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**STANDING COMMITTEE ON FINANCE  
(2016-17)**

**SIXTEENTH LOK SABHA**

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

**DEMANDS FOR GRANTS  
(2017-18)**

**FORTY-SIXTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**March, 2017 / Phalguna, 1938 (Saka)**

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(2016-2017)**

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

**DEMANDS FOR GRANTS  
(2017-18)**

Presented to Lok Sabha on 17 March, 2017

Laid in Rajya Sabha on 17 March, 2017



**LOK SABHA SECRETARIAT  
NEW DELHI**

March, 2017 / Phalguna, 1938 (Saka)

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COMPOSITION OF STANDING COMMITTEE ON FINANCE – 2016-17

**Dr. M. Veerappa Moily - Chairperson**

**MEMBERS**

**LOK SABHA**

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

**RAJYA SABHA**

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

**SECRETARIAT**

1. Smt. Abha Singh Yaduvanshi - Joint Secretary
2. Shri R.C. Tiwari - Director
3. Shri Ramkumar Suryanarayanan - Additional Director
4. Shri Kh. Ginlal Chung - Executive Officer

## INTRODUCTION

I, the Chairperson, of the Committee on Finance, having been authorised by the Committee, present this Forty-Sixth (Sixteenth Lok Sabha) on 'Demands for Grants (2017-18)' of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services, and Investment and Public Asset Management).

2. The Demands for Grants (2017-18) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services, and Investment and Public Asset Management) were laid on the Table of the House on 08 February, 2017 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 Investment and Public Asset Management) on 15 February 2017. The Committee wish to express their thanks to the representatives of the Departments of Economic Affairs, Expenditure, Financial Services, and Investment and Public Asset Management for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the Demands for Grants (2017-18).

4. The Committee considered and adopted this Report at their Sitting held on 16 March, 2017.

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 March, 2017  
25 Phalguna, 1938 (Saka)**

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

## REPORT

### PART I

#### I. INTRODUCTORY

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

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

2. Demand no.. viz; 33,34, and 35 pertaining to Department of Revenue, Direct Taxes and Indirect Taxes respectively are examined and reported separately by the Committee since 1998-99.

**BUDGET ALLOCATIONS - DEPARTMENT/DEMAND-WISE****(Rs. in crores)****Demand No 29****Department of Economic Affairs**

YEAR	BE (Plan + Non Plan)	RE (Plan + Non Plan)	ACTUALS (Plan + Non Plan)
2014-15	21990.42	26235.42	25315.47
2015-16	23576.57	73668.11	88846.16
2016-17	20804.09	16108.55	
2017-18	15455.84		

**Demand No 30****Department of Expenditure**

YEAR	BE (Plan + Non Plan)	RE (Plan + Non Plan)	ACTUALS (Plan + Non Plan)
2014-15	32836.10	23116.81	142.72
2015-16	156.84	196.03	166.80
2016-17	226.65	290.00	
2017-18	480.00		

**Demand No 31****Department of Financial Services**

YEAR	BE (Plan + Non Plan)	RE (Plan + Non Plan)	ACTUALS (Plan + Non Plan)
2014-15	32836.10	2316.81	23128.58
2015-16	25866.80	44211.25	43076.98
2016-17	33755.52	36765.00	
2017-18	19618.01		

**Demand No 32****Department of Investment and Public Asset Management**

YEAR	BE (Plan + Non Plan)	RE (Plan + Non Plan)	ACTUALS (Plan + Non Plan)
2014-15	50.00	35.00	22.35
2015-16	44.00	35.00	20.00
2016-17	40.00	35.00	
2017-18	40.00		

**Demand No 36**

**Indian Audit and Accounts Dept.**

YEAR	BE (Plan + Non Plan)	RE (Plan + Non Plan)	ACTUALS (Plan + Non Plan)
2014-15	3337.08	3311.48	3221.56
2015-16	3677.39	3423.59	3433.74
2016-17	3934.27	4055.50	
2017-18	4322.24		

**Demand No 37**

**APPROPRIATION INTEREST PAYMENTS**

YEAR	BE NP only	RE NP only	ACTUALS NP only
2014-15	449882.66	430778.53	425098.26
2015-16	476089.17	457440.42	457270.38
2016-17	507669.95	506301.82	
2017-18	538078.39		

**Demand No 38**

**APPROPRIATION REPAYMENT OF DEBT**

YEAR	BE	RE	ACTUALS
2014-15	4064025.03	3812084.31	3707699.65
2015-16	4233227.78	3539458.57	3737656.97
2016-17	4406431.08	5491868.78	
2017-18	5085304.76		

**Demand No 39**

**PENSIONS**

YEAR	BE (Plan + Non Plan)	RE (Plan + Non Plan)	ACTUALS (Plan + Non Plan)
2014-15	24778.00	25570.00	25297.72
2015-16	27285.00	27785.00	27596.94
2016-17	32070.00	33180.00	
2017-18	35170.00		



**Demand No 40**  
**TRANSFERS TO STATE**

YEAR	BE	RE	ACTUALS
2014-15	148432.00	143361.00	135028.91
2015-16	136669.52	134087.52	129205.77
2016-17	138496.36	146415.56	
2017-18	157201.38		

3. While deposing before the Committee on 15.02.2017, in connection with examination of the Demands for Grants, (2017-18) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services, and Investment and Public Asset Management), Finance Secretary made the following oral submission on Budget 2017-18 as stated below:

"Hon. Members are already aware of the advancement of the date of Budget presentation, the merger of the Railway Budget and the merger of the Plan and non-Plan expenditure and reclassifying that into capital and revenue.

The Budget envisages a total expenditure of Rs. 21.46 lakh crore. The revenue expenditure is Rs. 18.36 lakh crore. The capital expenditure budgeted is Rs. 3.09 lakh crore representing an increase of 25.41 per cent over BE of 2016-2017. The revenue deficit for 2017-2018 has been estimated at 1.9 per cent against the estimated 2.3 per cent in 2016-2017, and the fiscal deficit for the year 2017-2018 has been estimated at 3.2 per cent against the estimated 3.5 per cent in 2016-2017. "

Secretary, Department of Economic Affairs submitted further on two Appropriations as given below:

There are three Demands in respect of the Department of Economic Affairs. In fact, to be precise, there is one Demand, which is Demand No. 29 – Department of Economic Affairs and there are two Appropriations, that is, repayment of debt and interest payment.

.....repayment of debt and interest payment are charged expenditure. So, in the Budget documents they are treated as appropriations because they are not voted by the Lok Sabha because they are charged to the Consolidated Fund of India."

## **II. A BRIEF PROFILE OF THE FUNCTIONS OF MINISTRY OF FINANCE, DEPARTMENTS OF ECONOMIC AFFAIRS, EXPENDITURE, FINANCIAL SERVICES, AND INVESTMENT & PUBLIC ASSET MANAGEMENT ETC.**

### **Department of Economic Affairs**

#### **Demand No. 29**

4. The Department of Economic Affairs formulates and monitors the country's economic policies and programmes having a bearing on domestic and international aspects of economic management. One of the principal responsibilities of this Department is the preparation of the Annual Union Budget (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 ECONOMIC AFFAIRS**

Statement showing increase/decrease (Major Head wise) over the last three years

Major Head	₹ in crore)					
	Budget Estimates (BE)	Actual Exp.	Budget Estimates (BE)	Actual Exp.	Budget Estimates (BE)	Actual Expenditure up to 12/ 2016
	2014-15	2014-15	2015-16	2015-16	2016-17	2016-17
<b>Revenue Section</b>						
<b>2052</b>	140.22	104.63	162.45	115.97	182.42	111.21
<b>2047</b>	14.95	15.19	16.21	10.79	17.90	7.01
<b>2070</b>	39.67	24.38	7.00	4.97	8.75	4.58
<b>2075</b>	300.01	100.00	300.01	300.08	300.02	200.01
<b>2235</b>	1607.02	1107.00	2607.02	0.00	8.53	0.00
<b>2416</b>	62.00	63.35	67.00	86.32	84.00	0.00
<b>2810</b>	4700.00	4700.00	4700.00	100.00	0.00	0.00
<b>3054</b>	2992.00	2992.00	3291.20	5015.20	0.00	0.00
<b>3075</b>	4699.30	4681.36	5393.53	4361.49	5120.80	1706.94
<b>3465</b>	435.00	435.00	0.00	0.00	4000.00	4.00
<b>3466</b>	97.32	512.07	470.92	536.66	829.97	152.96
<b>3475</b>	588.26	87.27	130.74	506.25	651.03	227.12
<b>3605</b>	43.52	449.73	628.80	719.13	1131.97	498.16
<b>Total</b>	<b>15719.27</b>	<b>15271.98</b>	<b>17774.88</b>	<b>11756.86</b>	<b>12335.39</b>	<b>2911.99</b>
<b>Capital Section</b>						
<b>4046</b>	2000.00	1905.99	2500.00	2311.80	2500.00	1055.60
<b>4058</b>	6.00	9.64	0.01	0.00	1.00	0.00
<b>4075</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>5465</b>	0.06	0.00	0.00	0.04	0.00	0.00
<b>5466</b>	1123.53	5186.10	1101.13	73339.50	4081.66	5662.87
<b>5475</b>	2226.56	365.04	514.51	623.50	252.00	102.27
<b>7475</b>	915.00	2427.59	1486.04	692.60	1486.04	0.00
<b>7610</b>	200.00	149.13	200.00	121.87	150.00	44.81
<b>Total</b>	<b>6471.15</b>	<b>10043.49</b>	<b>5801.69</b>	<b>77089.31</b>	<b>8470.70</b>	<b>6865.55</b>
<b>Grand Total</b>	<b>22190.42</b>	<b>25315.47</b>	<b>23576.57</b>	<b>88846.17</b>	<b>20806.09</b>	<b>9777.54</b>

**MH-2235- Social Security and Welfare**

Out of a Budget provision of Rs.1607.00 crore, Rs.107.00 crore has been transferred to NSSF and Rs.1000.00 crore has been transferred to Nirbhaya Fund during 2014-15. During

2015-16, Budget provision of Rs.1607.00 crore kept for transfer to Nirbhaya Fund(Rs.1000.00 crore) and transfer to National Social Security Fund for Unorganized Sector Workers(Rs.607.00 crore) has been reduced to NIL at RE stage due to non requirement of funds. These schemes were proposed to be transferred to other ministries with effect from 2016-17. The provision has also been kept for Social Security Network and Protected Savings Schemes. Nil expenditure incurred up to Dec., 2016 under MH-2235.

### **MH 2810 - New and Renewable Energy**

Out of a Budget provision of Rs.4700.00 crore, Rs.4700.00 crore has been transferred to NCEF during 2014-15. During 2015-16, out of Budget Estimates of Rs.4700.00 crore, only Rs.100.00 crore has been kept at RE Stage due to non requirement of funds. This scheme is transferred to Ministry of New and Renewable Energy w.e.f 2016-17 and thus no Budget Estimates has been kept during 2016-17.

### **MH-3054 -Roads & Bridges**

Out of a Budget provision of Rs.2992.00 crore, the whole amount was utilized during 2014-15. During 2015-16 a provision of Rs.3291.20 crore was kept. This provision was increased to Rs.5015.20 crore at RE 2015-16. The actual expenditure during 2015-16 was Rs.5015.20 crore under this head of account. No provision kept for this purpose during 2016-17.

### **MH - 3075: Other Transport Services (Subsidy to Railways towards Dividend Reliefs & Other Concessions)**

Subsidy to Railways for Dividend Relief and other concession is based on the dividend paid by the Ministry of Railways to the General Revenues, on the entire capital (excluding dividend free capital) invested on Railways from the General Revenues. The subsidy provided towards dividend relief and other concessions is also dependent on capital work in progress. Similarly, the reimbursement of losses on operating 'strategic' lines is dependent on the working expenses of the Railways on operating such lines. As such, there are variations in the actual expenditure vis-à-vis the provisions made. Expenditure up to December, 2016 is Rs.1706.94 crore against BE of Rs.5120.80 crore during 2016-17.

### **MH-3465 – General Financial and Trading Institutions**

BE 2014-15 was Rs.435.00 crore and the whole amount was utilized. 'NIL' provision was made during 2015-16 as the work pertaining to NSDA has been transferred to Ministry of Skill Development and Entrepreneurship w.e.f 2015-16. A provision of Rs.4000.00 crore was kept towards National Investment and Infrastructure Fund(NIIF) during 2016-17, however, up to Dec., 2016 only Rs.4.00 crore booked under MH-3465.

### **Capital Section**

#### **MH-4046 - Capital Outlay of Currency, Coinage & Mint**

The provision is for purchase of coins from Security Printing and Minting Corporation of India Limited (SPMCIL). There is no cash outgo under this Head as the entire amount is deducted as recovery from the credit received from Reserve Bank of India on circulation of coins. Budget provision of Rs. 2000.00 crore was made for the financial year 2014-15 and the actual during 2014-15 was Rs.1905.99 crore. Provision of Rs.2500 crore has been made for this purpose during 2015-16 and 2016-17, actual expenditure up to December, 2016 is Rs.1055.60 crore.

#### **MH - 5466 - Investment in International Financial Institutions**

BE 2016-17 has been kept at Rs.4081.66 crore, actual expenditure up to December, 2016 was Rs.5662.87 crore.

#### **MH-5475 - Capital Outlay on Other General Economic Services**

The provision is for Assistance for Infrastructure Development - Viability Gap Funding (VGF) for PPP. Actual expenditure up to December, 2016 was Rs.102.27 crore against a Budget provision of Rs.250.00 crore towards Viability Gap Funding (VGF). The provision is also for India Infrastructure Project Development Fund (IIPDF) and activities for mainstreaming Public Private Partnership (PPP) projects.

### **Department of Expenditure Demand No.30**

#### **Organization and Functions**

5. The Department of Expenditure 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.

6. Department of Expenditure (DoE) 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. 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).

7. 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.

8. 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.

9. DoE examines, from expenditure angle, action taken by various ministries/ departments for implementation of recommendations of the Expenditure Reforms Commission. DoE compiles and brings out the Outcome Budget relating to social sector Flagship Programmes administered by various Ministries/Department

## **Department of Financial Services**

### **Demand No. 31**

10. 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 performances of Public Sector 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.

**11. Major Schemes Administered by Department of Financial Services From Jan Dhan to Jan Suraksha** Government through the Budget Speech announced three ambitious Social Security Schemes pertaining to the Insurance and Pension Sectors, namely **Pradhan Mantri Jeevan Jyoti BimaYojana (PMJJBY)**, **Pradhan Mantri Suraksha BimaYojana (PMSBY)** and **Atal Pension Yojana (APY)** to move towards creating a universal social security system, targeted especially for the poor and the under-privileged. Hon'ble Prime Minister launched PMJJBY, PMSBY and APY schemes nationally in Kolkata on 9th May, 2015

12. The Department of Financial Services furnished the following information as below:

#### **"Statement on Surrender and Savings during the Financial Year 2015-16**

During the financial year 2015-16, original provision was Rs.32806.80 crore (Rs.15311.80 crore under Revenue and Rs. 17495.00 crore under Capital Section).

This was augmented to Rs.45528.10 crore by obtaining Supplementary Grant of Rs.12721.30 crore (Rs 500.06 crore under Revenue and Rs.12221.24 crore under Capital Section). Against this, expenditure of Rs.43076.98 crore was incurred resulting in net savings of Rs.2451.12 crore. Categorisation of major savings (more than Rupees one crore) is indicated below:

(i) **Normal Savings: Savings resulting from economic use of resources:**

(Rs. in crore)

Sl. No.	Sub Head/ Scheme/ Programme	Savings	Remarks/ Reasons
1.	Secretariat General Services - Department of financial Services	1.92	Savings was due to less requirement of funds under Salaries, OTA, Domestic and Foreign travel expenses (Maintenance), Publication, Advertising & Publicity, Minor works, 'Office Expenses (Information Technology)', which could not be anticipated in advance.
2.	Debt Recovery Tribunals (DRTs)	23.50	Savings was due to less requirements of funds under Salaries, Office expenses, Publication, Minor works, Office expenses (IT). Savings under these heads was due to delay in setting up of six new DRTs during the year which could not be anticipated in advance.
3.	Office of Custodian	2.11	Savings was due to less requirements of funds under Salaries, Medical treatment, Domestic Travel expenses, Rent, Rates & Taxes, Advertising & Publicity, Minor works and 'Professional Services'. Savings is due to non-finalisation/renewal of lease agreement for office premises and non-receipt of legal fee bills, from advocate, etc which could not be anticipated in advance.
4.	BIFR	8.59	Savings was due to less requirements of funds under Salaries, OTA, Domestic Travel expenses, Office expenses, Publications, Advertising & Publicity, Office expenses (IT), Wages, Office expenses and Rent, Rates & Taxes which could not be anticipated in advance. The major Saving is due to non-finalisation/renewal of lease agreement for office premises etc which could not be anticipated in advance.
5.	PFRDA	28.01	The expenditure up to 31st March, 2016 was to be met out of available funds with PFRDA.



(ii) **Under/ Non utilisation: Savings due to non-implementation/ delay in execution of projects/ schemes:**

(Rs. in crore)

Sl. No.	Sub Head/ Scheme/ Programme	Savings	Remarks/ Reasons
1.	Government contribution under Swavlamban Scheme	118.72	Savings were due to less requirements of funds as expected number of persons could not be enrolled under the scheme during the year.
2.	Promotional and developmental activities under Swavlamban Scheme	39.56	
3.	Credit Guarantee Fund for Factoring.	71.30	Due to less requirement of funds which could not be anticipated in advance.
4.	National Investment Fund	2150.20	This provision was made to recapitalization of Public Sector Banks through National Investment Fund from the disinvestment receipt of the Government keeping in view the nil disinvestment receipt during the year 2015-16. This resulted in savings.

**Demand No. 32**

**Department of Investment and Public Asset Management**

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

14. The Department of Disinvestment has been re-named as Department of investment and Public Asset Management (DIPAM) with effect from 14<sup>th</sup> April, 2016.

**Steps taken to accelerate the disinvestment process:**

The Department has taken following measures to accelerate the disinvestment process:

- (i) Replacing annual plan with rolling plans.
- (ii) Creating a pipeline of proposals for CPSEs to take advantage of better market condition without any loss of time.
- (iii) Disinvestment programme made more inclusive by following an approach to reserve 20 per cent of shares on PSUs-OFS transactions for retail investors on a case to case basis.
- (iv) Based on the suggestion made by the Department, SEBI has reduced the notice period for an OFS transaction from T-2 to T-1 (T being the transaction day). This will help in minimizing the possibility of price hammering between the notice day and the transaction day and suitably protecting the interest of retail investors by providing them sufficient time to participate in the OFS transaction.

- (v) As announced in the Budget, guidelines on “Capital Restructuring of CPSEs” have also been issued by this Department on 27<sup>th</sup> May, 2016. These guidelines supersede all previously issued guidelines by various Ministries/Departments from time to time and comprehensively deal with the inter-related issues on payment of dividend, buy back of shares, issue of bonus shares and splitting of shares. The focus of these guidelines is on optimum utilization of funds by CPSEs/Government to spur economic growth.

## **PERFORMANCE/ACHIEVEMENTS**

- (i) The budget estimate (BE) for disinvestment during the year 2016-17 is Rs. 56,500 crore. This comprises Rs. 36,000 crore as disinvestment receipts from Central Public Sector Enterprises (CPSEs) and Rs. 20,500 crore from strategic disinvestment. During the current financial year, as of 30.11.2016, Government has realised approx. Rs.21,432 crore through minority stake sale of CPSEs and approx.Rs.2096 crore through strategic disinvestment. The total realization of Rs. 21,432 crore, by end-November through CPSEs’ disinvestment receipts constitutes around 59.50% of the budget target of Rs. 36000 crores (CPSEs' Disinvestment).

## **UTILIZATION OF DISINVESTMENT PROCEEDS**

- (i) The CCEA had approved the constitution of NIF on 27<sup>th</sup> January 2005. The Government of India constituted the National Investment Fund (NIF) on 3<sup>rd</sup> November, 2005, into which the proceeds from disinvestment of CPSEs were to be channelized. The corpus of the fund was to be of permanent nature and the same was to be professionally managed in order to provide sustainable returns to the Government, without depleting the corpus. NIF was to be maintained outside the Consolidated Fund of India.
- (ii) Pursuant to its subsequent restructuring in January-February, 2013 it has been decided that the disinvestment proceeds will be credited to the existing ‘Public Account’ under the head NIF with effect from the fiscal year 2013-14 and they would remain there until withdrawn /invested for the approved purpose. It was also decided that the NIF would be utilized for the following purposes:
- (a) Subscribing to the shares being issued by the CPSEs including PSBs and Public Sector Insurance Companies, on rights basis so as to ensure 51% ownership of the Government in those CPSEs/PSBs/Insurance Companies, is not diluted.

- (b) Preferential allotment of shares of the CPSE to promoters as per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 so that Government shareholding does not go down below 51% in all cases where the CPSE is going to raise fresh equity to meet its capital expenditure program.
- (c) Recapitalization of public sector banks and public sector insurance companies.
- (d) Investment by Government in RRBs/IIFCL/NABARD/Exim Bank;
- (e) Equity infusion in various Metro projects;
- (f) Investment in BhartiyaNabhikiyaVidyut Nigam Limited and Uranium Corporation of India Ltd.
- (g) Investment in Indian Railways towards capital expenditure.

The budget allocation under Grant No. 40 is as under: -

(Rs. in crores)

Grant No.	Budget Estimates 2016-17			Revised Estimates 2016-17			BE 2017-18
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Total
40 - Department of Investment & Public Asset Management	----	40.00	40.00	----	35.00	35.00	44.00

### **Demand No. 36**

#### **Indian Audit & Accounts Department**

15. Statement showing approved provision in Budget Estimates, Revised Estimates from 2013-14 onwards and actual expenditure for the past three years showing separately plan and non-plan expenditure.

(₹ in Crore)

	Budget Estimates			Revised Estimates			Expenditure		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total (Final)	Plan	Non-Plan	Total
2017-18	-	4322.24	4322.24	-	-	-	-	-	-
2016-17	-	3934.27	3934.27	-	4055.55	4055.55	-	-	-
2015-16	-	3677.39	3677.39	-	3453.59	3453.59	-	3433.73	3433.73
2014-15	-	3337.08	3337.08	-	3311.48	3311.48	-	3221.56	3221.56
2013-14	-	2804.54	2804.54	-	2948.74	2948.74	-	2922.89	2922.89

### **Appropriation No. 37**

#### **Interest Payments**

16. 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 Governments' 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.

17. The Budget Estimates/Revised Estimates and actual for the years 2014-2015, 2015-2016, 2016-2017, 2017-2018 (on gross basis) as sought for by the Lok Sabha Secretariat in their O.M dated 20.12.2016, are as follows:

(₹ in Crore)						
Year	Budget	% increase over previous Year	Revised	% increase over previous Year	Actual	% increase over previous Year
2014-15	449,883	16.85	430,779	7.56	425,098	7.57
2015-16	476,089	5.83	457,440	6.19	457,270	7.57
2016-17	507,670	6.63	506,302	10.68		
2017-18	538,078	5.99				

### **Appropriation No. 38** **REPAYMENT OF DEBT**

18. This Appropriation includes provision for repayment of debt raised by Central Government as well as for discharge of treasury bills of different maturities, Cash Management Bills, Ways and Means advances, etc. This Appropriation is 'Charged' on the Consolidated Fund of India in terms of Article 112 (3) (c) of the Constitution of India.

19. Fiscal Deficit in a year is financed through borrowings from various sources, net of repayments and cash draw-down. In a fiscal deficit regime, repayment obligation is met out of fresh borrowings.

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

Demand No. 39

Pensions

(Non-Plan)

20. (Percentage Variation in Heads over the last three years)

(Rs. in Crores)

Year	Major Head	Budget Estimate	Revised Estimate	Actual Exp.	Revised Estimate (previous year)	Increase (+) / Decrease (-) over Previous Year (Col. 4-6)	Percentage Increase/ Decrease Col. 7x100 Col.6
1	2	3	4	5	6	7	8
2014-15	2071 - Pension and other Retirement Benefits	24721.55	25443.55	25257.73	22759.00	(+)2684.55	(+)11.80
	2235 - Social Security & Welfare	56.45	56.45	39.99	56.00	(+)0.45	(+)0.80
	Total	24778.00	25500.00	25297.72	22815.00	(+)2685.00	(+)11.77
2015-16	2071 - Pension and other Retirement Benefits	27223.24	27728.26	27558.30	25443.55	(+)2284.71	(+)8.98
	2235 - Social Security & Welfare	61.76	56.74	38.64	56.45	(+)0.29	(+)0.51
	Total	27285.00	27785.00	27596.94	25500.00	(+)2285.00	(+)8.96
2016-17	2071 - Pension and other Retirement Benefits	32018.41	33134.41	-	27728.26	(+)5406.15	(+)19.50
	2235 - Social Security & Welfare	51.59	45.59	-	56.74	(-)11.15	(-)19.65
	Total	32070.00	33180.00	-	27785.00	(+)5395.00	(+)19.42
2017-18	2071 - Pension and other Retirement Benefits	35118.32	-	-	-	-	-
	2235 - Social Security & Welfare	51.68	-	-	-	-	-
	Total	35170.00	-	-	-	-	-

21. Reasons variation in RE 2016-17 as compared of RE 2015-16 include implementation of 7<sup>th</sup> Central Pay Commission Report also.

**Demand No. 40**  
**Transfers to States**

**State Finances Division**

22. The State Finances (Plan Finance-I) Division of Department of Expenditure looks after matters relating to finances of the State Government, including fixing of borrowing ceiling of the States, issue of permission for borrowings under Article 293(3) of the Constitution of India, debt relief measures (as recommended by the Finance Commissions), releases of Additional Central Assistance for Externally Aided Projects (Grants and Loan Portion), Special Assistance to States, releases on recommendation of Finance Commissions and Assistance under NDRF under Demand No. 40 (Demand No. 32 in 2016-17).

**III Allocations Of Important Ministries, Sectors And Vulnerable Sections; Allocation for Welfare of SC, ST, other Vulnerable Groups, Women, Children and North Eastern Region, Sector Totals and Allocation for important Schemes**

23.

<b>ALLOCATIONS OF IMPORTANT MINISTRIES, SECTORS and VULNERABLE SECTIONS</b>				
<b>Sl. No.</b>	<b>Name of the Ministry</b>	<i>(In Crores of Rupees)</i>		
		<b>BE 2016-2017</b>	<b>RE 2016-2017</b>	<b>BE 2017-2018</b>
1	Ministry of Agriculture and Farmers' Welfare	44485	48072	51026
2	Ministry of Development of North Eastern Region	2430	2524	2682
3	Ministry of Drinking Water and Sanitation	14010	16512	20011
4	Ministry of Health and Family Welfare	38206	39688	48853
5	Ministry of Housing and Urban Poverty Alleviation	5411	5285	6406
6	Ministry of Human Resource Development	72394	73599	79686
7	Ministry of Micro, Small and Medium Enterprises	3465	5463	6482
8	Ministry of Minority Affairs	3827	3827	4195
9	Ministry of New and Renewable Energy	5036	4360	5473
10	Ministry of Railways	45000	46155	55000
11	Ministry of Road Transport and Highways	57976	52447	64900
12	Ministry of Rural Development	87765	97760	107758
13	Ministry of Skill Development and Entrepreneurship	1804	2173	3016
14	Ministry of Social Justice and Empowerment	7350	7353	7763
15	Ministry of Tribal Affairs	4827	4827	5329
16	Ministry of Urban Development	24523	32550	34212
17	Ministry of Water Resources, River Development and Ganga Rejuvenation	6201	4756	6887

18	Ministry of Women and Child Development	17408	17640	22095
<b>ALLOCATION FOR WELFARE OF SC, ST, OTHER VULNERABLE GROUPS, WOMEN, CHILDREN AND NORTH EASTERN REGION</b>				
	<b>Description of the Allocation</b>	<b>BE 2016-2017</b>	<b>RE 2016-2017</b>	<b>BE 2017-2018</b>
I	Allocation for the welfare of <b>Scheduled Tribes</b> across all ministries	24005	25602	31920
II	Allocation for the welfare of <b>Scheduled Castes</b> across all ministries	38833	40920	52393
III	Allocation for the Welfare of <b>Other Vulnerable Groups</b>	1873	1892	1976
IV	Allocation for <b>North Eastern Region</b> across all ministries	29125	32180	43245
V	Allocation under various schemes for the <b>welfare of women</b> across all ministries	90770	96332	113327
VI	Allocation under various schemes for the <b>welfare of Children</b> across all ministries	65758	66249	71305
<b>Sector Totals</b>				
		<i>(In Crores of Rupees)</i>		
<b>SI No.</b>	<b>Sectors</b>	<b>BE 2016-2017</b>	<b>RE 2016-2017</b>	<b>BE 2017-2018</b>
1	Agriculture and Allied sectors	48572	52821	58663
2	Rural Development	102543	114947	128560
3	Infrastructure	348952	358634	396135
3a	of which Transport	216268	216903	241387
4	Social sectors	168100	176225	195473
4a	Education and Health	112138	114806	130215
4b	Social sectors with welfare orientation	55962	61419	65258
5	Employment Generation, Skill and Livelihood	12141	14870	17273
6	Scientific Ministries	33467	34359	37435

Source : Expenditure Profile and Expenditure Budget 2017-18

<b>ALLOCATION FOR IMPORTANT SCHEMES</b>				
		<i>(In Crores of Rupees)</i>		
<b>SI No.</b>	<b>Name of scheme</b>	<b>BE 2016-2017</b>	<b>RE 2016-2017</b>	<b>BE 2017-2018</b>
1	Mahatma Gandhi National Rural Employment Guarantee Programme	38500	47499	48000
2	Pradhan Mantri Awas Yojna	20075	20936	29043
3	National Rural Drinking Water Mission	5000	6000	6050
4	National Social Assistance Programme	9500	9500	9500
5	Pradhan Mantri Gram Sadak Yojna	19000	19000	19000
6	National Education Mission including Sarva Shiksha Abhiyan	28330	28251	29556
7	National Programme of Mid-Day Meal in Schools	9700	9700	10000

<b>ALLOCATION FOR IMPORTANT SCHEMES</b>				
<b>SI No.</b>	<b>Name of scheme</b>	<i>(In Crores of Rupees)</i>		
		<b>BE 2016-2017</b>	<b>RE 2016-2017</b>	<b>BE 2017-2018</b>
8	Integrated Child Development Services	16260	16580	20755
9	National Health Mission	20762	22598	27131
10	Swachh Bharat Mission	11300	12800	16248
11	National Livelihood Mission - Ajeevika	3325	3334	4849
12	Urban Rejuvenation Mission : AMRUT & Smart Cities Mission	7296	9559	9000
13	Green Revolution	12560	10360	13741
14	White Revolution	1138	1312	1634
15	Blue Revolution	247	392	401
16	Pradhan Mantri Krishi Sinchai Yojana (PMKSY) aggregated across three ministries	5767	5189	7377
17	Mission for Empowerment and Protection for Women	907	821	1089
18	Environment, Forestry and Wildlife	850	819	962
19	Employment Generation Programmes other than MGNREGS, including PM Kaushal Vikas Yojana, ATUFS, PM Mudra Yojana, PMEGP and ASPIRE	8133	10682	11640
20	Pradhan Mantri Fasal Bima Yojana	5500	13240	9000
21	Optical Fibre Cable based network for Defence Services	2710	3210	3000
22	Price Stabilisation Fund for pulses	900	3400	3500
23	Bharatnet	0	6000	10000
24	Metro Projects	10000	15700	18000
25	Recapitalization of Public Sector Banks according to the Indradhanush scheme	25000	25000	10000
26	Integrated Power Development Scheme and Deen Dayal Upadhyaya Gram Jyoti Yojna	8500	7874	10635
27	Namami Gange- National Ganga Plan	2150	1441	2250
28	Sagarmala	450	406	600
29	LPG connection to poor households	2000	2500	2500

#### **IV. Instances Of Gross Under-Utilisations, Erratic Allocations, Under Budgeting, Inconsistencies**

24. The Ministry were asked to furnish the reasons for occurrence of shortfalls/under-utilization of Budget allocation under the following head of accounts:



**Demand No. 29**  
**( Deptt. of Economic Affairs)**  
**MH: 2235**  
**Social Security and Welfare**

(Rupees in crores)

Year	BE	Actuals
2014-15	1607.02	1107.00
2015-16	2607.02	0.00
2016-17	0008.53	0.00*
2017-18	0.03	

\*upto December 2016

25. In reply to the specific query on the factual position of Nirbhaya Fund, the Ministry made their submission as under:

(a) The allocations made under Nirbhaya Fund are as follows:

Year	2013-14	2014-15	2015-16	2016-17	2017-18
Amount (Rs. in Crore)	1000	1000	0	550	550

(b) As per Finance Accounts 2015-16, the total disbursements in 2015-16 were Rs. 3.23 crore and the net balance as on 31.03.2016 was Rs. 1992.01 crore.

(c) It is also mentioned that as per the existing guidelines, Ministry of WCD is the nodal Ministry which is responsible for appraisal, approval, review & monitoring of the schemes that are financed from Nirbhaya Fund. In 2016-17 and 2017-18 each, an amount of Rs. 550 crore has been allocated for transfer to the Nirbhaya Fund for meeting expenditure requirements various schemes implemented by different Ministries/Departments."

26. The Ministry of Finance has furnished the following written submission in their post evidence reply as stated below:

"This head mainly comprises provisions for various items of expenditure such as provisions for Social Security Network, Transfer to Nirbhaya Fund, Protected Saving Schemes and Transfer to National Social Security Fund for Unorganized Sector Workers.

**During 2014-15**, the BE provision of Rs. 1607.00 crore was reduced to Rs. 1107.00 crore at RE stage keeping in view the available balances in the Fund and no requirement of further transfer to the Fund during 2014-15.

**During 2015-16**, the BE provision of Rs. 2607.00 crore has been reduced to Nil at RE 2015-16 keeping in view the available balances in the Fund and no requirement of further transfer to the Fund during 2015-16.

**During 2016-17**, due to transfer of schemes to other Departments and winding up of NSSF (due to direct budget provision being made to finance the scheme earlier funded through the NSSF), the Budget provision under this head has kept only for Rs. 8.50 crore for seed capital infusion for Social Security Network and

Rs. 0.03 crore for Protected Savings Scheme. The expenditure under this head is 'nil' till date due to non finalization of programmes under Social Security Network and due to non-payment towards Protected Savings Schemes."

(ii)

Demand No. 32  
( Deptt. of Investment and Public Asset Management)  
MH: 3451  
Revenue Section - Secretariat Economic Services

(Rupees in crores)

Year	BE	Actuals
2014-15	50.00	22.05
2015-16	44.00	20.05
2016-17	40.00	07.52*

\*upto December 2016

27. The Ministry in their replies furnished as stated under:

" It may be noted that due to the nature of the work of the Department, the bulk of the budgetary provisions of this Department is under the Heads 'Advertisement and Publicity Expenses' and 'Professional and Special Services'. The expenses under this Head depends on carrying out the disinvestment transactions which is largely dependent upon the market conditions and thus foreseeing the possible future expense is difficult. It is therefore required for the Department to have the full budgetary amount at the disposal as the Department may need the same for carrying out disinvestment transactions. Further, so far as FY 2016-17 is concerned, additional office premises are proposed to be taken on rent. Therefore, expenditure on account of rent and renewals shall be incurred in addition to the normal expenditure."

28. The Ministry has furnished their explanation on the reasons for erratic trend in the Budgetary allocation under the following Head of accounts as given below:

Demand No. 30  
MH: 3475  
Other General Economic Services-Public Financial Management System

(Rupees in crores)

Year	BE	Actuals
2014-15	0.00	0.00
2015-16	0.00	20.58
2016-17	60.00-50.00	72.42*

\*upto December 2016

"Major Head 3475 is opened for expenditure of Public Finance Management System (PFMS) managed by the Controller General of Accounts. PFMS develops web-based applications in order to prepare and establish a suitable on-line Management Information System and Decision Support System for the Schemes of the Government of India.

PFMS was started as a Central Sector Scheme of Niti Aayog (Grant No.76) for monitoring Plan Schemes in the year 2008. On the recommendations of the Cabinet Secretariat, PFMS was transferred to the Department of Expenditure, Ministry of Finance w.e.f. 01<sup>st</sup> Sept., 2015, and a provision of Rs.37.00 Crores was also transferred from NITI Aayog to Department of Expenditure through Technical Supplementary, which was reduced to Rs.28.00 crores at RE 2015-16 stage. An expenditure of Rs. 20.58 crores was incurred during Financial Year 2015-16 under Demand No.40-DoE.

During the FY 2016-17, an allocation of Rs.60.00 crores was made available for Public Financial Management System (PFMS) under Revenue-Plan. Since activities of PFMS have increased manifold, due to inclusion of all Central Sector Schemes of all Civil Ministries and Centrally sponsored schemes in all States as well as several DBT Schemes under the ambit of PFMS, additional fund of Rs.50.00 crores has been allocated to PFMS through 1<sup>st</sup> Batch of Supplementary Demand for Grants 2016-17. Thus, allocation for PFMS has become Rs.110.00 crore out of which an expenditure of Rs. 72.42 crores has been incurred till December, 2016. The expenditure during the months of November and December was Rs.46.39 crores. The bulk of expenditure was incurred under the object head 'Information Technology (OE)'. The expenditure incurred upto the 10<sup>th</sup> February, 2017 is Rs.79.99 crores and the remaining funds are likely to be utilized during the remaining period of this Financial Year."

(ii)

Demand No. 29  
(( Deptt. of Economic Affairs)  
MH: 3475  
Other General Economic Services

(Rupees in crores)		
Year	BE	Actuals
2014-15	588.26	87.27
2015-16	130.74	506.25
2016-17	651.03	227.12*
2017-18	707.56	

\*upto December 2016

"This head mainly comprises provisions for various items of expenditure such as provisions for Forward Markets Commission, International Cooperation, Training and salaries of Indian Economic Service Officers, Economic Wing of the Embassy of India, Washington, Tokyo and Beijing etc. and Interest Equalization Support to Exim Bank (3475.00.800) etc.

**During 2014-15**, under this head of account saving was due to less requirement of funds due to merger of FMC with SEBI and also due to shifting of entire provision of Rs. 450 crore for Interest Equalization support to Exim Bank of India from this head to another Head 3605 under the same grant as per the audit advice.

**During 2015-16**, the additional expenditure over BE allocation was due to shifting of provision of Rs. 420 crore for Viability Gap Funding from Capital Section to Revenue Section of the grant as per the audit observations.

**During 2016-17**, the main provision of Rs. 550 Crore is for Viability Gap Funding out of the total provision of Rs.651.03 under this head. Against this, the total expenditure to the tune of Rs. 227.12 crore has been incurred till December, 2016, which includes an expenditure of Rs. 162.60 crore on account of Viability Gap Funding (VGF) which is being disbursed only after the private sector company (Concessionaire) has subscribed and expended the full equity contribution required for the project and is released in proportion to the debt disbursed by the financial institutions. Therefore, actual drawdown of VGF cannot be predicted accurately. However, while formulating BE requirements, the fact that implementation of the infrastructure projects should not suffer due to shortage of funds, has to be kept in view. "

**There Have Been Under-Budgeting Under The Following Head Of Accounts**

**Demand No. 31  
( Deptt. of Financial Services)  
MH: 2416  
Minor Head: 00.101  
Detailed Head :05.03.31**

(Rupees in crore)		
Year	BE	Actuals
2014-15	0.00	0.00
2015-16	0.00	5.38
2016-17	0.88	0.00*
2017-18	0.97	

\*upto December 2016

The Head is meant for Grants to NABARD to settle the claims under Indo-Swiss Cooperation-VI. Swiss Development Corporation (SDC) had extended the lines of credit to Govt. of India by way of soft loan repayable by Govt. of India to SDC. In terms of the Project Agreements signed between SDC, Gol and NABARD, it was stipulated that Gol shall maintain a "Special Fund" to absorb the repayments of Principal as well as payment of interest and commitment charges due from Gol to the Govt. of Swiss Federation under the said lines of credit. Accordingly the "Special Fund" is maintained by Gol. As per recommendations of SDC, the accruals in the "Special Fund" from April 1995 onwards upto 2031 have to be automatically transferred annually by Gol to NABARD by way of grant towards its Rural Non-Farm Sector (RNFS) portfolio.

On the basis of accrual of amount in the Special Fund from 2008-09 to 2013-14 and claims submitted by NABARD for reimbursement of eligible expenditure during this period, a sum of Rs.5.39 crore was allocated in RE 2015-16 and released to NABARD. Similarly, budget provision of Rs.0.88 was made in BE-

2016-17 on the basis of accrual to the said fund during 2016-17 and Rs.86.686 lakh released to NABARD as per the claim submitted by it. Accordingly, RE of 2016-17 was revised to 0.87 Crore. For the year 2017-18 a budget provision of Rs.0.93 crore has been made in BE 2017-18 based on the amount expected to be accrued in the said special fund and expected claims from NABARD.

The status of budgetary allocation and release are as per follows:

(Rs. in crore)

Year	BE	RE	Utilisation
2014-15	0.00	0.00	0.00
2015-16	0.00	5.39	5.38669
2016-17	0.88	0.87	0.86686
2017-18	0.93	-	-

(ii)

Demand No. 31  
( Deptt. of Financial Services)  
MH: 2885  
Minor Head: 00.101  
Detailed Head :11.00.50

(Rupees in crore)

Year	BE	RE	Actuals
2014-15	0.00	250.00	105.00
2015-16	0.00	150.00	100.00
2016-17	0.00	140.00	0.00*
2017-18	0.01		

\*upto December 2016

29. The Ministry furnished the following explanation:

To address the issue of stressed assets of IDBI Bank Ltd. (Previously IDBI Ltd.) Government of India (GoI) had set up a Special Purpose Vehicle called Stressed Asset Stabilisation Fund (SASF) to take care of the bad assets of IDBI Bank Ltd. The GoI made a provision of Rs.9000 crore in the budget for the year 2004-05 for extending a loan to SASF. The amount was invested in special Government Securities issued for 20 years at Zero Coupon. The said securities were used for the purpose of payment of consideration to IDBI for the transfer of Stressed Assets aggregating Rs.9000 crore. The above mechanism was cash neutral. SASF transferred these Special Securities to IDBI who in turn transferred stressed assets valued at Rs.9000 crore to SASF.

So far as under budgeting in SASF is concerned, it is stated that normally, SASF is requested during 3<sup>rd</sup> Quarter of every Financial Year to intimate about the amount likely to be recovered by them from NPAs taken over from IDBI. On the basis of the estimates of SASF, a Budgetary Provision is requested through

Revised Estimates to redeem the securities in IDBI Bank. A token provision is generally kept in the BE of the succeeding year and the same is reflected under relevant head in the Detailed Demands for Grants. During 2014-15 as well as during 2015-16, amount was allocated in view of estimated recovery by SASF and amount was released to SASF keeping in view the actual recovery and requirement. During the current financial year, Rs.140 Crores has been allocated which is likely to be released to SASF by the end of March 2017."

**V. COMMENTS OF SCHEMES SPECIFIC- Atal Pension Yojana (APY), Pradhan Mantri Jan DhanYojana (PMJDY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) & Pradhan Mantri Suraksha Bima Yojana (PMSBY), Aam Aadmi Bima Yojana (AABY) and Varistha Pension Bima Yojana (VPBY)**

30. **Atal Pension Yojana (APY)** -SAtal Pension Yojana (APY) is open to all citizens who are between 18-40 years of age and having Savings Bank account/Post Office Saving Bank account. Under the APY, the subscribers would receive the fixed minimum pension of Rs.1000 per month, Rs.2000 per month, Rs.3000 per month, Rs.4000 per month, Rs.5000 per month, at the age of 60 years, depending on their contributions, which itself would be based on the age of joining the APY.....the benefit of fixed minimum pension would be guaranteed by the Government"

31. The budgetary provisions under the scheme are given below:-

(Rs. in crore)

2014-15			2015-16			2016-17			2017-18
BE	RE	Actual	BE	RE	Actual	BE	RE	Actual Upto December, 2016	BE
NIL	NIL	NIL	0.00	173.00	173.00	200.00	40.00	29.00	155.00

32. On the reasons why only 40 crore has been utilised so far in the current fiscal 2016-17 and Rs 155.00 has been allocated for 2017-18, the Ministry informed the Committee that:

The BE 2016-17 for APY of Rs.200 crores comprised of 3 components namely Government Co-contribution, incentive to aggregators and promotional campaign activities.

The BE for Government Co-contribution of Rs.120 crore was reduced to Zero at RE stage as it was decided that payment of co-contribution of 2016-17 would be made by PFRDA in early 2017-18 after checking for the eligibility and persistency

of accounts. Further, for 2017-18, BE is expected to be available in the month of April, 2017 itself.

The component for incentive to aggregator (payable quarterly) was initially estimated at Rs.72 crore based on projections by PFRDA which were subsequently revised in the light of the actual number of accounts opened.

In regard to promotional campaign, out of BE of Rs.8 crore, an amount of Rs.4 crore was released and another Rs.4 crore is due for release in February, 2017.

(b) The allocations proposed for BE 2017-18 (Rs.155 crore) are based on estimates prepared by PFRDA in regard to number of accounts to be eligible for co-contribution, the number of accounts for which incentive would have to be paid and estimated cost of promotional campaign.

33. **Pradhan Mantri Jan DhanYojana (PMJDY)** – Pradhan Mantri Jan DhanYojana was launched on 28.08.2014. Under this scheme, Bank accounts were opened and benefits were given to the Account holders. One of the benefits under the scheme is providing Life Insurance Cover of Rs.30,000/- on death of the life assured, due to any reason, to the deceased's family who have opened Bank account between 15.08.2014 to 31.01.2015 (subject to certain eligibility criteria). For availing Life Insurance coverage of Rs.30,000/- under this scheme, a person should have been between 18 to 59 years of age and he/she should have been enrolled under PMJDY between the above specified periods. The scheme aimed to provide security to families from economically weaker sections who cannot afford direct purchase of such insurance. The scheme is being implemented through Life Insurance Corporation of India (LIC) in the country. As per LIC, 3455 claims have been paid under the scheme as on 01.01.2017.

34. The budgetary provision towards premium subscription to LIC under this scheme is given as below:-

(Rs. In crore)

2014-15			2015-16			2016-17			2017-18
BE	RE	Actual	BE	RE	Actual	BE	RE	Actual Upto December, 2016	BE
NIL	100.00	1.00	100.00	10.00	10.00	100.00	10.00	0.00	50.00

35. In reply to specific queries as to why only Rs 01.00 crore has been utilised in the year 2014-15 and 0.00 utilisation has been shown till December, 2016 for the current fiscal 2016-17 under this scheme and to explain whether there is any anomaly in the

scheme that accounted for the shortfall in the utilisation of the budget allocated for it, the Ministry of Finance furnished the following post-evidence written submission:

"Under the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme life cover of Rs.30,000 is extended to members who have opened PMJDY Bank account during the period of 15.08.2014 to 31.01.2015. LIC was released Rs.1.00 crore in 2014-15 and Rs.10 crore in 2015-16 based on demand raised by them. A sum of Rs.10.00 crore has been released under this head in February, 2017. LIC raises the demand for release of the fund after adjusting the claim settlement of the policies. Hence the fund is released only as per the requirement raised by LIC."

36. **Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) & Pradhan Mantri Suraksha Bima Yojana (PMSBY)** - The Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) is a one year life insurance scheme, renewable from year to year, offering coverage of Rs.2.00 lakh for death due to any reason and is available to people in the age group of 18 to 50 years (life cover up to age of 55 years) having a bank account who give their consent to join and enable auto-debit.

37. The Pradhan Mantri Suraksha Bima Yojana (PMSBY) is a one year personal accident insurance scheme, renewable from year to year, offering coverage for death/disability due to an accident and is available to people in the age group of 18 to 70 years having a bank account who give their consent to join and enable auto-debit.

38. The Ministry has submitted that as a part of support for publicly/awareness building for PMJJBY, PMSBY, PMJDY, PMMY, Stand Up India and APY, the following provision is proposed for funding:-

2015-16			2016-17			2017-18
BE	RE	Actual	BE	RE	Actual (upto Dec. 2016)	BE
0.00	0.00	0.00	50.00	5.00	0.00	20.00

39. Furnishing the reasons why the budgetary allocation for 2016-17 has remained underutilised till December, 2016 and justifying allocation of Rs 20.00 crore for 2017-18 as shown above, the Ministry of Finance has submitted the following as given below:



"DFS has six flagship scheme, namely Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Mudra Yojana (PMMY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Atal Pension Yojana (APY) and Stand Up India (SUPI). There was budget of Rs.50 crore for publicity in year 2016-17 to carry out publicity in Phase I with existing material and in Phase II by developing the new content. In Phase I, publicity was carried out through DAVP, expenditure of Rs.4.6 crore has been made, out of which bills for Rs.3 crore has been received and funds will be released shortly Further development of new content is in advanced stage, which will be rolled out in next financial year."

In Phase II, Campaign with new media content will be carried out in Financial Year 2017-18 for which budget allocation of Rs.20.00 crore has been sought.

40. **Aam Aadmi Bima Yojana (AABY)** – The Social Security Scheme viz. AamAadmiBimaYojana (AABY) was monitored by this Department and was being implemented through Life Insurance Corporation of India (LIC). As per information received from LIC, a total number of 4.51 crore lives have been covered under AABY as on 31<sup>st</sup> March 2016.

41. The budgetary provisions under the scheme are given below:-

(Rs. in crore)

2014-15			2015-16			2016-17			2017-18
BE	RE	Actual	BE	RE	Actual	BE	RE	Actual Upto December, 2016	BE
150.00	175.00	174.99	437.51	437.51	437.50	450.00	100.00	0.00	350.00

42. The Committee noted that unlike the preceding years in 2014-15 and 2015-16, the allocation made for 2016-17 has remained un-utilised till December, 2016, and also that Rs 350 crore has been made for 2017-18 in spite of the 00 expenditure till December, 2016 for the fiscal 2016-17. The Ministry in their reply has furnished the following explanation/justification as stated below:

"(a) LIC raises the demand for release of the fund after the expenditure towards the scheme is audited by their Statutory Auditors. Accordingly, the fund is released after the demand is received from LIC duly certified by their auditors. A sum of Rs.100.00 crore is being released to LIC shortly as the request has been received from them.

(b) The outgo towards scholarship payment under Aam Adami Bima Yojana (AABY) Scholarship Fund is expected to rise in coming years due to increase in the number of children becoming eligible for payment of scholarship as per the

eligibility criteria. Thus LIC has estimated the budget requirement under the scheme for the financial year 2017-18 as Rs.350.00 crore. Accordingly budget provision for this amount was made in BE 2017-18."

43. **Refund of Service Tax under Varistha Pension BimaYojana (VPBY):** In the Union Budget, 2015, life insurance service provided by way of Varishtha Pension BimaYojana (VPBY) scheme has been exempted from service tax w.e.f. 01<sup>st</sup> April, 2015. However, for the period from 14<sup>th</sup> August, 2014 (date of launching) to 31<sup>st</sup> March, 2015, LIC had collected service tax on policy subscriber contribution under the scheme and it was decided that amount of service tax collected under VPBY for above period will be reimbursed to LIC as and when LIC would lodge the claims along with a certificate from the Chartered Accountant firm/ auditors indicating that the amount have been reimbursed to the subscribers of the scheme. LIC has informed that the refund of service tax to the subscribers has been completed and requested for reimbursement of Rs.109.32 crores towards the refund. The budgetary provisions under the scheme are given below:-

			(Rs. in crore)
2016-17			2017-18
BE	RE	Actual Upto Dec, 2016	BE
0.00	109.32	0.00	0.00

44. The Committee wanted to the reasons why the budgetary provision made under VPBY has been un-utilized till date and the reasons why there was no budgetary provisions made for 2017-17 under this scheme. The Ministry inter alia stated in their post-evidence reply as given below:

"In the Union Budget, 2015, life insurance service provided by way of Varishtha Pension Bima Yojana (VPBY) scheme was exempted from service tax w.e.f. 01<sup>st</sup> April, 2015. However, for the period from 14<sup>th</sup> August, 2014 (date of launching of VPBY) to 31<sup>st</sup> March, 2015, LIC had collected service tax on policy subscriber contribution under the scheme and it was decided that amount of service tax collected under VPBY for above period will be reimbursed to LIC as and when LIC would lodge the claims alongwith a certificate from the Chartered Accountant (CA) firm/ auditors indicating that the amount have been reimbursed to the subscribers of the scheme. Accordingly LIC has provided the requisite CA certificate indicating that the refund of service tax on VPBY-2014 premium collected amount is Rs.109,32,26,720.00. LIC had also certified that the above said amount has been refunded by LIC to the subscribers of VPBY scheme.

Hence an amount of Rs.109.32 crore was requested in RE 2016-17. This is a onetime reimbursement of service-tax to the subscribers of the VPBY-2014, hence no further requirement of fund is necessary. The amount of Rs.109.32 crore is being released with the approval of Competent Authority."

## **VI REGIONAL RURAL BANKS (RRBs)**

45. **Recapitalization of Regional Rural Banks (RRBs)** –Government had constituted a Committee under the Chairmanship of Dr. K.C. Chakravorty, Dy. Governor, RBI to look into the financial aspects of RRBs and to suggest measures to bring capital to risk weighted assets ratio (CRAR) of RRBs to 9% ( the benchmark set by RBI). With a view to bring the CRAR of RRBs to at least 9%, the Committee, inter-alia, recommended recapitalization support to the extent of Rs.2200 crore to 40 RRBs in 21 States, to be shared by the stakeholders in proportion to their shareholding in RRBs i.e. 50% by the Central Government, 15% by the State Government and 35% by the concerned sponsor banks. The Central Government share in the Scheme worked out to be Rs.1100 crore. The Cabinet in its meeting held on 10.02.2011 approved the Scheme for recapitalization of RRBs as recommended by the Committee. Upto 31.03.2014, an amount of Rs.1086.70 crore was released to 39 RRBs against the Central Government share of Rs.1100 crore.

46. On 16.07.2015 the Scheme has been extended further for next three years beyond 2013-14 i.e. upto 2016-17 with the provision to utilise the contingency amount of Rs.700 crore also for providing recapitalization to the RRBs who are not able to maintain minimum CRAR of 9%.

47. Rs.15 crore allocated in 2015-16 has been fully disbursed. An amount of Rs.140 crore has been allocated in BE 2016-17, out of which Rs.2.595 crore has been disbursed to EllaquaiDehati Bank. An amount of Rs.68.00 crore has been provided in BE-2017-18. The budgetary provisions under the scheme are given below:-

(Rs. in crore)

2014-15			2015-16			2016-17			2017-18
BE	RE	Actual	BE	RE	Actual	BE	RE	Actual Upto December, 2016	BE
50.00	50.00	00	15.00	15.00	15.00	140.00	5.50	2.60	68.00

48. The Ministry were asked the reasons why Rs 50 crore allocated for recapitalization of Regional Rural Banks (RRBs) in 2014-15 has been left un-utilized;

only Rs 2.60 crore has been utilized so far in the current fiscal 2016-17; and Rs 68.00 has been allocated for Rs 2017-18. The Ministry inter alia furnish the following post-evidence reply as stated below:

"(a) Rs 50 crore allocated for recapitalisation of RRBs is left unutilised? The Scheme for Recapitalization of RRBs was initially valid upto 31<sup>st</sup> March, 2014. Approval for extending the scheme further could be received in July-2015. Therefore the amount budgeted for Financial Year 2014-15 could not be spent.

(b) Only Rs 2.60 crore has been utilized so far in the current fiscal 2016-17? As per the scheme for recapitalization of RRBs, the release of Central Government's share (50%) is contingent upon the release of shares of State Government (15%) and Sponsor Bank (35%). In 2016-17, the expenditure is lower than budgeted due to non-release of their respective shares by these entities and reduction in the amount required for recapitalization due to improvement in the financial position of certain RRBs. It is expected that the RE of Rs.5.50 crore will be fully spent in this Financial Year.

(c) Rs 68.00 has been allocated for 2017-18?

RBI has made mandatory for RRBs to maintain the level of CRAR at minimum 9%. It is a regulatory requirement to recapitalize those RRBs which would not be able to maintain this level of CRAR.

The allocation of Rs.68.00 crore has been estimated on the basis of assessed recapitalization support to be provided primarily to Odisha Gramya Bank, Arunachal Pradesh Rural Bank and Manipur Rural Bank during 2017-18."

## **VII. RECAPITALISATION OF PUBLIC SECTOR BANKS(PSBS), CD RATIO ETC.**

**49.** Government has assessed capital requirement of the Public Sector Banks (PSBs) and in the INDRADHANUSH plan for revamp of PSBs, it was decided to adequately capitalize all the banks to keep a safe buffer over and above the minimum norms of Basel III. Government, therefore, estimated how much capital will be required for the year 2015-16 and in the next three years till Financial Year 2018-19. If the Government excludes the internal profit generation which is going to be available to PSBs (based on the estimate of average profit of the last three years), the requirement of extra capital for the next four years up to Financial Year 2018-19 is likely to be about Rs.1,80,000 crore. It is also presumed that the emphasis on PSBs financing will reduce over the years by development of vibrant corporate debt market and by greater participation of Private Sector Banks.

50. Out of the total requirement, the Government of India proposes to make available Rs.70000 crores out of budgetary allocations for four years as per the figures given below:-

(i)	Financial Year 2015 -16	Rs.25,000 crore
(ii)	Financial Year 2016-17	Rs.25,000 crore
(iii)	Financial Year 2017-18	Rs.10,000 crore
(iv)	Financial Year 2018-19	Rs.10,000 crore
	Total	Rs.70,000 crore

During 2016-17, up to December, 2016, an amount of Rs.9444.00 crore has been released. The budgetary provisions under the scheme are given below:-

(Rs. in crore)

2014-15			2015-16			2016-17			2017-18
BE	RE	Actual	BE	RE	Actual	BE	RE	Actual Upto December, 2016	BE
11200.00	6990.00	6990.00	7940.00	25000.00	24999.99	25000.00	25000.00	9444.00	10000.00

51. On being asked the reasons for the shortfall in utilization of the Budget allocation for re-capitalization of PSBs in 2014-15 and 2016-17, the Ministry of Finance furnished their reply as stated under:

"The capital infusion for the Financial Year 2014-15 was restricted to Rs.6,990 crore, out of the allocated amount of Rs.11,200 crore on the basis of superior Return on Assets of last three years (efficiency criteria) with the following objectives:-

- Efficient deployment of funds.
- Aggressive efforts towards recovery of NPAs.
- Shifting focus to lending to low risk activities (retail).
- Selective and rigorous cost benefit analysis based use of extending concessionary facilities to clients.
- Focus on CASA deposits to lower the cost of funds and be capable of being competitive on asset lending without trade off in margins.

During the Financial Year 2016-17 the Government allocated a sum of Rs.25,000 crore (as per Indradhanush Plan) out of which a sum of Rs.15,125 crore has been infused in 11 PSBs. The infusion for the remaining amount of Rs.9,875 crore is under process . A budgetary provision of Rs.10,000 crore has also been made under recapitalisation of PSBs for the year 2017-18, in line with the Indradhanush Plan.

In August, 2015 Government unveiled Indradhanush, a comprehensive bank's reform plan in which a detailed recapitalisation plan for four years (Financial Year 2015-16 to Financial Year 2018-19) was worked out.

The capital requirement of capital for the next four years was **estimated at Rs.1,80,000 crore**. This estimate was based on credit growth rate of 12% for the Financial Year 2015-16 and 12 to 15% for the next three years depending on the size of the bank and their growth ability. Out of the total requirement, the Government of India proposed to make available Rs.70,000 crores out of budgetary allocations for four years (as tabulated below) and remaining Rs.1,10,000 crore is to be raised by the banks from the market.

(i)	Financial Year 2015 -16	Rs. 25,000 crore
(ii)	Financial Year 2016-17	Rs. 25,000 crore
(iii)	Financial Year 2017-18	Rs. 10,000 crore
(iv)	Financial Year 2018-19	Rs. 10,000 crore
	<b>Total</b>	<b>Rs. 70,000 crore</b>

It has been further been submitted:

"The deposits received by the banks after demonetization decree are low cost funds which are different from their equity capital (owned funds). To comply with the Basel III norms and maintain a healthy growth, PSBs require capital and Government's recapitalization plan (Indradhanush) is an effort to strengthen the capital base of the PSBs."

52. While deposing before the Committee on 15.02.2017, in connection with examination of the Demands for Grants, (2017-18) of the Ministry of Finance **(Departments of Economic Affairs, Expenditure, Financial Services, and Investment and Public Asset Management), Secretary, Department of Financial Services made the following oral submission on the issue of re-capitalisation of PSBs as stated below:**

"The allocation for bank capitalisation during the current year is Rs. 25,000 crore out of which Rs. 16,414 crore has been released based on need for capital adequacy, growth and efficiency of use. Calculations based on similar criteria post the third quarter results which are now all in are to be the basis for further allocation and release."

53. During the sitting of Standing Committee on Finance held on 15 February, 2017, Secretary, Department of Financial Services made the following oral submission on issue of Credit Deposit Ratio as stated below:

"Credit Deposit Ratio is a function of credit absorption capacity linked to the level of development in a particular area. Banks need to achieve credit deposit ratios of 60 per cent in respect of the rural and semi-urban branches on an All India basis. The average CD ratio of public sector banks for rural areas was 63.6 per cent as at the end of March 2016. This ratio is monitored at the State level, the District level as well as the individual bank Head Office level. Districts having CDRs between 40 and 60 are monitored by the District Level Coordination Committees. Districts having this ratio less than 40 per cent, Special Subcommittees of the District Level Coordination Committees are set up in each District. As of September 30, 2016 out of 673 Districts, 148 Districts have set up such Special Subcommittees.

## VIII. DIGITALIZATION OF ECONOMY

54. On Digital Economy the following announcements have been made in the Budget Speech 2017-18 as given below:

Promotion of a digital economy is an integral part of Government's strategy to clean the system and weed out corruption and black money. It has a transformative impact in terms of greater formalisation of the economy and mainstreaming of financial savings into the banking system. This, in turn, is expected to energise private investment in the country through lower cost of credit. India is now on the cusp of a massive digital revolution.

A shift to digital payments has huge benefits for the common man. The earlier initiative of our Government to promote financial inclusion and the JAM trinity were important precursors to our current push for digital transactions.

Already there is evidence of increased digital transactions. The BHIM app has been launched. It will unleash the power of mobile phones for digital payments and financial inclusion. 125 lakh people have adopted the BHIM app so far. The Government will launch two new schemes to promote the usage of BHIM; these are, Referral Bonus Scheme for individuals and a Cashback Scheme for merchants.

Aadhar Pay, a merchant version of Aadhar Enabled Payment System, will be launched shortly. This will be specifically beneficial for those who do not have debit cards, mobile wallets and mobile phones. A Mission will be set up with a target of 2,500 crore digital transactions for 2017-18 through UPI, USSD, Aadhar Pay, IMPS and debit cards. Banks have targeted to introduce additional 10 lakh new PoS terminals by March 2017. They will be encouraged to introduce 20 lakh Aadhar based PoS by September 2017.

Increased digital transactions will enable small and micro enterprises to access formal credit. Government will encourage SIDBI to refinance credit institutions which provide unsecured loans, at reasonable interest rates, to borrowers based on their transaction history.

The digital payment infrastructure and grievance handling mechanisms shall be strengthened. The focus would be on rural and semi urban areas through Post Offices, Fair Price Shops and Banking Correspondents. Steps would be taken to promote and possibly mandate petrol pumps, fertilizer depots, municipalities, Block offices, road transport offices, universities, colleges, hospitals and other institutions to have facilities for digital payments, including BHIM App. A proposal to mandate all Government receipts through digital means, beyond a prescribed limit, is under consideration.



Government will strengthen the Financial Inclusion Fund to augment resources for taking up these initiatives.

Government will consider and work with various stakeholders for early implementation of the interim recommendations of the Committee of Chief Ministers on digital transactions.

The Committee on Digital Payments constituted by Department of Economic Affairs has recommended structural reforms in the payment eco system, including amendments to the Payment and Settlement Systems Act, 2007. Government will undertake a comprehensive review of this Act and bring about appropriate amendments. To begin with, it is proposed to create a Payments Regulatory Board in the Reserve Bank of India by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems. Necessary amendments are proposed to this effect in the Finance Bill 2017.

As we move faster on the path of digital transactions and cheque payments, we need to ensure that the payees of dishonoured cheques are able to realise the payments. Government is therefore considering the option of amending the Negotiable Instruments Act suitably

55. On being asked the extend of digitalisation of various transactions carried out so far and particularly the extent of transition of cash-based sectors of the economy to cash-less or less-cash modes, the Ministry of Finance furnished the following written submission:

**(i) Department of Economic Affairs:-**

- i. DigiDhan Abhiyaan has been undertaken to get people and merchants onboard digital platform through CSC SPV of the Ministry of Electronics and Information Technology. CSC SPV has around 1.75 lakh Common Service Centres run by Village level entrepreneurs throughout the country. DigiShaala – a education channel has been initiated from December 9 to educate people regarding various facets of digital payments. Channel is available on DD Free Dish which caters to nearly 2-2.5 crore rural households.
- ii. More than 30 crore Rupay Debit Cards have been issued including those issued to Jan Dhan Account holders. National Payments Council of India NPCI has already waived switching charges for RuPay Cards.
- iii. Banks, Governments and other stake holders are working hand-in hand to provide readily accessible solutions to all segments of people; e.g. SBI has launched two wallets that can be used by non-smart phone users.

- iv. 3.80 crore MNREGA workers have bank accounts and job cards linked with their Aadhaar number. Using these 8.93 crore payment transactions transferring wages have been already remitted to MNREGA workers.
  - v. There are over 1,29,000 microATMs carried by Business Correspondents operating across the country.
  - vi. Over 1.87 crore payment under National Social Assistance Programme have been made and over Rs 1,872 crore electronically remitted directly to beneficiary's Aadhaar linked savings accounts.
56. On the specific steps being initiated to promote, incentivise and smoothn the processes of digital transactions, while simultaneously disincentivising cash-based transactions, the Ministry of Finance made the following written submission in their post-evidence reply:-

Government has adopted multi-pronged approach to encourage payment through cards/digital means which inter-alia includes promoting and adopting several measures for card/digital transactions, creating acceptance infrastructure, encouraging mobile banking/payment channels and creating awareness, framing necessary guidelines to ensure that merchant payments are interoperable across the broad spectrum of payment and settlement systems, framing new guidelines or revising existing guidelines to allow POS/Mobile POS terminals in Tier III and below towns and rural areas, etc. With a view to implementing the above scheme, a Task Force and a Committee have been constituted to review the Framework related to Digital payment system in the country and to recommend appropriate measures for encouraging digital payments.

A dedicated fund under Depositor Education and Awareness Fund (DEAF) is in place for expanding acceptance infrastructure and conducting awareness campaigns amongst public for cash less society.

#### **Department of Expenditure**

##### **Measures to promote digital transaction/payments:**

- I. The threshold limit for payment to vendors/suppliers electronically has been lowered from Rs. 25,000/- to Rs. 5000/-. As on date for all payments beyond Rs. 5000/- made by Central Government Ministries/Departments to its suppliers/vendors of Goods and Services, payment shall be made through electronic mode only.
- II. Relevant Rules are being amended to facilitate 100% payment including salary to all Central Government employees through electronic mode only.

- III. Advisory issued to all Ministries/Departments to encourage its employees to make use of Debit Cards for personal transactions instead of cash.
- IV. Guidelines on the Accounting procedure formulated for payment of applicable MDR (Merchant Discount Rate) charges on Government dues below Rs. 1 Lakh for taxes, non-taxes and other payments through Debit cards.
- V. To accelerate and promote payments through Cards and Digital means, all Ministries/Departments have been directed to take necessary action on:
  - a. For all Utility Bill payments, customer should get 1% cash back, subject to certain ceiling to be decided by the Department. Cash back may also be provided in the form of discount. The expenses shall be borne by the Utility Company. Nodal Ministry/Department shall issue appropriate advisory in this regard to the State Governments for Utility services provided by Undertakings of State Governments.
  - b. All Convenience Fee/Charges for digital payments levied on customers by Ministries/Departments of the Union Government for various services should be waived.

#### **Department of Financial Services**

In the Press Note released after the press conference held by Hon'ble Finance Minister on 8<sup>th</sup> December, 2016 on the subject of "package for promotion of digital and cashless economy", all Public Sector General Insurance Companies and Life Insurance Corporation of India have introduced the incentives for digital payments. At present all public sector insurance companies (i.e. life and non-life both) are providing discounts / credits / incentives of 10% on the premium in new general insurance policies and 8% in new life policies of Life Insurance Corporation of India (LIC) sold through customer portals of the respective companies, where payments are made through on-line mode, customer portal, mobile wallets, and other digital modes.

Insurance companies are also strengthening their infrastructure for receiving payments through digital means by installing card swiping machines, providing POS machines to agents, mobile apps and facilitating on-line payments of premium through customer portals, e-wallets etc.

To facilitate digital payments, offices of the insurance companies now have dedicated terminals for use by the customers to login to the portal.

The Statement of LIC and PSGICs showing incentivizing digital payment of premium through customer portal is shown as below:

<b>Company</b>	<b>Period of sale</b>	<b>Number of Policies</b>	<b>Premium (in Rs.)</b>
All PSGICs	From 8.12.2016 to 15.2.2017	9,149	2,46,75,715
LIC	From 8.12.2016 to 15.2.2017	1,411	1,85,73,271
<b>Total</b>		<b>10,560</b>	<b>4,32,48,986</b>

Following steps have also been taken to make digital transactions more attractive and user friendly:-

a. Rationalizing MDR transaction fees

- i. Vide Office Memoranda 1(1)/2006/ECS/TA/669 & 670, dated 14<sup>th</sup> and 15<sup>th</sup> December 2016 respectively, Government has decided to absorb the merchant discount rate cost for payments up to Rs.1 lakh of Government dues, made through debit cards.
- ii. Merchant Discount Rate (MDR) on debit cards was voluntarily waived by banks till 31/12/2016 and has been rationalised up to 31 March 2017. In respect of debit card transactions on PoS devices, between 1.1.2017 and 31.3.2017, MDR has been capped at 0.25% for transaction value up to Rs.1,000, and for debit card transactions value between Rs.1,000 and Rs.2,000, MDR has been capped at 0.5%.
- iii. RBI vide its press release dated 16.2.2017 has sought public feedback on its draft circular on rationalisation of MDR for debit card transactions.

b. Incentive on Aadhaar Enabled Payment

- i. National Bank for Agriculture and Rural Development (NABARD) has approved a scheme for giving 0.5% incentive on payments made upto Rs.2,000 through the Aadhaar Enabled Payment System (AEPS) to merchants limited to Rs.10,000 per month.
- ii. NABARD informed that banks installing these PoS machines will be given up to Rs. 6,000 per equipment incentive for purchase of PoS machines through Financial Inclusion Fund (FIF).

c. Bharat Interface for Money (BHIM)

BHIM is a mobile app, available for Android and iOS operating system mobiles, for simple, easy and quick payment transactions using Unified Payments Interface (UPI) and Unstructured Supplementary Service Data (USSD). It supports bank-to-bank payments and money collection using mobile number, Virtual payment address (VPA), bank account number and IFSC code, QR code and Aadhaar number. It work 365 days a year, 24 hours a day. It also works on feature phone without Internet. Transfers through bank account have a limit Rs.10,000 per transaction and Rs.25,000 in 24 hours. There is a limit of 20 successful UPI transactions per linked bank account per day. There are no charges for making transaction through BHIM.

57. On being asked about the legality of Bitcoin, representative of Ministry of Finance submitted while deposing before the Committee, that it is *illegal*.

## **IX BUSINESS SERVICE PRICE INDEX**

58. The Committee observed that rising costs of education, healthcare, transportation, entertainment, among others do not fully show up in the Consumer Price Index (CPI). As accurate data on services inflation is crucial for understanding relative price movements as also inter-sectoral terms of trade, particularly since services account for over half the GDP, please indicate whether there is a proposal to have a 'Business Service Price Index', which will accurately reflect inflation in key services. The Ministry inter alia furnished the following reply as stated below:

“In the initial phase of development of Experimental Business Service Price Indices (BSPI), ten sectors namely i) Banking, ii) Insurance, iii) Postal, iv) Telecommunication, v) Air Transport, vi) Rail Transport Services, vii) Port Services, viii) Road Transport and ix) Trade Services and x) Business Services were identified. As such, education, healthcare and entertainment services were not included in the initial phase of development of BSPI.

However, transportation services are included in this phase. Under transportation sector, the methodology and the experimental BSPI for Railway Transport Services and Air Transport Services have been developed and indices are uploaded on the official website OEA for comments. The development of BSPI for Port Services and Road (freight) Services are underway in collaboration with the Ministry of Shipping and Ministry of Road Transport & Highways respectively.”

## **X Recommendation of the Standing Committee Finance on Cess in their 29th Report on Demands For Grants 2016 - 17, Ministry Of Finance ( Depts. of Economic Affairs, Expenditure, Financial Services and Investment and Public Asset Management)**

59. On Utilisation of Cess Proceeds the Committee made the following recommendation in the 29th Report:

(Recommendation Serial No. 9 Paragraph No. 9)

The Committee are constrained to express their displeasure over the fact that money collected by way of cess was not being utilised for the designated purpose. For instance, as per findings of C&AG Report, cess collected under Research and Development Cess Fund from 1996-97 to 2014-15 was Rs

5,783.49 crore; out of this only Rs. 549.16 (9.6 per cent) was disbursed as Grants-in-aid to Technology Development Board during the same period. Similarly, cesses collected under Primary Education cess and Central Road Fund cess during 2010-11 to 2014-15 have reported shortfall in transfer/utilisation to the tune of Rs. 13,298 crore and Rs. 1,219.88 crore respectively; cess proceeds were collected during 2006-15 under Secondary and Higher Education Cess to the tune of Rs. 64,228 crore, but neither a fund was designated to deposit the cess proceeds nor schemes identified on which the cess proceeds were to be spent. There were other funds as well where the cess proceeds have been lying unutilised with detrimental impact on national finances. The rationale of a cess is that the money it generates can only be used for the designated purpose, which makes it an effective policy tool in theory. However, if the money is not spent for the designated purpose or is diverted, it simply stagnates and distorts the economy further, as the additional tax brings down real incomes without any accompanying gain in socio-economic indicators as targeted. With the Fourteenth Finance Commission increasing States share of the common pool of resources, cesses are being used for the Centre to shore up its own finances.

Without disapproving of this fiscal objective, the Committee would recommend that the government should disclose a deployment plan for all the cess proceeds already collected under various heads with a view to achieving the intended outcomes from respective cess collections before the next such levy is imposed.

60. The Ministry of Finance inter alia furnished the following written reply as stated below:

In so far as Research and Development Cess is concerned, Ministry of Finance has been working in consultation with Ministry of Science and Technology to expand the areas/sectors for utilization of the Technology Development/Research and Development Cess Fund. As regards, utilization of Secondary and Higher Education Cess, It is submitted that the budget allocation to Department of Higher Education is much higher than the actual collection of cess. However, Ministry of Finance has asked Ministry of Human Resource Development to move a Cabinet Note for creation of a non-lapsable fund namely; 'Madhyamik and Uchchatar Shiksha Kosh' It is pertinent to mention that in the Financial Year 2017-18 Budget, attempts will be made to modify the receipt budget to transparently reflect collection of each cess.

As regards the recommendation that the government should disclose a deployment plan for all the cess proceeds already collected before the next such levy is accepted, the recommendations of the Committee are accepted."

### STATUS OF BUDGET ANNOUNCEMENT AND IMPLEMENTATION

Para no.	Budget Announcement 2016-17	Status of Implementation
152	<i>I propose to impose a Cess, called the Krishi Kalyan Cess, @ 0.5% on all taxable services, proceeds of which would be exclusively used for financing initiatives relating to improvement of agriculture and welfare of farmers. The Cess will come into force with effect from 1st June 2016. Input Tax credit of this cess will be available for payment of this cess.</i>	Enabling provision in Section 161 of the Finance Act, 2016 has come into force from 14.5.2016. Notifications have been issued on 26.5.2016 to give effect to the said Section in the Finance Act. Action completed
153	<i>The pollution and traffic situation in Indian cities is a matter of concern. I propose to levy an infrastructure cess, of 1% on small petrol, LPG, CNG cars, 2.5% on diesel cars of certain capacity and 4% on other higher engine capacity vehicles and SUVs.</i>	Implemented vide Section 162 of the Finance Act, 2016 read with the Eleventh Schedule read with Notification No. 1/2016-Infrastructure Cess dated 1.3.2016. Action completed
156	<i>I propose to rename the 'Clean Energy Cess' levied on coal, lignite and peat as 'Clean Environment Cess' and simultaneously increase its rate from Rs 200 per tonne to Rs 400 per tonne.</i>	Implemented vide Tenth Schedule to the Finance Act, 2010 as amended by Section 235 (ii) of Finance Act, 2016. Action completed

### XI. BUDGET ANNOUNCEMENT FOR AIIMS LIKE INSTITUTIONS

61.

Para no.	Budget Announcement 2015-16	Status of Implementation
80	<i>Hon'ble Members will remember that in the Budget Speech of July, I had indicated my intention to provide one major Central Institute in each State. In the fiscal year 2015-16, I propose to set up All India Institutes of Medical Sciences in J&amp;K, Punjab, Tamil Nadu, Himachal Pradesh and Assam. Keeping in view the need to augment Medical Sciences in Bihar, I propose to set up another AIIMS like institution in these States.</i>	State Governments of Assam, Himachal Pradesh, Punjab and Tamil Nadu have identified the locations and furnished the requisite details for setting up of AIIMS in these States. Central Teams have already visited the sites proposed by Government of Assam, Himachal Pradesh, Punjab and Tamil Nadu and their reports have been received. J&K Government has identified the location and provided the details of site. The Central Teams have visited the sites at Jammu Division. For setting up one more AIIMS like institution in Bihar, a letter has been issued to Hon'ble Chief Minister, Bihar for identification of land.

Para no.	BUDGET SPEECH 2017-18 - (ANNOUNCEMENT)
66	Two new All India Institutes of Medical Sciences will be set up in the States of Jharkhand and Gujarat.

## **XII. DISINVESTMENT**

**62.** Replying to specific queries on long-term plan for disinvestment; reasons for mismatch between estimated and actual receipts and achieving strategic disinvestment target, the Ministry is inter alia furnished the following post-evidence submission as stated below:

Disinvestment of CPSEs is carried out as per the extant disinvestment policy, which is as follows:

- (a) Listing' and 'Minority stake sale in CPSEs: To unlock the true value of the companies, promote public ownership and higher degree of accountability through.
- (b) Strategic Disinvestment: To exit from non-strategic business to optimise economic potential for business enterprises by promoting efficiency and professional management in the company.
- (c) Enables efficient management of public investment in CPSEs for accelerating economic development.
- (d) Raising budgetary resources for the Government.

2. While pursuing disinvestment through minority stake sale in listed CPSEs, the Government will retain majority shareholding, i.e. at least 51 per cent of the shareholding and management control of the Public Sector Undertakings.

### **B. Disinvestment Targets**

3. While the annual disinvestment targets are estimates based on the expectation of non-debt capital receipts, the actual realization depends on the prevailing market conditions and price of the stock at the time of disinvestment. The Government operates in an environment which cannot be predicted. However, it looks for right opportunity and moves ahead in a prudent and timely manner.

4. Government has taken 'in principle' decision for strategic disinvestment of a number of CPSEs, their subsidiaries and Units. The process of engaging Advisors in these cases is at advance stage. All efforts will be made to achieve the target of strategic disinvestment."



## PART II

### OBSERVATIONS/RECOMMENDATIONS

#### ***BUDGETARY ALLOCATIONS- DEMAND WISE***

1. The Ministry of Finance is the nodal Ministry/agency for formulation and budgetary allocation for the entire Government. However, the Committee are surprised to note that there have been instances of inconsistencies in the budget allocations and occurrence of wide variations between the Budget estimates and Actuals. In respect of Demand no. 29 (Department of Economic Affairs), the Committee note a jigsaw-like inconsistent trend of BEs for 2014-15, 2015-16, 2016-17 and 2017-18 i.e. Rs 219910.42, Rs 23576.57, Rs 20804.09 and Rs 15,455.84 respectively. The Committee also note in the same Demand no. 29, that there was a huge mismatch between the BE and Actuals in 2015-16 (BE Rs 23,576.57 crore, RE Rs. 73,668.11 crore and the Actuals, Rs 88,846.16 crore). Thus, the actual expenditure exceeded the budget estimates to the tune of Rs 65,296.59 crore i.e. 3.75 times of BE. The Budget Estimates allocated for 2017-18 for Demand No. 31 (Department of Financial Services) is Rs 19,618.01 crore as against Rs 33,755.52 crore allocated for 2016-17, which is a steep reduction by about 42% i.e. Rs 14,137.51 crore. There has also been a yawning gap between the BE and RE in 2016-17 under Demand no. 38 (Appropriations - Repayment of Debt), wherein, the BE of Rs 44,06,431.08 crore has been drastically increased to Rs 54,91,868.78 crores; amounting to a steep increase to the tune of Rs 10,85,437.70 crore at RE stage for the year 2016-17. From the above instances of inconsistent budgeting and recurring occurrences of wide variations between the budget estimates, revised estimates and the Actuals, the Committee cannot but conclude that the budgetary exercise should have been done with greater due diligence. The Committee, would once again urge that the standard rules and guidelines may be strictly applied and if required, objective parameters may be devised for this purpose so as to avoid inconsistencies and mismatch in their estimates in future and put forth realistic and need based demands.

## ***CHANGES IN BUDGETARY SCHEDULE***

2. The Committee agree with the decision of the government in advancing the budget date so that the financial business of the government finishes before 31st March of each year and the respective ministries/departments/organizations are able to spend their allocated money as per the underlying policy/scheme/activity etc. right from the beginning of the financial year. The Committee however find that shifting the budget by one month leads to non-availability of comparative data for almost a quarter and in the process, the utilization of funds, achievement of physical and financial targets cannot be determined and therefore the performance of the ministry/departments /other schemes/policies cannot be assessed in proper perspective. The Committee, therefore, believe that greater preparations and adequate groundwork should have been made before hastening this exercise. The Committee would thus expect a more thorough exercise next year onwards. Keeping in view the above constraints, the Committee would suggest that the financial year may also be correspondingly shifted to calendar year and the budget date be further advanced correspondingly.

## ***UNDER-UTILIZATION OF FUNDS IN THE INSURANCE SCHEMES***

3. In respect of APY (Atal Pension Yojana), Rs. 29 crore has been released against the BE 2016-17 of Rs. 200 crore ; in respect of Prime Minister Jan Dhan Yojana (PMJDY),Rs 1 crore has been utilised against the RE of Rs 100.00 crore in 2014-15; Rs 10.00 crore against BE of Rs 100.00 crore in 2015-16; Rs 0.00 crore against Rs BE of Rs 100 crore in 2016-17; in respect of PMJJBY (Pradhan Mantri Jeevan Jyoti Bima Yojana) and PMSBY (Pradhan Mantri Suraksha Bima Yojana) no fund has been utilised till Dec 2016 under the schemes; in respect of AABY (Aam Aadmi Bima Yojana) also, the BE of Rs 450 crore for 2016-17 remains unutilised till Dec 2016 and in respect of VPBY (Varistha Pension Bima Yojana) no expenditure has been incurred under this scheme till December 2016 against the RE of Rs 109.32 crore. From the above, it appears that various schemes have been launched without undertaking effective exercise for accurate estimation of requirement of funds under these schemes and also without having proper plan

for utilisation of the allocations. The Budget allocations thus made under these heads, resulted in the funds lying idle and the schemes remaining bereft of achieving the desired objectives and social outcomes. The Committee would, therefore, urge the concerned officials to be more diligent in estimation of requirements and strive for utilisation of the funds allocated for implementing these schemes which are fundamentally meant for providing much needed social security cover to the people in distress. The Committee desire that these schemes need to be popularised through a regular pro-active public awareness campaign through electronic and print media. The Committee would further suggest the Ministry to explore the possibility of having a single comprehensive social security scheme to cater to the needs of varied beneficiaries in place of numerous existing schemes and thus avoid thin spread of resources. Furthermore, the Committee would expect the Schemes for optimal utilisation of the Budgetary allocations for Welfare of SC, ST, Other Vulnerable Groups, Women, Children etc. to be pursued vigorously, as emphasized in the Budget speech document (2017-18).

The Committee would also recommend in this regard that a separate legislation for the SC & ST component of the expenditure may be brought, as done by some of the States, particularly at this stage when the distinction between plan and non-plan components have been done away with. A similar trend of large under-utilisation of budgeted estimate/allocation has been noticed with respect to Viability Gap Funding (VGF) for infrastructure development as well, with the actual expenditure (upto December 2016) remaining only Rs. 102.27 crore against the allocated amount of Rs. 250.00 crore meant for India Infrastructure Project Development Fund and activities for mainstreaming PPP projects. As such non-utilisation or under-utilisation has an adverse impact upon infrastructure development, special monitoring of expenditure is urgently warranted.

### ***"UNSPENT BALANCES" INSTEAD OF "SAVINGS"***

4. The Committee further note that in the Demands for Grants document, the Ministry of Finance termed the allocation which has been left unutilised at the end of every fiscal as "savings", which is mis-leading, as such unutilised allocations are not actually any 'savings' but 'unspent' or 'unutilised' funds, which have therefore to be expressed as such in all future financial documents. After utilising the funds for the intended purpose, what remains should be actually defined as 'Savings', distinguishing it thus from unspent balance which relates to non-achievement of the budgeted objectives.

### ***REGIONAL RURAL BANKS (RRBs)***

5. The Budget allocation for RRBs in 2014-15 was Rs 50.00 crore but it was left unspent at the end of the year. The allocation of Rs 140.00 crore in 2016-17 was revised to Rs 5.50 crore at RE stage. However only Rs 2.60 crore has been spent till 2016. From the way the Budget Allocations for RRBs have been left unspent or under-utilised, the Committee apprehend that RRBs, which have been set up primarily to provide credit and related facilities to the small and marginal farmers, agricultural labourers, artisans and entrepreneurs in rural areas, have not been treated with due seriousness. The Committee therefore recommend that the Government should take all steps to improve the state of affairs of the RRBs with urgency and focus on bringing them in the mainstream core banking by incentivising them adequately. As the RRBs are one of the main instruments for financial inclusion/rural credit delivery, they are required to be strengthened with adequate capital, especially considering the paucity of credit available in the rural hinterland.

### ***PUBLIC SECTOR BANKS-RE-CAPITALISATION, CD RATIO etc.***

6. In the backdrop of rising NPAs, stressed assets, large provisioning and declining profitability, the Committee find that the PSBs are not in a state of sound financial health. With the recent upsurge in deposits post-demonetisation, the Committee would expect greater flow of credit to industry, particularly MSMEs. The Committee would also expect the CD ratios of PSBs which are

particularly low in the eastern and North-eastern region, to improve and also become more equitable and evenly spread across different regions of the country. The fresh capital infusion in PSBs through budgetary allocations viz. Rs. 10,000 crore and deposits due to demonetisation should be thus well-utilised for boosting affordable credit to different sectors of the economy.

7. It is also necessary that the government also imposes accountability on the banks for the funds being infused. Given the strain on its fiscal resources, it would be difficult for the Government to periodically infuse capital into these banks. It is therefore expedient that the Government should enforce certain minimum performance parameters in this regard, while rewarding efficiency. As the PSBs account for a substantial chunk of the resources for the commercial sector, the Indian economy needs a strong and vibrant banking system in the public sector. Since NPAs/stressed assets have been steadily increasing inspite of several restructuring schemes, we find the credit growth at an all-time low. The Government should, therefore, instill dynamism and confidence in the banking sector so that rational decisions can be made keeping in view profitability and prudent investment, without fear of disciplinary action even in cases of judicious decisions. It has thus become necessary that the morale of bankers is maintained so that credit growth picks up.

#### ***DIGITALISATION OF ECONOMY***

8. The Committee note the statement made in the Budget Speech 2017-18 stating that promotion of digital economy will help *"clean the system and weed out corruption and black money. It has a transformative impact in terms of greater formalisation of the economy and mainstreaming of financial savings into the banking system. A shift to digital payments has huge benefits for the common man"*. The Committee also note that the Government have launched various initiatives and apps such as JAM trinity (Jan Dhan- Aadhaar- Mobile) BHIM (Bharat Interface for Money App) etc to push towards digitalisation of economy. However, the Committee desire that the Government must also take serious cognizance of the rising cyber crimes in the country, so that these crimes

are nipped in the bud and the process of digitalisation is not stymied on this count. They are also apprehensive that with growing digitisation, these cyber crimes may further increase. In this regard, the government should also adequately incentivise and smoothen the processes of transactions through the digital mode by making them attractive to the common man by way of fiscal concessions, low-cost high speed internet connectivity etc. Digital payment systems cannot grow without a robust and stable digital infrastructure, high speed and stable data connectivity to the last mile, and finally data security. Further, for better adoption of electronic payments, digital transactions should not be more expensive than cash. Therefore, the focus will have to shift to reducing transaction costs through technological innovations, greater volumes and sharing of savings generated from dealing with less cash. Thus, moving to a largely cashless or less-cash economy from the abysmally low current level, cannot obviously be achieved overnight or hastened through a fiat. It would require a massive technological and attitudinal change and for this, improving financial literacy, especially among the rural population becomes the need of the hour. The Committee, therefore, believe that providing low-cost, broad-based and secured digital infrastructure, reducing the costs of transaction, and promoting financial literacy on a large scale should now become the focus areas for the government, as it seeks to achieve its laudable objectives

#### **RECOMMENDATION OF THE STANDING COMMITTEE FINANCE ON CESS**

9. The Committee would like to refer to their 29th Report on the Demands for Grants (2016-17) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Investment & Public Asset Management), wherein they have observed that the "rationale of a cess is that the money it generates can only be used for the designated purpose, which makes it an effective policy tool in theory. However, if the money is not spent for the designated purpose or is diverted, it simply stagnates and distorts the economy further, as the additional tax brings down real income without any accompanying gain in socio-economic indicators as targeted". In the light of this observation, the Committee desire that the Government must observe strict financial prudence

and discipline with regard to the designated utilisation of various cesses being levied. In any case, the Committee would expect these cesses to be subsumed in the proposed GST regime.

### ***BUSINESS SERVICE PRICE INDEX***

10. The Committee are of the view that the figures of retail inflation being relied upon may be understated because services sector inflation may not be adequately captured. It is worth noting in this regard that the RBI shifted focus from wholesale prices to consumer prices for determining its monetary policy not merely because it would reflect the ground situation, but also because the wholesale price index did not include services in its basket. However, even in the Consumer Price Index (CPI), the rising cost of education, healthcare, transportation, among others, are not fully reflected. The Committee believe that items of expenditure like medical and education, largely owing to their privatised nature and the widening supply-demand gap, may be rising disproportionately higher than what could be captured in the CPI. Accurate data on services inflation is thus crucial for understanding relative price movements, particularly since the services sector accounts for over half the GDP. Sectoral regulators also need better data on prices, production and quality of services to act in the consumer's interest. The Committee would therefore recommend a separate and distinct index namely, Business Service Price Index, which will accurately factor in and reflect the rising costs of different services in the economy, enabling the government to tailor their policy responses accordingly.

### **IMPLEMENTATION OF BUDGET ANNOUNCEMENTS RELATING TO AIIMS AND UMPP**

11. In 2015-16 Budget Speech, it was announced that AIIMS-like institutions are to be set up in J&K, Punjab, Tamil Nadu, Himachal Pradesh and Assam. The Committee would expect the Government to implement these announcements with tangible development and progress at the ground level. Similarly, the announcement made with regard to setting up of AIIMS-like institutions in the

states of Gujarat and Jharkhand as announced in the Budget 2017-18 should also be acted upon and the project implemented within a given time frame. Similarly, with regard to the setting up of the proposed five ultra mega power projects (UMPPs), the budget announcements (2015-16), have not been followed through. The Committee would like to be kept apprised of the concrete progress made towards this end.

## **DISINVESTMENT**

12. As regards the government policy on disinvestment, the Committee are of the view that instead of merely setting out numerical targets for disinvestment, the focus should be on policy objectives of this exercise as a key reform, like diluting government's stakes in select, identified non-strategic sectors, true operational autonomy for the disinvested PSUs, public listing of large undertakings in the financial sector subjecting them to greater public scrutiny and, utilisation of disinvestment proceeds for possible revival of ailing public undertakings, wherever deemed feasible. Further, the Committee believe that the purpose of disinvestment is defeated when it remains a transaction between two or more PSUs only instead of contributing to Consolidated Fund of India as a non-tax revenue. Thus it is time, disinvestment is properly defined so that the process does not remain a mere statistical book-adjustment among some PSUs. The Committee desire that disinvestment should thus become more credible and purposeful with transparency and its utilisation should be monitored. The Committee desire that a concrete road map in this direction may accordingly be prepared and acted upon under intimation to the Committee.



**Minutes of the Tenth sitting of the Standing Committee on Finance (2016-17)**  
**The Committee sat on Wednesday, the 15 February, 2017 from 1100 hrs. to 1600**  
**hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.**

**PRESENT**

**Dr. M. Veerappa Moily - Chairperson**

**LOK SABHA**

2. Shri Nishikant Dubey
3. Shri P.C. Gaddigoudar
4. Prof. Sanwar Lal Jat
5. Shri Rattan Lal Kataria
6. Shri Bhartruhari Mahtab
7. Shri Prem Das Rai
8. Prof. Saugata Roy
9. Shri Gopal Chinayya Shetty
10. Shri Kiritbhai Solanki
11. Shri Dinesh Trivedi
12. Shri Shivkumar Udasi

**RAJYA SABHA**

13. Shri Naresh Gujral
14. Shri Digvijaya Singh
15. Dr. Manmohan Singh

**SECRETARIAT**

- |    |                              |   |                     |
|----|------------------------------|---|---------------------|
| 1. | Smt. Abha Singh Yaduvanshi   | - | Joint Secretary     |
| 2. | Shri R.C. Tiwari             | - | Director            |
| 3. | Shri Ramkumar Suryanarayanan | - | Additional Director |
| 4. | Shri Kulmohan Singh Arora    | - | Deputy Secretary    |

**PART I (1100 hrs - 1340 hrs)**

**WITNESSES**

**Department of Expenditure**

1. Shri Ashok Lavasa, Finance Secretary, Secretary (Expenditure)
2. Ms. Archana Nigam, Controller General of Accounts
3. Shri Pramod Kumar Das, Additional Secretary
4. Dr. Sandeep Dave, Joint Secretary (PF-II)
5. Shri Rajeev Ranjan, Joint Secretary (PF-I)
6. Ms. Annie George Mathew, Joint Secretary (Pers.)
7. Ms. Meera Swarup, Joint Secretary & Financial Adviser (Finance)

**Department of Economic Affairs**

1. Shri Shaktikanta Das, Secretary
2. Dr. Arvind Subramanian, Chief Economic Adviser
3. Dr. H.A.C. Prasad, Senior Economic Adviser
4. Dr. Archana S. Mathur, Senior Adviser
5. Shri Praveen Garg, Joint Secretary (FM)
6. Shri Prashant Goyal, Joint Secretary (Budget)
7. Shri S. Selvakumar, Joint Secretary (ABC)
8. Ms. Sharmila Chavaly, Joint Secretary (I&E)
9. Shri Rajkumar, Joint Secretary (MI)
10. Dr. Saurabh Garg, Joint Secretary (I&C)
11. Shri Sameer Kumar Khare, Joint Secretary (MR)
12. Dr. Shashank Saksena, Economic Adviser

**Department of Financial Services**

1. Smt. Anjuly Chib Duggal, Secretary
2. Shri G.C. Murmu, Additional Secretary
3. Shri Anil Kumar Khachi, Additional Secretary

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

1. Shri Neeraj Kumar Gupta, Secretary
2. Ms. Meera Swarup, Joint Secretary
3. Shri Ravi Agrawal, Joint Secretary
4. Shri Bhushan Kumar Sinha, Economic Adviser

2. At the outset, the Chairperson welcomed the Members and the Witnesses to the sitting of the Committee. After the customary introduction of the Witnesses and their introductory remarks, the Committee took their oral evidence in connection with the examination of Demands for Grants (2017-18) of the Ministry of Finance (Departments of Expenditure, Economic Affairs, Financial Service, and Investment and Public Asset Management. The Major issues discussed during the sitting include declining public expenditure and investment with corresponding fall in private investment, prospect of rise in inflation, unemployment, wage and trade losses arising out of demonetisation, merger of Plan and Non Plan expenditure, fiscal deficit, revenue deficit, digitisation of economy, Non-Performing Assets (NPAs), recapitalisation of Public Sector Banks (PSBs), disinvestment, GDP projection, last-mile connectivity with optical fibre, merger of Railway Budget with General Budget, Budget announcement *vis-a-vis* implementation etc.

The witnesses then withdrew.

**PART II (1400 hrs)**

**WITNESSES**

	XX	XX	XX	XX	XX	XX
2.	XX	XX	XX	XX	XX	XX.

(The witnesses then withdrew)

A verbatim record of the proceedings has been kept

The Committee then adjourned.

**Minutes of the Thirteenth sitting of the Standing Committee on Finance  
The Committee sat on Thursday, the 16 March, 2017 from 1500 hrs to 1545 hrs,  
Chamber of Chairperson, Room No. 114, Parliament House Annexe, New Delhi.**

**PRESENT**

**Dr. M. Veerappa Moily - Chairperson**

**LOK SABHA**

2. Shri T.G. Venkatesh Babu
3. Shri Gopalakrishnan Chinnaraj
4. Shri Nishikant Dubey
5. Shri P.C. Gaddigoudar
6. Shri Shyama Charan Gupta
7. Shri Rattan Lal Kataria
8. Shri Chandrakant B. Khaire
9. Shri Bhartruhari Mahtab
10. Shri Prem Das Rai
11. Shri Gajendra Singh Sekhawat
12. Shri Gopal Chinayya Shetty
13. Shri Anil Shirole
14. Dr. Kiritbhai Solanki
15. Dr. Kirit Somaiya
16. Shri Shivkumar Udasi

**RAJYA SABHA**

17. Shri Naresh Gujral
18. Dr. Mahendra Prasad
19. Shri Ajay Sancheti
20. Dr. Manmohan Singh

**SECRETARIAT**

- |    |                              |   |                     |
|----|------------------------------|---|---------------------|
| 1. | Smt. Abha Singh Yaduvanshi   | - | Joint Secretary     |
| 2. | Shri R.C. Tiwari             | - | Director            |
| 3. | Shri Ramkumar Suryanarayanan | - | Additional Director |
| 4. | Shri Kulmohan Singh Arora    | - | Deputy Secretary    |

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee, thereafter, the Committee took up the following draft reports for consideration and adoption:

- (i) Draft Report on Demands for Grants (2017-18) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Investment & Public Asset Management).
- (ii) Draft Report on Demands for Grants (2017-18) of the Ministry of Finance (Department of Revenue).
- (iii) Draft Report on Demands for Grants (2017-18) of the Ministry of Planning.

After some deliberations the Committee adopted the above draft Reports with some minor modifications as suggested by Members. The Committee authorised the Chairperson to finalise the Reports in the light of the modifications suggested and present the same to Parliament.

The Committee then adjourned.