 36000.00 crore and Rs. 89189.52 crore respectively.
- (iii) Transfers to States & UTs Governments : Some of the schemes like NCA, SCA (untied), SPA, ACAOP, Other ACA, SCA for HADP/WGDP, SCA under BRGF, NEGAP (MMP) and ACA for LWE Affected Districts have been discontinued or subsumed under higher devolution of taxes.

However, the assistance under ACA for Externally Aided Projects (ACA-EAP) continues under Block Grants.

- (iv) NITI Aayog is expected to recommend the amount to be released under Central Plan Schemes (Special Plan Assistance) for which Rs. 20000.00 crore have been kept under BE 2015-16."

VI PLAN/ASSISTANCE SPECIAL SCHEMES INCLUDING REGION SPECIFIC SCHEMES

82. On Additional Central Assistance for Other Projects (ACAOP), the Ministry of Finance have stated that under 'ACA for Other Projects', also called One time ACA, Non-Special Category States are eligible for 30% grant for State Specific Projects. The relevant Budget Estimate for 2014-15 is Rs. 1261 crore. From 01.04.2015 onwards, there is no allocation under ACAOP.

83. In this connection, the Ministry of Finance have *inter alia* stated the following information in their post-evidence replies that for 2014-15, the amount of Rs. 1261.00 crore was allocated to all general category states as per their Scheme of Financing (SoF). It was furnished that following eligible States has availed assistance under ACAOP in 2014-15 as per the details given below:-

84. Andhra Pradesh (Rs 46.00 crore), Haryana (Rs 24.00 crore), Jharkhand (Rs 41.15 crore), Kerala (Rs 42.00 crore), Rajasthan (Rs 72.71 crore), Telangana (Rs 33.00 crore) and Uttar Pradesh (Rs 249.00 crore). And that out of the total allocation of Rs. 1261.00 crore for 2014-15 under ACAOP, an amount of Rs. 507.86 crore was actually released to the aforesaid states.

85. On being asked a specific query on the reasons why no allocation was made under the ACAOP, the Ministry of Finance *inter alia* in their post evidence reply have stated that the FFC has substantially enhanced the share of the States in the Central divisible pool from the current 32 % to 42 %, which is the biggest ever increase in vertical tax devolution. The last two Finance Commissions i.e. 12th FC (2005-10) and 13th FC (2010-15) had recommended increase of 1% and 1.5% respectively. FFC recommendations factor in both Plan and Non-plan revenue expenditure of the States and tax devolution is untied. Besides share of central taxes, FFC has recommended grant – in –aid amounting to Rs.5.4 lakh crore over its award period to cover Revenue Deficit of States, local body grants (both to rural and urban local bodies) and grants for augmenting the State's Disaster Response Fund (SDRF). Seen over the Finance

Commission's award period there is an increase of about Rs. 25 lakh crore in tax devolution and Rs.2.7 lakh crore in grant-in-aid recommended by the FFC as compared to the 13th Finance Commission. During 2015-16 alone, increase in transfer to States over 2014-15 (both from tax devolution and FFC grants together), is estimated to be about Rs. 2.1 lakh crores. From 2015-16 onwards, the allocations under ACAOP are subsumed in the increased rate of tax devolution.

86. On Special Central Assistance (SCA-Untied) the Ministry of Finance furnished the following:

- I. SCA grant (untied to projects) is being provided to Special Category States to meet the gap in resources for financing the Annual Plans of these States, based on the allocation made by the Planning Commission. The Budget Estimate for 2014-15 is Rs. 11000 crore. From 01.04.2015 onwards, there is no allocation under SCA (untied).
- II Special Plan Assistance (SPA) is provided to the Special Category States for funding of projects identified by the States that are not covered by any Central scheme and for non-recurrent expenditure of a developmental nature, based on the recommendation of the Planning Commission. The Budget Estimate for 2014-15 is Rs. 6837 crore. From 01.04.2015 onwards, there is no allocation under SPA.

87. As no allocation has been made under SCA-Untied for 2015-16, the Committee desire to know how the projects in Special Category States were going to meet the gap in resources for financing their Annual Plans from 2015-16 onwards. The Ministry of Finance inter alia explained in their post-evidence reply stated that the FFC has substantially enhanced the share of the States in the Central divisible pool from the current 32 % to 42 %, against increase of 1.0% and 1.5% by the last two Finance Commissions i.e. 12th FC (2005-10) and 13th FC (2010-15). FFC recommendations factor in both Plan and Non-plan revenue expenditure of the States and tax devolution is untied. FFC also recommended grants – in –aid amounting to Rs.5.4 lakh crore over its award period to cover Revenue Deficit of States, local body grants (both to rural and urban local bodies) and grants for augmenting the State's Disaster Response Fund (SDRF). It was stated that this is expected to increase the transfer of resources by Rs. 25 lakh crore in tax devolution and Rs.2.7 lakh crore in grant-in-aid. During 2015-16 alone, increase in transfer to States over 2014-15 (both from tax devolution and FFC grants together), is estimated to be about Rs. 2.1 lakh crores.

88. Rs. 6837 crore was allocated for 2014-15 under SPA and utilisation thereof. Justifying the non allocation under SPA for 2015-16, the Ministry of Finance stated in their post evidence reply that from 2015-16 onwards, the allocations under SCA (untied) and SPA were subsumed in the increased rate of tax devolution. The grant under SCA (untied) was to bridge the resource gap of the deficit States while the assistance under SPA was linked to specific projects. Since the implementation of FFC recommendations, was expected to enhance the availability of resources with the States which is largely untied, the states getting SCA and SPA might not have any disadvantage over no allocation under SCA and SPA."

89. On Hill Areas Development Programme (HADP) and Western Ghats Development Programme (WGDP) the Ministry of Finance stated that the scheme envisages providing funds as an additive to normal State Plan on 90(Centre):10 (State) basis for the development of designated Hill Areas covered under the Hill Areas Development/Western Ghats Development Programme. Assam, Tamil Nadu and West Bengal are the State entitled for the HADP grant while Goa, Maharashtra, Karnataka, Kerala and Tamil Nadu are beneficiary States under WGDP.

90. The Budget Estimate for 2014-15 was Rs. 300 crore. From 01.04.2015 onwards, no allocation under HADP/WGDP is made.

91. Explaining as to why no allocation is made under HADP/WGDP for 2015 and replying to a query whether alternative mechanism is put in place to provide fund for these programmes, the Ministry of Finance inter alia stated in their reply that the FFC has substantially enhanced the share of the States in the Central divisible pool from the current 32 % to 42 %, which is the biggest ever increase in vertical tax devolution. During 2015-16 alone, increase in transfer to States over 2014-15 (both from tax devolution and FFC grants together), is estimated to be about Rs. 2.1 lakh crores. The FFC has also recommended a **new horizontal formula** for the distribution of the states' share in divisible pool among the states. Relative to the Thirteenth Finance Commission, the FFC has incorporated Forest cover as a parameter in horizontal distribution of taxes. All states stand to gain from FFC transfers in absolute terms. The States with large forest covers are likely to get higher tax devolution. In other words, the states can support the projects under HADP/WGDP out of increase devolution of taxes, including the enhancement on account of inclusion of forest cover as a parameter.

92. The Ministry further added that from 2015-16 onwards, the allocations under SCA for HADP/WGDP are subsumed in the above increased rate of tax devolution. The issue of development of Hill areas including Western Ghats as mentioned in the Para a) and b) is different from the issue of fund allocation to Regional councils which are stipulated under Schedule 6 of the Constitution.

93. On Backward Regions Grant Fund (BRGF) scheme, the Ministry of Finance furnished the following written submission wherein it was stated that the Backward Regions Grant Fund (BRGF) Scheme was approved during the year 2006-07, to be continued in the 11th Plan, replacing the Rashtriya Sam Vikas Yojana (RSVY). BRGF consists of two components - (a) Districts Component covering 270 districts, and (b) State Component-which covers special plan for West Bengal, Bihar and the Kalahandi-Bolangir- Koraput (KBK) Region of Odisha and Bundelkhand packages for UP & MP. The implementing Ministry for the BRGF districts component is the Ministry of Panchayati Raj. Funds for the State Component are provided through Demand No. 36 of Department of Expenditure, Ministry of Finance on the recommendation of Planning Commission. A special development package of Rs. 850.00 crore (Rs. 350.00 crore for 7 backward Districts of the State and Rs. 500.00 crore as interim resource gap) has been provided to the state of Andhra Pradesh from BRGF (State component) during 2014-15.

94. While deposing before the Committee on 30 March 2015, Secretary, Department of Expenditure made the following oral submission on the issue:

"Then, the issue has been raised about Left Wing, BRGF, etc. These were known as Block Grants in the Planning Commission. There were two parts to the way the Planning Commission, which is now NITI, used to allocate these funds, partly through Centrally Sponsored Schemes either on a 75:25 basis or a 90:10 basis for Special Category States. The Block Grants which covered these various funds which you have been mentioning were about Rs. 62,000 crore."

95. During oral evidence in connection with examination of the Demand For Grants (2015-16), of the Ministry of Finance, Finance Secretary further made the following submission as below:

"The States spending the money or not paying enough attention to Left Wing Extremist affected areas, I think, it is not perhaps my place to say so. But I would only say that it would be little difficult to accept that the States should be less responsible towards the poor than the Central Government is. That would be a little extreme to the States. "

96. On being asked to clarify whether the ongoing projects under Backward Regions Grant Fund (BRGF) scheme have been completed or abandoned and to state the fate of these projects since no provisioning has been made now, the Ministry of Finance inter alia stated that FFC in its report in Para 2.30 has noted that intra-state inequality is within the policy jurisdiction of the states and provisioning of adequate resources through tax devolution should enable them to address intra-state inequalities in an effect manner. And that, accordingly, this issue has been addressed by FFC by substantially enhancing the share of states in centre's divisible pool of taxes from 32% to 42% against increase of 1% and 1.5% by 12th FC and 13th FC respectively, in addition to Grant-in-Aid of Rs. 5.4 lakh crore over 2015-20. This is expected to enhance flow of funds to states by Rs. 25 lakh crore in tax devolution and Rs. 2.7 lakh crore in Grant-in-Aid, resulting into availability of ample funds at the disposal of states. Hence, the ongoing projects under BRGF for addressing Intra-State inequality may be supported by the States out of their own funds, including received under the recommendations of FFC.

97. On Additional Central Assistance for Left Wing Extremist (ACE for LWE) affected Districts, the Ministry of Finance stated that ACA for LWE Affected Districts' is a new budget line introduced in 2013-14 in Demand No. 36 (now Demand No. 37) of Ministry of Finance to meet the extra requirement of funds to the situations arising in LWE Affected Districts. The basic objective of the scheme is to create public infrastructure and services such as school buildings, anganwadi centres, drinking water supply, village roads, electric lights in public places like primary health centres and schools in the LWE affected districts. It covers 88 districts of 10 LWE affected States including 82 districts previously covered under Integrated Action Plan (IAP). Till 2012-13, funding for IAP districts was provided under BRGF- State Component of Demand No. 36 (now Demand No. 37). The Budget Estimate for 2014-15 is Rs. 2640.00 crore. From 01.04.2015 onwards, there is no allocation under ACA for LWE Affected Districts.

98. On being asked to state whether the ACA for LWE affected Districts has made a positive impact/outcome in lives of the people and also to state whether the Government have an alternate plan to continue the projects/works initiated under central assistance provided under the scheme, since no allocation is being made in this year's Budget, the Ministry of Finance inter alia in their post evidence reply stated that

the scheme ACA for LWE Affected Districts is being monitored by Ministry of Home Affairs/ NITI Aayog. FFC in para 2.29 has noted that their endeavour has been to take a comprehensive view of the commonalities impacting cost disability and fiscal capacity of States and special characteristics of individual States while making their assessment and recommendations. In their assessment of State resources, FFC has taken into account the disabilities arising from constraints unique to each State to arrive at the expenditure requirements. FFC in its report in Para 2.30 also has noted that intra-state inequality is within the policy jurisdiction of the states and provisioning of adequate resources through tax devolution should enable them to address intra-state inequalities in an effect manner.

99. Accordingly, this issue has been addressed by FFC by substantially enhancing the share of states in centre's divisible pool of taxes from 32% to 42% against increase of 1% and 1.5% by 12th FC and 13th FC respectively in addition to Grant-in-Aid of Rs. 5.4 lakh crore over 2015-20. This is expected to enhance flow of funds to states by Rs. 25 lakh crore in tax devolution and Rs. 2.7 lakh crore in Grant-in-Aid, resulting into availability of ample funds at the disposal of states to address intra-state in equality. Hence, from 2015-16 onwards, the allocations under ACA for LWE Affected Districts are subsumed in the increased rate of tax devolution.

NITI Aayog

100. On the issue of transfer of plan funds to states, it was stated by Secretary (Expenditure) during his deposition that Rs. 20,000 crore has been earmarked for allocations to be made to States on the recommendations of the NITI Aayog under 2015-16 Budget.

101. Finance Secretary further made the following oral submission on the issue as below:

We have kept apart a sum of Rs. 20,000 crore in NITI for such contingencies and it is meant for this purpose only and during the process of this restructuring that we have undertaken we have interacted with all the concerned Ministries. If there is a Rs. 200 crore obligation, it must be flowing through either the Tribal Affairs Ministry or the North Eastern Ministry. They have not told the problem as yet. If there is a problem we will give the money. We are obliged to give it.

102. The Committee desired to know why was not this shown in the documents furnished to the Committee for examination of the Demands for Grants 2015-16 and

also under what Demand/Head has this amount been provided for. The Committee further desired to know whether this suggested that NITI Aayog will be performing allocative functions just as the erstwhile Planning Commission. In their post-evidence reply, the Ministry of Finance inter alia stated that 'Special Assistance' is a new budget line introduced in 2015-16 in Demand No. 37 (formerly Demand No. 36) of MoF. The Budget Estimates for 2015-16 is Rs. 20000.00 crore. The above para was shown in the documents furnished to the committee for examination of Demands for Grants 2015-16. It comes under Demand No. 37 under the major head 3601 with sub-major head 03. The process of obtaining minor head/sub head/detailed head/object head has already begun in consultation with O/o Controller General of Accounts. This amount shall be disbursed based on the recommendation of NITI Aayog. "

VII PRADHAN MANTRI JAN DHAN YOJANA (PMJDY)

103. With a view to envisage universal access to banking facilities and bring at least one basic banking account for every household, financial literacy, access to credit, insurance and pension, Prime Minister had announced Pradhan Mantri Jan Dhan Yojana (PMJDY) on 15th August, 2014 and formally launched on 28th August, 2014. The Yojana also envisages expansion of Direct Benefit Transfer under various Government Schemes through bank accounts of the beneficiaries. The beneficiaries would get a RuPay Debit Card having inbuilt accident insurance cover of 1.00 Lakh. In addition, there is also a life insurance cover of `30,000/- to those people who opened their bank accounts for the first between 15.08.2014 to 26.01.2015 and meet other eligibility conditions of the Yojana. An overdraft facility upto `5000/- will also be permitted to Aadhar enabled accounts after satisfactory operation in the account for 6 months. Under PMJDY, Banks have been given target to carry out surveys in allocated Sub Service Areas (SSAs) and Wards and to open accounts of all uncovered households by 26.01.2015. As on 07.01.2015, 21.07 crore households have been surveyed out of which accounts of 20.98 crore households have been opened i.e. coverage of 99.60 %. Accounts of remaining 0.09 crore households shall be opened before 26.01.2015. PMJDY is successfully being implemented by the banks. As on 10.01.2015, 11.07 crore accounts have been opened and 9.26 crore RuPay Cards have been issued to the eligible account holders. Total

amount deposited in these accounts is Rs 8698.01 crore. An initial fund of Rs 100 crore provided under Non-Plan to cover the claims to RuPay Debit card holders for 2014-15. Further a provision of Rs 100 crore under Non-Plan has been proposed for 2015-16.

104. On the progress made so far by the Government in meeting the goals/objectives of Pradhan Mantri Jan Dhan Yojana, the Ministry of Finance have submitted that one of the main objectives of Pradhan Mantri Jan-DhanYojana (PMJDY) is to provide at least one bank account to each household. This goal had been achieved. To verify this survey was done throughout the country. Out of total number of surveyed households of 21.06 crore, bank accounts have been opened for 21.05 crore households i.e. coverage of 99.98% as on 28.01.2015. As against the estimated target of opening 10 crore accounts, as on 31.01.2015, 12.54 crore accounts have been opened out of which 7.50 crore accounts are in rural areas and 5.04 crore in urban areas. Deposits of Rs.10499.62 crore have been mobilized. 11.07 crore RuPay Debit cards have been issued. The other objectives of the Yojana i.e. financial literacy, access to credit, insurance and pension are also being pursued.

105. The Committee also discussed issues concerning PMJDY in the course of their recent study visit to Mumbai, Bengaluru and Hyderabad from 16 to 21 January, 2015.

106. As to whether all the welfare schemes are to be converged with PMJDY accounts including MGNREGA Scheme, the Ministry of Finance stated that PMJDY envisages transfer of benefits under various Direct Benefit Transfer (DBT) Schemes of Central Government including MNREGA and Direct Benefit Transfer for LPG (DBTL). State Governments have also been requested to transfer benefits through accounts of the beneficiaries opened under PMJDY. MGNREGA has been extended in 300 districts.

107. On being asked a specific query as to whether banks are robust enough in terms of logistics to service the accounts in their branches especially in the deeper rural areas under the Yojana, the Ministry clarified that rural areas in the country have been divided into Sub Service Areas (SSAs) and banks have been asked to cover SSAs by either branch or fixed point interoperable Business Correspondent called Bank Mitras. These Bank Mitras are equipped with inter operable and Aadhaar Enabled hand held devices (Micro ATMs). About 1.25 lakh such BankMitras have been

appointed. In addition, the branch network of the banks is also now 1,22,294 as on 31.12.2014.

108. The Committee desired to know whether the overdraft facility under PradhanMantri Jan-Dhan Yojana (PMJDY) is based on a scheme formulated by Indian Banks' Association (IBA). The Ministry explained the position stating that the OD limit upto Rs.5000/- is allowed after satisfactory operation in the account for the last six months. SB account with OD facility has been introduced to motivate the rural population for savings, credit, remittances and also to get insurance and pension facility. Credit of subsidies to this account with outstanding OD will reduce the overdraft amount and interest burden on the beneficiary. However, the beneficiary would be free to avail of that amount of OD subsequently.

109. In this regard, the IBA, FICCI and, Boston Consultancy Group report on Productivity in Indian Banking -2014 has observed that PMJDY has shifted away from push to pull based model for inclusion. However, its design needs to acknowledge learning of the last five years. Banking industry has so far opened 16 crore no frills accounts. Only a quarter of them had even a single transaction last year. And only a quarter have any balance. In effect five years of effort has led to about 20 percent addition to active SB accounts in the nation. It was stated that this is because the accounts opened for inclusion were designed as a conduit cash disbursement, not for facilitating payments by the account holders. If the mobile to mobile POS funds transfer were to be made feasible, we could get even the smallest account holder in the remotest area to buy from local merchant through their mobile phone. Transactions would lead to balances and balances would lead to economic viability. That is the key to inclusion in deposits. It was added that there was a need to augment PMJDY in credit through a subsidized entry of excluded small ticket borrowers into information bureaus where their credit history can get recorded".

110. The Committee desired to know why could these 16 crore no- frills accounts not be utilised for PMJDY instead of opening 12.5 crore new accounts for the purpose as that could have considerably reduced the effort and expenditure involved. The Ministry of Finance inter alia explained as under that previous attempts at financial inclusion had tried to cover only selected geographies. For instance in the earlier Swabhimaan campaign, only villages with population greater than 2000 were targeted. In PMJDY all

households were targeted instead of villages. As such, a survey was needed to find out those households which did not have even one account in the family and those individuals were asked to open bank accounts. All the States/Union Territories in the country have been mapped into Sub-Service Areas (in rural areas) and Wards (in urban areas) totaling 2,26,197, for opening of accounts of unbanked households. Out of total number of surveyed households of 21.06 crore, bank accounts have been opened for 21.05 crore households i.e. coverage of 99.98% as on 28.01.2015.

111. On being further asked about the action initiated by the Government on the above cited Report, the Ministry of Finance stated that the report pertains to Indian Banks' Association and needs to be studied before any comments can be given on the same.

112. During his deposition before the Committee for oral evidence, Secretary, Department of Financial Services has made the following submission on PMJDY:

"On the issue of PMJDY, we agree that in the past also a lot of work was done and under the Scheme, called Swabhiman, a lot of no-frill accounts were opened. It has been observed that even those accounts are without balance and on top of it, we have opened some new accounts. The question asked is, why we could not have used the earlier opened accounts. It is not a question of duplication.....why the accounts were not operated was so, because it was not easy to go to a bank branch and do the transaction...."

113. On being further asked to state as to how many of these new accounts under PMJDY are actually active accounts or operative accounts, the Ministry of Finance have inter alia submitted the a written reply where they stated that as against the estimated target of opening 10 crore accounts, as on 28.02.2015, 13.68 crore accounts have been opened out of which 8.16 crore accounts are in rural areas and 5.52 crore in urban areas. Out of total 13.68 crore accounts, 8.59 crore accounts are with Zero Balance (62.79%). Remaining 5.09 crore accounts are actually active or operative accounts. Deposits of Rs.12693.87 crore have been mobilized. 12.18 crore RuPay Debit cards have been issued. The progress in operationalizing the Zero balance accounts is constantly monitored. As on 24.03.2015 the Zero balance accounts had reduced to 58.89 %. To keep the accounts operative and functional, PMJDY envisages transfer of benefits under various Direct Benefit Transfer (DBT) Schemes of Central Government including

Direct Benefit Transfer for LPG (DBTL). State Governments have also been requested to transfer benefits through accounts of the beneficiaries opened under PMJDY. Besides, Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA) has been implemented in 300 districts and all the wage payments under MGNREGA are to be made through accounts in the Banks or Post Offices.

114. It was further stated that in the Budget 2015-16, new initiatives like MUDRA, Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Atal Pension Yojana (APY) have been announced which will be utilized for making social security benefits available to the customers."

VIII DEBT RECOVERY PROCESS

115. On being asked about the major problems/constraints faced by Debt Recovery Tribunals (DRTs) in delivering their assigned tasks, the Ministry of Finance submitted the following written reply:

The problems being faced by DRTs are as follows:-

- (i) Large number of pending cases.
- (ii) Number of vacant posts in Group 'A'.
- (iii) Shortage of manpower in DRTs/ DRATs in lower grades.
- (iv) Unavailability of specialized training Institute for officers/ staff members of DRTs/DRATs.

116. When asked whether the Government was satisfied with the rate of disposal of cases by DRTs and the steps being taken to improve the functioning of DRTs, the Ministry of Finance submitted that efforts were being made to improvise the functioning of DRTs for faster disposal of cases. It is an endeavour of the DRTs to dispose of the cases within the time limit prescribed i.e. within 180 days. The Government has taken various steps for speedy disposal of pending cases in DRTs and also to improve the functioning of DRTs as follows:

- (i) Establishment of six new DRTs at Bengaluru, Chandigarh, Dehra Dun, Ernakulam, Hyderabad and Siliguri.
- (ii) Rationalisation of areas of jurisdiction of DRTs.
- (iii) Holding of Lok Adalats on regular basis.
- (iv) Implementation of e-DRT project is under active consideration to bring better efficiency and transparency in the functioning of DRTs/DRATs.
- (v) Eight Presiding Officers have been appointed in various DRTs and one Chairperson has joined DRAT and another is to join shortly.

- (vi) Action for filling up of existing and anticipated vacancies of Presiding Officers and other Group 'A' posts has been initiated."

SARFAESI ACT 2002

117. The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 *inter-alia* provides for enforcement of security interest for utilisation of dues without the intervention of courts or tribunals. The Recovery of Debts Due to Banks and Financial Institutions Act provides setting up of Debt Recovery Tribunals (DRT) and Debt Recovery Appellate Tribunals (DRATs) for expeditious and exclusive disposal of suit filed by banks/FIs for recovery of their dues in NPA accounts with outstanding amount of Rs. 10 lakhs and above.

118. The Committee sought to know about the operation of the SARFAESI Act and in particular the hurdles/lacunae in the implementation of the Act and whether the DRT process has led to interminable delays in recovery of debt. The Committee also desired to know the specific amendments required in the SARFAESI Act to make the recovery process faster and more effective, particularly in the context of various suggestions received by them from bankers during the course of their recent study visit to Mumbai, Bengaluru and Hyderabad from 16 to 21 January, 2015.

119. The Ministry of Finance have *inter alia* stated that there were certain hurdles faced by Banks and Debt Recovery Tribunals (DRT) in resolving the Non-Performing Assets (NPAs). Looking into it, specific amendments required in the SARFAESI and RDDBFI Act to make the recovery process faster and more effective were brought about by the enactment of The Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2012. Subsequent to this amendment there are no legal hurdles in resolving the NPAs except -- adjournments by DRTs and lack of proper pleading of concerned parties.

120. The Ministry have further stated that the effectiveness of the DRTs can be seen from the following recovery figures, which shows an improving trend during the last four years:

Period	Cases filed for the amount	Amount in (Rs.Crore)
		Amount recovered
2010-11	10849	2338
2011-12	16798	2642
2012-13	24177	3557
2013-14	45350	4460

121. On being asked on the impact brought about by the enactment of The Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2012

since 15.01.2013 in respect of recovery of bad debts by banks, the Ministry of Finance submitted that the impact brought about the enactment of The Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2012" since 15.01.2013 is as per the figures given hereunder:

(i) Data on recovery prior to The Enforcement of Security Interest and Recovery Debts Laws (Amendment) Act, 2012:

(Amount in Rs. Crore)

2010-11		
Recovery Channels	Cases filed for the amount	Amount recovered
DRT	10849	2338
SARFAESI Act	21745	7928
2011-12		
Recovery Channels	Cases filed for the amount	Amount recovered
DRT	16798	2642
SARFAESI Act	39658	11750
2012-13		
Recovery Channels	Cases filed for the amount	Amount recovered
DRT	24177	3557
SARFAESI Act	58301	16020

(ii) Data on recovery after The Enforcement of Security Interest and Recovery Debts Laws (Amendment) Act, 2012:

(Amount in Rs. Crore)

2013-14		
Recovery Channels	Cases filed for the amount	Amount recovered
DRT	45350	4460
SARFAESI Act	86783	22178

122. The Ministry further stated that there has been an improvement in the recovery amount after the amendments. However, it is also a fact that the number of cases for recovery have also increased.

123. It has been stated in the Budget Speech 2015-16 (para no. 38) that to bring parity in regulation of Non-Banking Financial Companies (NBFCs) with other financial institutions in matters relating to recovery, it is proposed that NBFCs registered with RBI and having asset size of Rs. 500 crore and above will be considered for notifications as 'Financial Institution' in terms of the SARFAESI Act, 2002.

124. When asked to give their comments on the above proposal to bring the NBFCs in the ambit/purview of SARFAESI Act 2002, when there are already difficulties in effecting timely recovery of loans by banks/financial institutions from loan defaulters, the Ministry of Finance stated that though NBFCs have the option of assigning their stressed assets to Asset Reconstruction Companies, it was felt that broadening the stressed assets

market and providing an additional avenue for disposal of stressed assets from the financial system will have a salutary effect on NPA management by NBFCs.

125. This could have been successful only if all the rights and powers available to the secured creditors under the SARFAESI Act 2002 are extended to NBFCs too. Since in lightly regulated smaller NBFCs, (where the decision making/review process in such matters is not far-removed from the operating levels), there were chances of misuse of SARFAESI Act, with the defaulting borrowers, genuinely caught in a downturn being victimized, it was felt that such a notification empowering the NBFCs under the SARFAESI Act 2002 should be restricted to non-deposit accepting Systemically Important NBFCs i.e. NBFC-NDSIs, who have assets above Rs.500 crores.

126. The Secretary, Department of Financial Services further made the following oral submission on the issue while deposing before the Committee as stated below:

"Now, recently, we have applied SARFAESI for non-banking financial companies which are having assets size of more than Rs. 500 crore but the demand for urban cooperative banks is something which has come now. We will look into it."

IX UNCLAIMED DEPOSITS

127. When enquired about the fate of inoperative accounts and unclaimed deposits with banks, the Ministry of Finance have submitted that a savings as well as current account should be treated as inoperative/ dormant if there are no transactions in the account for over a period of two years. Vide, Reserve Bank of India (RBI) circular dated October 1, 1977 banks were advised that deposits accounts which have not been operated over a period, say two years should be segregated and maintained in separate ledger/s. Further, banks were also advised vide RBI circular dated November 15, 1989 that they should ensure their branches follow-up accounts which remain inoperative for a year or so by sending suitable advices to the customer and if the said letters are returned undelivered, they may immediately be put on enquiry to find out the whereabouts of customers or their legal heirs in case they are deceased. In terms of Section 26 of the Banking Regulation Act, 1949, every banking company is required to submit a yearly return to RBI at the close of each calendar year of all account in India which has not been operated upon for 10 years (unclaimed deposits).

128. It was also submitted that the total amount of unclaimed deposits of Scheduled Commercial Banks as on December 31, 2013 stood at Rs. 5124.98 crores. Such figures as at the end of December, 2014 are not readily available.

129. The details of total number of accounts and the amount of unclaimed deposits of Scheduled Commercial Banks as on December 31, from the year 2009 to 2013 are as follows:

	<u>No. of Accounts</u>	<u>Amount (Rs. in crore)</u>
31.12.2009	10171368	1360.32
31.12.2010	10345857	1723.24
31.12.2011	11249844	2481.40
31.12.2012	12079714	3652.84
31.12.2013	14554950	5124.98

130. RBI has formulated the Depositor Education and Awareness Fund Scheme, 2014 (Scheme), under which the amount of various type of deposits and certain other balances which have not been operated for 10 years or more are required to be transferred to the Depositor Education and Awareness Fund maintained with the RBI. The corpus of the Fund as on date stands at Rs.6702.02 crore. Under the Scheme for promotion of depositors' interests, various institutions, organisations or associations, engaged in activities relating to depositors of banks, organizing seminars and symposia for depositors and undertaking projects and research activities relating to these areas will be registered/ recognized from time to time for grant of financial assistance. Accordingly, the guidelines on the criteria for registering institutions, organisations and associations for grant of financial assistance from the Fund were published vide Press release dated January 9, 2015 and 90 applicants have forwarded their applications for registration. The Reserve Bank is in the process of scrutinizing the applications."

131. While deposing before the Committee for Oral Evidence, Finance Secretary made the following oral submission on this issue of unclaimed deposit:

"Actually every effort is made in respect of the unclaimed deposits at the last known postal address by the banks to contact the person who has his or her account or his or her successor; only after attempts are repeatedly made, the account is declared as inoperative. Even though the money is transferred to the investor welfare fund in RBI, the bank is committed and obligated to meet the commitment should be person or his or her successor make their claim at any time.

That claim is never frozen. So, the claim exists but the person or his successor has to come with proof to that."

X DISINVESTMENT STATUS AND WAY FORWARD

Mandate

132. Department of Disinvestment is mainly responsible for disinvestment of Government shareholding in CPSEs. Additionally, it deals with all matters relating to sale of Central Government equity through offer for sale or private placement in erstwhile CPSEs.

Approach

133. The current policy on disinvestment envisages development of people's ownership of Central Public Sector Enterprises to share in their wealth and prosperity while ensuring that the Government equity does not fall below 51% and Government retains management control.

Utilization of Disinvestment proceeds

134. Government decided that from 01st April, 2013, disinvestment receipts will form part of National Investment Fund (NIF) and would be available for spending on the following approved purposes:

- Subscribing to shares being issued by Central Public Sector Enterprises (CPSEs) including Public Sector Banks (PSBs) and Public Sector Insurance Companies, on rights basis so as to ensure that 51 per cent ownership of the Government is not diluted.
- Preferential allotment of shares of the CPSEs to promoters as per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 so that Government shareholding does not go below 51 per cent, in all cases where CPSE is going to raise fresh equity to meet its capex programme.
- Recapitalization of Public Sector Banks and Public Sector Insurance Companies.
- Investment by Government in RRBs/IIFCL/ NABARD/ Exim Bank.
- Equity infusion in various Metro projects.
- Investment in Bhartiya Nabhikiya Vidut Nigam Ltd. and Uranium Corporation of India Ltd.
- Investment in Indian Railways towards capital expenditure.

135. The entire disinvestment receipts for the FY 2013-14 were deployed towards meeting capital expenditure of Ministry of Railways.

Budget target and achievement

136. The budgetary target of Rs 40,000 crore for disinvestment for the year 2013-14 (excluding budgeted receipts of Rs 14,000 crore through disinvestment of Government stake in non-Government companies) was revised to Rs 16,027 crore as Revised Estimate. The Government realized an amount of Rs 15,819.46 crore as disinvestment receipts during 2013-14.

137. The disinvestment target for 2014-15 is Rs 51,925 crore comprising of Rs. 36,925 crore by way of disinvestment of CPSEs and Rs 15,000 crore through disinvestment of Government stake in non-Government companies. This is the highest ever disinvestment target and is 2.4 times the highest ever disinvestment receipts and 2.7 times the average disinvestment receipts in the past 4 years. In 2014-15, the Government has disinvested 5% paid up equity of SAIL and realized an amount of Rs 1,719.54 crore as disinvestment proceeds. This Offer for Sale (OFS) of Shares through Stock Exchange Mechanism was one of the best ever by the Government on various parameters like high average realized share price, high percent subscription, and low discount offered to market price.

XI FOURTEENTH FINANCE COMMISSION (FFC) REPORT IMPLICATIONS

138. The Finance Commission is a Constitutional body formulated under Article 280 of the Indian Constitution. It is constituted every five years by the President of India to review the state of finances of the Union and the States and suggest measures for maintaining a stable and sustainable fiscal environment. It also makes recommendations regarding the devolution of taxes between the Center and the States from the divisible pool which includes all central taxes excluding surcharges and cess which the Centre is constitutionally mandated to share with the States.

139. The Fourteenth Finance Commission(FFC) was appointed on 2nd January, 2013 under the chairmanship of Dr. Y. V. Reddy. In addition to the primary objectives mentioned above, the terms of reference for the commission sought suggestions regarding the principles which would govern the quantum and distribution of grants-in-aid (non plan grants to states), the measures, if needed, to augment State government finances to supplement the resources of local government and to review the state of the finances, deficit and debt conditions at different levels of government.

MAJOR RECOMMENDATIONS OF FFC

140. The FFC has submitted its recommendations for the period 2015-16 to 2020-21. They are likely to have major implications for center-state relations, for budgeting by, and the fiscal situation of, the center and the states. Some of the major recommendations are as follows;

- The FFC has radically enhanced the share of the states in the central divisible pool from the current 32 percent to 42 per cent which is the biggest ever increase in vertical tax devolution. The last two Finance

Commissions viz. Twelfth (period 2005- 10) and Thirteenth (period 2010-15) had recommended a state share of 30.5 per cent (increase of 1 percent) and 32 per cent (increase of 1.5 percent), respectively in the central divisible pool.

- The FFC has also proposed a new horizontal formula (Table 10.1) for the distribution of the states' share in divisible pool among the states. There are changes both in the variables included/excluded as well as the weights assigned to them. Relative to the Thirteenth Finance Commission, the FFC has incorporated two new variables: 2011 population and forest cover; and excluded the fiscal discipline variable.
- Several other types of transfers have been proposed including grants to rural and urban local bodies, a performance grant along with grants for disaster relief and revenue deficit. These transfers total to approximately 5.3 lakh crore for the period 2015-20.2
- The FFC has not made any recommendation concerning sector specific-grants unlike the Thirteenth Finance Commission.

IMPLICATIONS OF FFC RECOMMENDATIONS FOR FISCAL FEDERALISM: A WAY AHEAD

141. Based on its recommendations and projections, the FFC has assessed and quantified the implications for the revenues of states. In this analysis the revenue implications are reassessed based on more recent data (for 2014/15) and slightly differing assumptions about GDP growth, tax buoyancy and other fiscal parameters. The total increase in FFC transfers in FY2015-16 from FY2014-15 is estimated to be about 2 lakh crores (both from tax devolution and FFC grants). Several points are worth noting. All states stand to gain from FFC transfers in absolute terms. However, to assess the distributional effects, the increases should be scaled by population, Net State Domestic Product (NSDP) at current market price, or by states' own tax revenue receipts. The biggest gainers in absolute terms under GCS are Uttar Pradesh, West Bengal and Madhya Pradesh while for SCS it is Jammu & Kashmir, Himachal Pradesh and Assam. A better measure of impact is benefit per capita. The major gainers in per capita terms turn out to be Kerala, Chhattisgarh and Madhya Pradesh for GCS and Arunachal Pradesh, Mizoram and Sikkim for SCS. The FFC recommendations are expected to add substantial spending capacity to states' budgets. The additional

spending capacity can better be measure by scaling the benefits either by NSDP at current market price or by states' own tax revenue. In terms of the impact based on NSDP, the benefits of FFC transfers are highest for Chhattisgarh, Bihar and Jharkhand among the GCS and for states like Arunachal Pradesh, Mizoram and Jammu & Kashmir among the SCS. While in terms of states' own tax revenues, the largest gains accrue to GCS of Bihar, Jharkhand and Chhattisgarh and SCS of Arunachal Pradesh, Mizoram and Nagaland. The FFC transfers have more favorable impact on the states (only among the GCS) which are relatively less developed which is an indication that the FFC transfers are progressive i.e. states with lower per capita NSDP receive on average much larger transfers per capita. The correlation between per capita NSDP and FFC is transfer per capita is -0.72. This indicates that the FFC recommendations do go in the direction of equalizing the income and fiscal disparities between the major states. However, FFC transfers are less progressive compared to the transfers of Thirteenth Finance Commission (TFC). The correlation coefficient between the NSDP per capita and TFC transfers per capita (average of 2011-12, 2012- 13 and 2013-14) per capita is- 0.84.

142. On the implications of 14th Finance Commission Report, the Finance Secretary made the following oral submission while tendering evidence before the Committee:

"You have noticed that there is a reduction, as against Budget Estimates of 2014-15, in the Budget Estimates of this year on the expenditure side, especially on the plan side there is a marginal adjustment of Rs.2,000 crore.

This is basically on account of the recommendations of the 14th Finance Commission.

With your permission, I will, just for a minute, **explain the broad implications of the 14th Finance Commission's recommendations**, which have been accepted by the Government as an ATR has been placed in the Parliament. Basically what the Finance Commission has done is, it has hiked the share of the States from 32 per cent to 42 per cent, which is not an increase of 10 per cent but is an almost increase of 1/3rd, which means 1/3rd more than the current financial year. What it does is that it benefits the States. There would have been some natural increase because our receipts should have gone up and divisible pool would have gone up in 2015-16. But other than that there is a benefit to the States of almost Rs.1.5 lakh crore, in that region, it could be 1.6 lakh crores even but it depends on the actual receipts. So, Rs.1.5 lakh crore is an extra benefit devolved to the States and this has obviously an impact on the budget size, the expenditure outlay and the plan size of the Central Government.

In spite of that, as you would notice, the plan size for the current financial year – RE is Rs.4.67 lakh crore and BE for next year is Rs.4.65 lakh crore. We thus

hope that basically the expenditure in 2015-16 would be more or less the same as it was in 2014-15 on the plan side. What the Finance Commission had actually recommended when they prepared their report was that the Centrally-sponsored schemes, which were being routed through the State Budget and not routed through the State implementing agencies, in 2012-13, they accounted for and reckoned it as expenditure of the States. So, whatever money was going in Centrally-sponsored schemes from the Central Government through the State Budgets and what they were spending themselves as their share was all counted as expenditure of the States. That is one basis for recommending the 42 per cent transfer. In a sense, the Centrally-sponsored schemes, which were being routed through the State Budget, thus stood transferred to the States by implication. Since the expenditure had been reckoned, the implication was that they stood transferred to the States.

There were approximately about 22 such schemes. But against that, what the Central Government has done is that only 8 of the schemes have been transferred to the States, the remaining 14 the Central Government will continue to support as Centrally sponsored schemes, though at a level slightly lower than the original, say, if it was 75:25 share, it might come down of 50:50 share. But the Central Government would continue to support such schemes. This includes schemes like Rashtriya Krishi Vikas Yojana."

PART - II

OBSERVATIONS / RECOMMENDATIONS

- 1. During the course of scrutiny of the Demands for Grants (2015-16) of the Ministry of Finance, the Committee have noticed instances and trends of inconsistencies in budgetary allocations as also large under-utilisation of budgeted funds as highlighted by certain illustrative examples such as : (i) Demand No. 34 [Detailed Head 09.01.28] relating to payment to consultants, legal service charges, payment on account of MOUs etc.; (ii) Demand No. 46 [Detailed Head 52.01.26] relating to expenditure incurred on Advertisement &**

Publicity, (iii) Demand No. 34 Major Head 5475 in respect of Capital Outlay on other General Economic Services, (iv) Analysis of Actual Expenditure vis-a-vis BE during the period 2012-13, 2013-14 and 2014-15 in respect of Department of Financial Services as reflected in the Outcome Budget (2015-16), (v) Demand No. 38 (Major Head 7610) relating to "Loans to Government Servants etc." and, (vi) Demand No. 36 relating to Interest Payments. The Committee have in their previous Reports been commenting upon such trends in the Demands for Grants, which have only indicated laxity in the budgeting exercise and non-application or inadequate application of available tools / techniques in budget formulation. This has obviously resulted in lacunae such as under-allocation of funds juxtaposed with over-allocation in some cases, wide fluctuations between the BE, RE and the Actuals during successive years and large under-utilisation of allotted funds. Doubtless, some improvements have been made over the years and attempts have been made to streamline the processes. Nevertheless, the Committee believe that more earnest efforts are required so that budget formulation becomes more coherent and purposeful. In this regard, the Committee would also like to suggest that budgetary documentation can also be made simpler, less unwieldy and easier to comprehend.

2. It was submitted during the deposition before the Committee that Rs. 20,000 crore has been earmarked in the current Budget for allocations to be made to States on the recommendations of NITI Aayog. Subsequently, in their post-evidence reply, the Ministry of Finance have stated that the budget estimate of Rs. 20,000 crore is a new budget line introduced in 2015-16 in Demand No. 37 (formerly Demand No. 36) under the major head 3601 (sub-major head 03), that is, Special Assistance to States. They have also clarified that the process of obtaining minor head / sub-head /detailed head / object head has already begun in consultation with the office of the Controller General of Accounts. Further, this amount shall be disbursed based on the recommendation of NITI Aayog. The Committee, however, are not satisfied with the Ministry's explanation with regard to the presentation as well as earmarking of the afore-mentioned funds in the Budget. There is an element of obfuscation and non-transparency in the manner of presenting / projecting such a significant budget estimate before Parliament,

particularly when it is being made for the first time. The Committee, therefore, desire the Government to have a relook in the matter and also intimate the Committee as to how such allocations, if any, will be reflected in the Demands for Grants of 2016-17.

3. The Committee are also at a loss as to understand the deployment and utilisation of such a large corpus, which will be disbursed on the recommendations of the newly constituted NITI Aayog that has replaced the Planning Commission. The Committee feel pertinent to point out here that if the newly constituted NITI Aayog is to perform allocative function similar to the function attached to the erstwhile Planning Commission, it is not clear as to why the Planning Commission was dismantled in the first place. The Committee, would, therefore like to be apprised about the precise mandate of NITI Aayog with regard to allocation of resources to States and the parameters as also the mechanism governing such transfer of funds. This issue clearly brings to the fore key concerns on the new process / mechanism being adopted for transferring budgetary resources to States (outside the ambit of the Finance Commission), which will be discussed and commented upon in the succeeding paras.

4. Demand No. 37 in respect of Ministry of Finance relates to transfer to States and Union Territory Governments. The Ministry of Finance have submitted in this regard that they have been releasing funds under this Demand till the year 2014-15, which included releases both under Plan and Non-Plan categories. Plan Grants comprise of Block Grants, which consists of Normal Central Assistance (NCA), Backward Regions Grants Fund (BRGF) Scheme (State component), Additional Central Assistance (ACA) for Externally Aided Projects (EAPs), Special Central Assistance (SCA), Special Plan Assistance (SPA) etc. Non-Plan Grants are provided as recommended by the Finance Commission for its award period under Article 275(1) of the Constitution and are charged expenditure. These Non-Plan grants are meant for Non-Plan revenue deficit, elementary education, environment, improving outcomes, maintenance of roads and bridges, local bodies, calamity relief and for State specific needs. The Committee, however, note that the afore-mentioned Normal Central Assistance (NCA) to States as an

untied Grant under the Gadgil-Mukherjee formula was provided, hitherto, as per allocation made by the erstwhile Planning Commission and the Budget Estimate for which in 2014-15 was Rs. 28,514 crore. The Committee now find to their surprise that in the current Budget, there is no allocation under NCA. According to the Ministry, higher transfer of untied devolution of taxes as per the recommendations of the Fourteenth Finance Commission will take care of 'no allocation under NCA'. In fact, the Committee notice that all untied Block Grants to States have been subsumed in "higher devolution of taxes". This has resulted in discontinuance of schemes like SCA for Hill Areas Development Programme (HADP), Western Ghats Development Programme (WGDP), Backward Regions Grants Fund (BRGF), Additional Central Assistance for Left Wing Extremist (ACE for LWE) affected Districts etc.; only the assistance under ACA for Externally Aided Projects continues under Block Grants. The Committee are of the view that such subsuming of specific schemes designed with a special purpose / focus to uplift living standards in backward and under-developed areas / regions with chronic poverty is not desirable. Central budgetary support and an element of hand-holding by way of SCA is therefore still required to bring about social and economic development in such areas, which are lagging far behind in socio-economic indices and which also face extraordinary challenges as in the case of Left Wing Extremist affected Districts.

5. In this context, the Committee note that the Ministry have clarified that the issue of fund allocation to Regional Council stipulated under the Sixth Schedule of the Constitution is distinct from the issue of development of Hill Areas and Western Ghats, which have been discontinued or subsumed. The Committee desire that in view of the statutory requirements, the resources transfer envisaged in the tripartite agreements between the Centre, States and the Regional Development Councils such as Gorkhaland Territorial Administration (GTA) (which has replaced the Darjeeling Gorkha Hill Council since 2011), Bodoland Territorial Council, Kalahandi-Bolangir-Koraput (KBK) region of Odisha, Bundelkhand packages for UP and MP etc. should be preserved and continued as a separate arrangement, which is not subsumed under Block Grants for eradication of extreme poverty in these neglected areas/regions. The Budget

should accordingly reflect this position clearly. In this context, the Committee would thus emphasise that the specific mechanism of transfer of funds to States as Plan Grants developed over time should be preserved and kept distinct and separate from devolutions under Finance Commission award, which by its very nature cannot address re-distributive aspects in funds allocations/resources transfer. In this regard the Committee desire that the recommendations of Raghuram Rajan's Report on backwardness of States (Committee for Evolving a Composite Development Index of States) may be considered and appropriately implemented.

6. The Committee have been informed that the Fourteenth Finance Commission has enhanced the share of the States in the Central divisible pool from the current 32% to 42%, which has been stated to be the biggest ever increase in vertical tax devolution. It has been stated that during 2015-16 alone, increase in transfer to States over 2014-15 (both from tax devolution and grants) is estimated to be about Rs. 2.1 lakh crores. According to the Ministry of Finance, all States stand to gain from these transfer of funds in absolute terms, and the States can therefore support various projects and programmes out of the increased devolution. The Committee believe that inter-state inequality as well as intra-state disparities including uneven resource-base and development cannot be addressed by the method of resource transfer followed in the current year's Budget. The utilisation of funds thus transferred by respective States may be based on own priorities and absorptive capacity, rather than the specifically determined purposes for these grants in the first instance. This naturally gives rise to an apprehension that the desired outcomes on socio-economic parameters in neglected areas, which a focussed grant could yield, may not be forthcoming now. The Committee would therefore expect the Ministry of Finance to address these concerns appropriately.

7. Another pertinent issue that has invited the attention of the Committee relates to transfer of funds to the Public Account of India, wherein balances available in the corpus do not lapse at the close of the Financial Year. In this regard, the Committee note that as per Article 266(2) of the Constitution, the receipts into the Public Account and disbursements out of it are not subject to

approval by Parliament. According to the Ministry's submission, funds under Public Account are generally created to regulate the flow of funds with dedicated receipts in the form of cess, levies, annual contributions, fees etc. and proceeds are assigned to the specific purpose as laid down in the Statute or Rules. Thus, funds such as Central Road Fund, National Clean Energy Fund, National Social Security Fund, Guarantee Redemption Fund etc. are backed by specific receipts or seeded by annual contributions from government. The Ministry have sought to allay the apprehension of the Committee that since the corpus of these funds are utilised towards implementing government schemes / programmes, these are subject to Parliamentary scrutiny and that expenditure out of such funds are routed through the Consolidated Fund of India, for which appropriations are sought through Demands for Grants and Appropriation Bill. The Committee note that the non-lapsability of funds in the Public Account does give a distinct advantage to Government, as fresh appraisal as well as provisioning need not be made by way of budget estimate every year. However, the rationale for which Public Account is provided for in the Constitution in the first place should be adhered to and transfer of funds to this Account should not be indiscriminately resorted to secure non-lapsability alone, as it may willy-nilly circumvent Parliamentary scrutiny and oversight of budgetary processes. Such a situation / arrangement of non-transparency coupled with lack of accountability to Parliament is un-acceptable to the Committee.

8. The Committee note that an amount of Rs. 13,000 crore has been allocated for the interest subvention for crop loans in the BE 2015-16. However, in their post-evidence reply, the Ministry have stated that as per the assessment of financial implication of interest subvention for the year 2014-15, the total subvention including post-harvest storage is estimated to be Rs. 18,904 crores as against Rs. 15,649 crore in 2013-14. They have also submitted that due to the seasonal nature of the cropping pattern, subvention claims for short-term crop loans given in one financial year spill over to the subsequent financial years. Accordingly, the budget provision for 2015-16 will be utilised for reimbursing the claims raised during the period 2012 to 2014 as well as during 2015-16, if any. When the Committee pointed out the extent of under-allocation under this Head,

particularly when unseasonal rains have wreaked havoc causing extensive damage to crops in Central and North India, the Ministry have conceded that additional provision of about Rs. 15,000 crore may be required under this head, depending upon actual claims received. The Committee, would, therefore urge the Ministry to make sufficient additional allocations under this head so that farmers are adequately protected against vagaries of nature. More so, when this year, nature has been very unkind to the farming community.

9. In this context, the Committee would also like to highlight the underlying problem of wholly inadequate crop insurance system available for the hapless farmers. The existing weather and yield-based systems take only the area and not the individual as a unit. This approach does not seem to represent and address the manner in which crop damage actually occurs. The Committee feel that if crop insurance products are to be tailored to cover for a range of risks as well as reach out to the individual farmer, insurance premium will inevitably increase, which will have to be duly factored in and subsidised, while making crop insurance a viable proposition. It is also necessary that large number of the country's small and marginal farmers, who are financially excluded, should be brought under the insurance ambit, which will no doubt reduce the costs for all concerned. Such a wide insurance coverage should be linked to micro-finance and the Self Help Groups (SHGs) network as well. In this regard the Committee recommend that a suitable fool-proof mechanism/scheme should be put in place to provide complete financial protection to farmers including social security.

10. The Committee note that under the Pradhan Mantri Jan Dhan Yojana (PMJDY), as against the estimated target of opening 10 crore accounts, as on 28 February, 2015, 13.68 crore accounts have been opened, out of which 8.16 crore accounts are in rural areas and 5.52 crore in urban areas. However, it is a matter of concern that out of the total 13.68 crore accounts, as many as 8.59 crore accounts are with 'zero balance' (i.e. 62.79%). Although, deposits of Rs. 12,693.87 crore have been mobilised through these accounts, the Committee would like the Ministry to constantly monitor the progress in operationalising the 'zero balance' accounts. Towards this end, as already accepted by the Ministry, the benefits / payments accruing to the account-holders under different schemes including

transfers under Direct Benefit Transfer (DBT) as well as wage / pension payments under programmes such as the MGNREGA and Social Security Schemes should be credited to the PMJDY account, which will thus become the convergence point for the intended beneficiaries and help them nurture their account with a bank or a post office and thus sustain their livelihoods.

11. The operationalisation of PMJDY accounts and last-mile implementation of financial inclusion should be hastened by strengthening the Business Correspondent (BC) model and simultaneously efforts should be made to expand banking network through brick and mortar branches also. Banks implementing this programme should also be incentivised and provided necessary logistical support.

12. The Committee had also drawn the attention of the Ministry to the Report of Indian Banks Association (IBA), Federation of Indian Chambers of Commerce and Industry (FICCI) and Boston Consultancy Group (BGC) report on Productivity in Indian Banking, 2014 which had pointed out the existence of 16 crore no frills account prior to the accounts opened under PMJDY. The Ministry in their written submission stated that they would examine this report. There is a possibility that this could have saved a lot of effort and expenditure, if these accounts would have found some use under PMJDY. The Ministry, therefore, should have ideally gone through this report before embarking on the account opening exercise of such mammoth scale for PMJDY.

13. The Committee note that the current Budget has sought to bring parity in regulation of Non-Banking Financial Companies (NBFCs) with other financial institutions in matters relating to recovery of debt. It has been proposed that NBFCs registered with RBI and having asset size of Rs. 500 crore and above will be considered for notification as 'Financial Institution' in terms of the SARFAESI Act, 2002. In this context, the Committee note that the existing debt recovery system envisaged under the Debt Recovery Tribunals (DRTs) and Debt Recovery Appellate Tribunals (DRATs) has not been found to be very effective in expeditious recovery of dues owed to banks in Non-Performing Asset (NPA) accounts with outstanding amount of Rs. 10 lakh and above. The recovery

process has been characterised by interminable delays at various levels including the DRTs as also the District Authorities. Although the Ministry have stated that there are no legal hurdles in resolving the NPAs, it has been brought to the notice of the Committee by different bankers during their recent Study Visit to Mumbai, Bengaluru and Hyderabad that the existing recovery mechanism and the available processes need further streamlining so that dues can be recovered in a time-bound manner and at a time when they are recoverable. The Committee would therefore recommend that the government should review the working of the SARFAESI Act in general and the DRTs in particular and bring necessary changes in the law or procedures at the earliest so that bottlenecks are removed and the huge pile-up of recovery cases are cleared fast in a definite time-frame.

14. The Committee note that as much as Rs. 6,702.02 crore has been transferred to the corpus of the Depositor Education and Awareness Fund maintained with the RBI, which comprises of unclaimed amount of various types of deposits and certain other cash balances with banks which have not been operated for 10 years or more. The actual figure of such unclaimed deposits / balances could be even higher, if we consider periods less than 10 years. The Committee have been informed that guidelines have been issued by RBI for registering organisations for grant of financial assistance from this Fund. As the corpus is fairly large, the Committee would like to be apprised about the utilisation of funds on this count. The Committee would also like to emphasise that every effort should be made to access the person /entity before the deposit or balance is transferred to the above Fund and his / successor's claim should be easily settled by the bank in a hassle-free manner even after such a transfer.

New Delhi;
16 April, 2015
26 Chaitra, 1937 (Saka)

DR. M. VEERAPPA MOILY,
Chairperson,
Committee on Finance

Minutes of the Twenty-first Sitting of the Committee on Finance
The Committee sat on Monday, the 30th March, 2015 from 1100 hrs. to 1300 hrs.
in Committee Room 'D', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Veerappa Moily – Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Venkatesh Babu T.G.
4. Shri Nishikant Dubey
5. Dr. Gopalakrishnan C.
6. Shri Shyama Charan Gupta
7. Shri Prataprao Jadhav
8. Shri Rattan Lal Kataria
9. Shri Bhartruhari Mahtab
10. Shri Rayapati Sambasiva Rao
11. Prof. Saugata Roy
12. Shri Jyotiraditya M. Scindia
13. Shri Gajendra Singh Sekhawat
14. Shri Gopal Shetty
15. Shri Anil Shirole
16. Shri Shivkumar Udasi
17. Dr. Kirit Somaiya

RAJYA SABHA

18. Shri Naresh Gujral
19. Dr. Mahendra Prasad
20. Shri P. Rajeeve
21. Shri Ajay Sancheti
22. Shri Digvijaya Singh
23. Dr. Manmohan Singh

SECRETARIAT

- | | | |
|--------------------------------|---|---------------------|
| 1. Shri P.C. Koul | - | Director |
| 2. Shri Ramkumar Suryanaryanan | - | Additional Director |
| 3. Shri Kulmohan Singh Arora | - | Deputy Secretary |

WITNESSES

MINISTRY OF FINANCE

(Department of Economic Affairs)

1. Shri Rajiv Mehrishi, Finance Secretary and Secretary
2. Shri H. Pradeep Rao, Additional Secretary and FA
3. Shri Ajay Tyagi, Additional Secretary
4. Dr. Ila Patnaik, Principal Economic Adviser
5. Dr. D.S. Kolamakar, Senior Economic Adviser
6. Dr. Anandi Subramanian, Senior Economic Adviser
7. Dr. Rajat Bhargava, Joint Secretary
8. Ms. Sharmila Chavaly, Joint Secretary
9. Shri Tarun Bajaj, Joint Secretary
10. Dr. D. N. Pathak, Chief Controller of Accounts
11. Shri Sugata Ghosh Dastidar, CAA&A
12. Dr. C.K.G. Nair, Adviser
13. Shri C.S. Mahapatra, Adviser
14. Shri Arvinder Sachdeva, Economic Adviser
15. Shri Ramesh Abhishek, Chairman, FMC Mumbai

(Department of Expenditure)

1. Shri Ratan P. Watal, Secretary
2. Smt. A.N. Jha, Additional Secretary
3. Ms. Annie George Mathew, Joint Secretary

(Department of Financial Services)

1. Dr. Hasmukh Adhia, Secretary
2. Smt. Snehlata Shrivastava, Additional Secretary
3. Shri Anup Wadhawan, Joint Secretary
4. Shri Alok Tandon, Joint Secretary
5. Shri Rajesh Aggarwal, Joint Secretary
6. Mohd. Mustafa, Joint Secretary
7. Shri Rajan Kumar, Economic Adviser

(Department of Disinvestment)

1. Ms. Aradhana Johri, Secretary
2. Shri Kumar Sanjay Krishna, Joint Secretary
3. Ms. Anita Chauhan, Joint Secretary

4. Dr. Kumar Vinay Pratap, Adviser

2. At the outset, the Chairperson welcomed the Members and the Witnesses to the Sitting of the Committee.

3. After the customary introduction, the Principal Witness briefed the Committee on the Demands for Grants (2015-16) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment).

4. Once the briefing was over the Members sought clarifications on a wide range of issues, which included Centrally Sponsored Schemes, Backward Region Grant Fund (BRGF) Schemes; funding of Hill Areas Development Programme (6th Schedule); Demand no. 37 - Transfer to State and UT Governments; budgetary provisions for NITI Aayog; Implications of the recommendations of Fourteenth Finance Commission; allocation for interest subvention; Special Central Assistance; Pradhan Mantri Jan Dhan Yojana (PMJDY); Atal Pension Yojana (APY); crop insurance; budgetary provisions for subsidies; Debt recovery process- SARFAESI Act, 2002, unclaimed deposits, etc. The Chairperson directed the representatives of Ministry of Finance to furnish written replies to the points raised by the Members which could not be answered to/adequately responded to during the discussion within seven days to the Committee Secretariat.

(The witnesses then withdrew).

A verbatim record of proceedings has been kept.

The Committee then adjourned.

Minutes of the Twenty-Fourth Sitting of the Committee on Finance

The Committee sat on Thursday, the 16th April, 2015 from 1100 hrs. to 1315 hrs. in Committee Room 'D', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Veerappa Moily – Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia,
3. Shri Nishikant Dubey
4. Shri P.C. Gaddigoudar
5. Shri Prataprao Jadhav
6. Shri Rattan Lal Kataria
7. Shri Bhartruhari Mahtab
8. Shri Gajendra Singh Sekhawat
9. Shri Gopal Shetty
10. Shri Shivkumar Udasi
11. Dr. Kiritbhai Solanki
12. Dr. Kirit Somaiya

RAJYA SABHA

13. Shri Naresh Gujral
14. Shri A. Navaneethakrishna
15. Dr. Mahendra Prasad
16. Shri P. Rajeeve
17. Dr. Manmohan Singh

SECRETARIAT

- | | | |
|---------------------------------|---|----------------------|
| 1. Shri P.K. Misra | - | Additional Secretary |
| 2. Shri P.C. Tripathy | - | Director |
| 3. Shri Ramkumar Suryanarayanan | - | Additional Director |
| 4. Shri Kulmohan Singh Arora | - | Deputy Secretary |

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3. Thereafter, the Committee took up the following draft Reports for consideration and adoption :

- (i) Draft Report on Demands for Grants (2015-16) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment);
- (ii) Draft Report on Demands for Grants (2015-16) of the Ministry of Finance (Department of Revenue);
- (iii) Draft Report on Demands for Grants (2015-16) of the Ministry of Planning;
- (iv) Draft Report on Demands for Grants (2015-16) of the Ministry of Corporate Affairs; and
- (v) Draft Report on Demands for Grants (2015-16) of the Ministry of Statistics and Programme Implementation.

4. After some deliberation, the Committee adopted the draft Reports at Sl. Nos. (i) & (v) with minor modifications and Sl. Nos. (ii), (iii) & (iv) above without any modification and authorised the Chairperson to finalise them in the light of factual verification received from the concerned Ministries / Departments and present these Reports to Parliament.

The Committee then adjourned.

A verbatim record of the proceedings has been kept.