7

STANDING COMMITTEE ON FINANCE
(2019-20)

SEVENTEENTH LOK SABHA

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

DEMANDS FOR GRANTS
(2020-21)

SEVENTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

March, 2020 / Phalguna, 1941 (Saka)

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(2020-21)

Presented to Lok Sabha on 12th March, 2020

Laid in Rajya Sabha on 12th March, 2020

LOK SABHA SECRETARIAT
NEW DELHI

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Shri Jayant Sinha - Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Subhash Chandra Baheria
4. Shri Vallabhaneni Balashowry
5. Shri Shrirang Appa Barne
6. Dr. Subhash Ramrao Bhamre
7. Smt. Sunita Duggal
8. Shri Gaurav Gogoi
9. Shri Sudheer Gupta
10. Smt. Darshana Vikram Jardosh
11. Shri Manoj Kishorbhai Kotak
12. Shri Pinaki Misra
13. Shri P.V Midhun Reddy
14. Prof. Saugata Roy
15. Shri Gopal Chinayya Shetty
16. Dr. (Prof.) Kirit Premjibhai Solanki
17. Shri Manish Tewari
18. Shri P. Velusamy
19. Shri Parvesh Sahib Singh Verma
20. Shri Rajesh Verma

21 Shri Giridhari Yadav

RAJYA SABHA

22. Shri Rajeev Chandrasekhar
23. Shri A. Navaneethakrishnan
24. Shri Praful Patel
25. Shri Amar Patnaik
26. Shri Mahesh Poddar
27. Shri C.M. Ramesh
28. Shri T.K. Rangarajan
29. Shri G.V.L Narasimha Rao
30. Dr. Manmohan Singh
31. Smt. Ambika Soni

SECRETARIAT

1. Shri. Vinod Kumar Tripathi - Joint Secretary
2. Shri Ramkumar Suryanarayanan - Director
3. Shri Kh. Ginlal Chung - Under Secretary

INTRODUCTION

I, the Chairperson, of the Standing Committee on Finance, having been authorised by the Committee, present this Seventh Report (Seventeenth Lok Sabha) on 'Demands for Grants (2020-21)' of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services, and Investment and Public Asset Management).

2. The Demands for Grants (2020-21) 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 07 February, 2020 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 Expenditure, Financial Services, and Investment and Public Asset Management) on 25 February, 2020. And on 3rd March, 2020 the Committee took oral evidence of the representatives of the Department of Economic Affairs, Ministry of Finance. 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 (2020-21).

4. The Committee considered and adopted this Report at their Sitting held on 6th March, 2020.

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

New Delhi;
06 March, 2020
16 Phalguna, 1941 (Saka)

SHRI JAYANT SINHA,
Chairperson
Standing Committee on Finance

REPORT

PART I

I. INTRODUCTORY

1.1 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
27	Department of Economic Affairs
28	Department of Expenditure
29	Department of Financial Services
30	Department of Investment and Public Asset Management
31	Department of Revenue
32	Direct Taxes
33	Indirect Taxes
34	Indian Audit and Accounts
35	Appropriation- Interest Payments
36	Appropriation- Payment of Debt
37	Pensions
38	Transfer to States

1.2. Demand no.. viz; 31,32, and 33 pertaining to Department of Revenue, Direct Taxes and Indirect Taxes respectively are examined and reported separately by the Committee since 1998-99.

II MANDATE OF THE DEPARTMENTS OF ECONOMIC AFFAIRS (Demand no. 27), EXPENDITURE (Demand no. 28), FINANCIAL SERVICES (Demand no. 29) & INVESTMENT AND PUBLIC ASSET MANAGEMENT (Demand no. 30),

Department of Economic Affairs

Demand No. 27

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

(1) Economic Division

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

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

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

(2) Budget Division

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

(3) Financial Market Division

Policy Developments

a) Primary Market Section

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

b) Secondary Market Section

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

c) Commodity Derivatives Section

i. Unified Exchanges

After allowing for integration of commodity derivatives market with equity market at the level of intermediaries/ brokers, integration has been facilitated at the level of Exchanges from October 2018 onwards. BSE so far has launched commodity derivatives contracts for gold, silver, crude oil, copper, guar gum, guar seed and cotton and NSE has launched contracts for gold, silver and crude oil.

(4) <u>Financial Stability and Cyber Security</u>

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

(5) Financial Sector Reforms and Legislation Division

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

(6) <u>Infrastructure Policy & Finance Division</u>

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

(7) Investment Division

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

(8) Administration Division

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

(9) Currency & Coin Division-Currency Section

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

(10) UN Division

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

Department of Expenditure

Demand No.28

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

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

Department of Financial Services

Demand No. 29

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

2.5 DFS also deals with legislative and other issues pertaining to the concerned regulatory bodies such as the Insurance Regulatory and Development Authority of India (IRDAI), the Pension Fund Regulatory and Development Authority (PFRDA) and with certain legislative matters related to Reserve Bank of India (RBI). The latest information of number of banks and insurance companies is as follows:

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

Demand No. 30

Department of Investment and Public Asset Management

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

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

I. Functions

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

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

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

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

   (b) Advise the Government in matters of financial restructuring of the Central Public Sector Enterprises and for attracting investment in the said Enterprises through capital market.
5. The Unit Trust of India Act, 1963 (52 of 1963) along with subjects relating to Specified Undertaking of the Unit Trust of India (SUUTI).

2.9 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 27th 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.

III. SUBMISSION FURNISHED ON DEMAND NOs. 34,35,36,37 and 38

Demand No. 34
Indian Audit & Accounts Department

3.1 Statement showing approved provision in Budget Estimates, Revised Estimates from 2016-17 onwards along with actual expenditure.

(Rs. in Crore)

Year	Budget Estimates (Gross)	Revised Estimates (Gross)	Expenditure
2020-21	5383.27	-	-
2019-20	5025.51	5053.30	-
2018-19	4630.12	4851.56	4812.26
2017-18	4322.24	4400.56	4310.55
2016-17	3934.27	4070.50	4050.88

The position of Budget Estimates approved for the years 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21 is as under:-

PART – A

1. MAJOR HEAD : 2016 – Audit

(In thousands of Rupees)

Revenue Section				
Year	Voted	Charged	Total	% Increase
2020-21	51788100	1864600	53652700	7.09%
2019-20	48322200	1776900	50099100	8.58%
2018-19	44535900	1605300	46141200	7.07%
2017-18	41630300	1465400	43095700	9.86%
2016-17	37931400	1296300	39227700	-

The total Grant is for establishment related expenditure.

2. MAJOR HEAD : 4059 – Capital Outlay on Public Works

(In thousands of Rupees)

Year	Voted	Charged	Total	% Increase
2020-21*	90000	-	90000	12.50%
2019-20	80000	-	80000	-
2018-19*	80000	-	80000	19.94%
2017-18	66700	-	66700	11.17%
2016-17	60000	-	60000	-

The increase in 2018-19 and 2020-21 is due to provisioning for major renovation works of office buildings of Indian Audit & Accounts Department.

3. MAJOR HEAD : 4216 – Capital Outlay on Housing

(In thousands of Rupees)

Year	Voted	Charged	Total	% Increase
2020-21*	90000	-	90000	12.50%
2019-20	80000	-	80000	-
2018-19*	80000	-	80000	33.33%
2017-18	60000	-	60000	9.09%
2016-17	55000	-	55000	-

The increase in 2018-19 and 2020-21 is due to provisioning for various facilities in residential colonies of Indian Audit and Accounts Department.

DEMAND No. 35

INTEREST PAYMENTS

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

3.3. The Budget Estimates/Revised Estimates and actual for the years 2017-18, 2018-19, 2019-20 and 2020-21 (on gross basis) is tabulated below:

Table: Appropriation No. 35- Interest Payments' **(` in crore)**

Year	BE	Percentage increase/decrease over previous year	RE	Percentage increase/ decrease over previous year	Actual	Percentage increase/ decrease over previous year
On Gross Basis						
2017-18	538078.39	5.99	543800.29	7.41	543710.07	7.77
2018-19*	590794.95	9.80	599991.60	10.33	595554.03	9.54
2019-20	673470.60	13.99	663297.18	10.55		
2020-21	733203.16	8.87				
On Net Basis						
2017-18	523078.39	6.17	530842.56	9.89	528951.99	10.03
2018-19*	575794.95	10.08	575794.95	8.47	582648.45	10.15
2019-20	660470.60	14.71	625105.23	8.56		
2020-21	708203.1	7.23				
*: Provisional Actual						

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

In RE 2019-20, there is a substantial reduction in the requirement due to softening of the yields due to reduction in Policy rates by RBI on previous 5 consecutive occasions. There is about 90 bps reduction in the weighted average cost of the borrowing in 2019-20 when compared to wt. avg. cost of borrowing at 7.77% in 2018-19. In the BE 2020-21, a higher provision has been incorporated due to higher volume of borrowing & issuance of Government securities.

DEMAND NO. 36

REPAYMENT OF DEBT

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

3.5 Fiscal Deficit in a year is financed through borrowings from various sources, net of repayments and cash draw-down. In a fiscal deficit regime, repayment obligations are met out of fresh borrowings. An analysis of Demands for Grants No.36-Apprpriation- 'Repayment of Debt', i.e. Major Head-wise percentage increase/decrease over the last three years are as under: -

Table: Appropriation No. 36- REPAYMENT OF DEBT

(Rs. in crore)

Year	BE	% increase/ Decrease Over previous year	RE	% increase/ Decrease over previous year	Actual	% increase/ decrease over previous year
Major Head – 6001 – Internal Debt						
2017-2018	5055023.76	15.39	5753204.93	5.28	5845919.36	3.42
2018-2019*	6055518.37	19.79	6160227.49	7.07	6034206.61	3.22
2019-2020	5947825.09	-1.78	6312279.00	2.47	-	-
2020-21	6853533.56	15.23	-	-	-	-
Major Head-6002-External Debt						
2017-2018	30281	17.85	27066	0.24	26685.27	1.87
2018-2019*	29455	-2.73	31340	15.79	30738.77	15.19
2019-2020	35363	20.06	34110	8.84	-	-
2020-21	37388	5.73	-	-	-	-
*Provisional Actual						

The net increase in the RE 2019-20 over BE 2019-20 in respect of internal debt is mainly on account of issuance of higher volume of Cash Management Bills (CMBs) Auction Treasury Bills (ATBs), of 182/364 days, securities issued to International Financial Institutions, compensation and other Bonds and availing of more WMA to repay the short-term borrowings on the maturity. The higher requirement in RE 2019-20 as against the requirement in BE 2019-20 due to persistent mismatch in the Receipts and Payments of the Government.

RE 2019-20 provision for external debt repayment is marginally lower on account of exchange rate variation in JPY, USD and SDR vis-à-vis Indian currency. The provision of Rs 34,110 crore is incorporated in RE 2019-20, primarily on account of the scheduled repayments (including rescheduling at current exchange rates). In BE 2020-21, a provision of Rs 37,388 crore has been considered based on the repayment schedule. The BE 2020-21 provision is higher by Rs 3,278 crore over RE 2019-20.

3.6 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.

DEMAND NO.37
PENSION

3.7 The Para wise information required in Lok Sabha Secretariat of O.M. No.12/1/2/2019-20/FC dated 02.01.2020 by 04.02.2020.are as under:-

B. A brief summary of Demands for Grants along with necessary explanatory notes, analysis of Demands for Grants and a note on the total funds sought by the Ministry. The year wise allocation and utilization figures for the last 3 years (including funds surrendered).

Reply: (Para 3B) - Brief summary of demands for Grants for the years 2020-21 along with the necessary explanatory notes are as under:-

Grant No.37- Pensions is a Composite Grant relating to Central Civil Pension Payments. The Budget Estimates are prepared on the basis of projections of expenditure received from various Civil Ministries/Departments and trend of expenditure booked by CPAO.

(Percentage Variation in Heads over the last three years)

(Rs. in Crores)

Year	Major Head	Budget Estimate	Revised Estimate	Actual Exp.	Revised Estimate (previous years)	Increase over Previous Year (Col.4-6)	Percentage Increase Col.7x100 / Col.6
1	2	3	4	5	6	7	8
2017-18	2071-Pension and other Retirement Benefits	35118.32	41118.17	41195.52	33134.41	7983.76	24.09
	2235-Social Security & Welfare	51.68	51.83	39.93	45.59	6.24	13.68
	Total	35170.00	41170.00	41235.45	33180.00	7990	24.08
2018-19	2071-Pension and other Retirement Benefits	47378.09	47378.09	44696.85	41118.17	6259.92	15.22
	2235-Social Security & Welfare	51.91	51.91	39.75	51.83	0.08	15.43
	Total	47430.00	47430.00	44736.60	41170.00	6260	15.20
2019-20	2071-Pension and other Retirement Benefits	49510.50	51510.50	46179.95 upto Dec,2019	47378.09	4132.41	8.72
	2235-Social Security & Welfare	54.50	54.50	28.94 upto Dec,2019	51.91	2.59	4.98
	Total	49565.00	51565.00	46208.89 upto Dec,2019	47430.00	4135.00	8.71
2020-21	2071-Pension and other Retirement Benefits	62124.90	-	-	-	-	-
	2235-Social Security & Welfare	44.45	-	-	-	-	-
	Total	62169.35	-	-	-	-	-

Reasons for variations in the Revised Estimates for the last three years 2017-18 to 2019-20 are broadly as under:-

- Due to increase in D.A. rates.

Date from which payable	Dearness Allowances Rate
01.01.2017	4%
01.07.2017	5%
01.01.2018	7%
01.07.2018	9%
01.01.2019	12%
01.07.2019	17%

- Due to increase in number of Pensioners.

Date	No. of Pensioners
Till 31.03.2017	10,64,438
Till 31.03.2018	11,15,537
Till 31.03.2019	11,63,468

- Due to increase in pension after attaining the age of 80 years and above.
- Due to increase in Govt. Contribution from 10% to 14% w. e .f. 01.04.2019 of Defined Contribution Pension Scheme (DCPS).

(Rs. in Crores)

Financial year	Expenditure under DCPS
2017-18	3537.95
2018-19	4057.36
2019-20	4456.62 (upto Dec,2019)

3(C). Please furnish details of off-Budget expenditure made, if any during the last three years.

Reply: (**Para 3C)** – No off-Budget expenditure made during the last three years. Therefore, information in this regard may be submitted as“NIL”.

3(D). Please furnish details of separate non-lapsable funds created if any during the last three years.

Reply: (**Para 3D)** - No separate non-lapsable fund created for Pension Grant during the last three years. Therefore, information in this regard may be submitted as“NIL”.

3(E) A detailed note indicating the extent to which various items of the Demands for Grants for 2020-21 stand modified in the light of the recommendations of the Committee’s Report on Demands for Grants (2019-20).

Reply:- (Para 3E) - No recommendation of the committee's Report on demands for Grants (2019-20) for the Pension Grant has been provided, therefore it may be treated as "NIL".

Demand No. 38

Transfers to States

Public Finance-States & FCD

State Finances Division

3.8 The State Finances (Public Finance-States) Division of Department of Expenditure looks after matters relating to finances of the State Government, including fixing of borrowing ceiling of the States, issue of permission for borrowings under Article 293(3) of the Constitution of India, debt relief measures (as recommended by the Finance Commissions), releases of Additional Central Assistance for Externally Aided Projects (Grants and Loan Portion), Special Assistance to States, releases on recommendation of Finance Commissions and Assistance under NDRF under Demand No. 38.

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

3.10 The FFC, after making detailed assessment of the revenue expenditure need of the States, including Plan and Non-Plan expenditure, has recommended increase in tax devolution from 32% to 42% in the divisible pool of Union Taxes. Accordingly, the former additional central assistance in the form of block grants namely NCA, SCA, SPA, etc. got subsumed in the higher tax devolution recommended by FFC.

The State's share of Central Tax during 2019-20 BE is estimated to be Rs.8,09,133.02 crore as compared to Rs. 7,36,879.65 crore in 2018-19 RE showing an increase of Rs. 72,253.37 crore during 2019-20. Besides, as per the FFC recommendation, Grant-in-aid of Rs. 34,206.00 crore to cover revenue deficit of State, local body grants (rural and urban local bodies) of Rs. 75,916.37 crore & grants of Rs. 10,343.85 crore for augmenting the State Disaster Response Fund (SDRF) has also been provided during BE 2019-20.

An amount of Rs.2,00,447.50 crore is estimated in 2020-21 (BE) in Demand No. 38 for transfer to States as Grants.

IV. Outlays in Major Sectors and Allocations in Major Schemes in Budget 2020-21.

4.1 **Budget 2020-21 Outlays Major Sectors** (Rs in Crore)

Sl. No.	Sectors	BE 2019-20	RE 2019-20	BE 2020-21	Increase or decrease in 2020-2021 BE over 2019-20 RE
1*	Agriculture & Allied, Irrigation & Rural Development	2,76,380	2,49,910	**2,83,202**	*+33,292*
2*	Wellness, Water, Sanitation	93,294	89,618	**96,885**	*+7,267*
3*	Education & Skill Development	97,843	97,385	**1,02,314**	*+4,929*
4#	Industry & Commerce	27,043	28,608	**27,227**	*-1,381*
5#	Transport Infrastructure	1,57,437	1,58,207	**1,69,637**	*+11,430*
6#	Energy	39,215	38,127	**40,740**	*+2613*
7@	Information Technology & Space Technology	19,127	18,979	**20,379**	*+1400*
8@	Communication (Bharat Net)	8,350	3,000	**8,000**	*+5000*
9@	Science & Technology	13,056	12,745	**14,473**	*+1728*
10&	Women & Child Development and Social welfare	50,850	48,210	**53,876**	*+5666*
11&	Culture & Tourism	5,232	3,963	**5,650**	*+1687*
12&	Environment & Climate Change	2,955	2,658	**3,100**	*+442*
13^	Banking, Insurance, Financial Market and Infra Finance	19,002	23,686	**40,433**	*+16,747*
	SUMMARY				
Sl. No.	**Cluster**	BE 2019-20	RE 2019-20	BE 2020-21	(2019-20 RE - 2020-21 BE)
I	**Aspirational India** *	**4,67,517**	**4,36,913**	**4,82,401**	*+45,488*
II	**Economic Development #**	**2,23,695**	**2,24,941**	**2,37,604**	*+12,663*
III	**New Economy @**	**40,534**	**34,724**	**42,852**	*+8128*
IV	**Caring Society &**	**59,036**	**54,831**	**62,626**	*+7795*
V	**Financial Sector ^**	**19,002**	**23,686**	**40,433**	*+16747*

The allocation for National Infrastructure and Investment Fund (NIIF) and Viability Gap Funding on 2020-21 are Rs 503.01 crore and Rs 240.69 crore.

4.2 Budget 2020-21 Major Scheme Allocation

(Rs in Crore)

Sl. No.	Sectors	BE 2019-20	RE 2019-20	BE 2020-21	Remarks/ (2019-20 RE - 2020-21 BE)
1	National Social Assistance Progam	9200	9200	**9197**	*-3*
2	Mahatma Gandhi National Rural Employment Guarantee Program	60,000	71,002	**61,500**	*-9502*
3	Umbrella Scheme for Development of Schedule Castes	5,445	5,568	**6,242**	*+674*
4	Umbrella Programme for Development of Scheduled Tribes	3,810	4,194	**4,191**	*-3*
5	Umbrella Programme for Development of Minorities	1,590	1,709	**1,820**	*+111*
6	Umbrella Programme for Development of Other Vulnerable Groups	1,818	1,846	**2,210**	*+364*
7	National Ganga Plan	750	353	**800**	*+447*
8	Pradhan Mantri Gram Sadak Yojna	19,000	14,070	**19,500**	*+5430*
9	Pradhan Mantri Awas Yojna (PMAY)	25,853	25,328	**27,500**	*+2172*
10	Jal Jeevan Mission (JJM)	10,001	10,001	**11,500**	*+1499*
11	Swachh Bharat Mission	12,644	9,638	**12,294**	*+2656*
12	National Health Mission	33,651	34,290	**34,115**	*-175*
13	National Education Mission- Samgra Shiksha	38,547	37,672	**39,161**	*+1489*
14	PMJAY-Ayushman Bharat	6,556	3,314	**6,429**	*+3115*
15	Pradhan Mantri Kisan Samman Nidhi (PMKISAN)	75,000	54,370	**75,000**	*+20630*
16	Deen Dayal Antyodaya Yojana- National Livelihood Mission - Ajeevika	9,774	9,774	**10,005**	*+231*
17	Pardhan Mantri Swasthya Suraksha Yojana	4,000	4,733	**6,020**	*+1287*
18	Umbrella Integrated Child development Scheme	27,584	24,955	**28,557**	*+3602*
19	National Programme of Mid Day Meal in Schools	11,000	9,912	**11,000**	*+1088*

V. Budgetary Allocation-Mismatch/variation/inconsitencies

5.1 Demand No: 27

Department: Economic Affairs

(Rs in Crore)

Year	BE	RE	Actuals
2016-17			15092.16
2017-18	15455.84	15690.42	9490.22
2018-19	18329.46	31810.94	22950.19
2019-20	20420.43	28582.62	
2020 -21	51658.96		

On being asked the reasons for such inconsistencies in the budget of Department of Economic Affairs as a whole, the Department of Economic Affairs inter alia furnished their reply as follows:

1. "During 2017-18, the original grant was ₹15455.84 crore. This was augmented to ₹15690.42 crore by obtaining supplementary grant of ₹234.58 crore. Against this, the actual expenditure was ₹9490.22 crore, resulting in savings of ₹6200.20 crore. The reason for this saving was as follow:-

   i. on account of shifting of provision of reimbursement of MDR Charges to Major Head – 2075;
   ii. Non-finalization of agreement with the potential international and domestic investors for commercial capital to invest in commercially viable infrastructure projects under National Investment and Infrastructure Fund (NIIF).

2. During 2018-19, the original grant was ₹18329.46 crore. This was augmented to ₹31810.94 crore by obtaining supplementary grant of ₹13481.48 crore. Against this, the actual expenditure was ₹22950.19 crore, resulting in savings of ₹8860.75 crore. Following were the reasons for saving:-

   i. less expenditure on Establishment matter such as Professional services, Advertisement and Publicity, Publication, Information Technology (Office Expenses), Medical, LTC leave encashment;
   ii. Transfer of 'Cost incurred on collection of money through Debit Cards' to Ministry of Electronics and Information Technology (Meity),
   iii. Technical transfer of National Investment and Infrastructure Fund (NIIF) from Revenue section to Capital section.
   iv. Lesser participation by people and Institutions in Gold Monetization Scheme 2015 during the last few months of financial year.

3. In addition to above, major saving during FY 2017-18 & FY 2018-19 were also on account of poor lifting / downward revision of indent of coins by RBI, non-finalization of scheme under Strategic and Social Infrastructure Finance Corporation of India (ISSIFC) and National Investment Fund (NIF). Further, saving of Rs. 3000.00 crore under the Head "New Schemes" was wherein fund is provisioned for any new scheme which Government may finalize for any other Department of the Central Government during the financial years. Savings were also due to non-requirement of funds towards New Arrangement to Borrow (NAB). Since, it is an international obligation and payments are required immediately on receipt of demands from the

IMF, adequate provisioning in the Budget is necessary so that there is no short fall in meeting IMF obligations as any shortfall would be a breach of the existing international agreement. Exchange rate variation is also an important factor which is kept in mind while estimating the requirement for subscription / payments under international obligations.

4. Reasons for increase in allocation in the RE for 2019-20 are as following:-

i. Increase of Rs. 351.25 crore towards Interest Equalization Support to EXIM Bank and Indian Companies in order to clear the backlog payments,
ii. Increase of Rs. 328.16 crore towards transfer to Sovereign Gold Bond Scheme 2015. The provision is to meet the differential, if any, to be paid to the investors of Sovereign Gold Bond Scheme (SGB) 2015. The provision was computed as the difference between the weighted average cost of borrowings of the Government and the actual interest payable to the investors of SGB Scheme. The provision is based on the actual computation and according to the approved accounting procedure of the Scheme.
iii. Increase of Rs. 3700.00 crore towards Gold Monetization Scheme which will entail nil cash out go as the entire amount will be deducted as recoveries,
iv. Increase of Rs. 1003.01 crore towards investment into National Investment and Infrastructure Fund (NIIF),
v. Increase of Rs. 2750.00 crore towards Inter Account Transfer to National Investment Fund which will also entail nil cash outgo as this is technical requirement,
vi. Rs. 960.52 crore towards investment in maintenance of value (MoV) of IMF, this will too entails nil cash outgo as the entire amount will be deduct as receipts.

5. From the above explanations for F.Y. 2017-18, 2018-19 & RE 2019-20, it may be observed that funds were provisioned on genuine demands and there appears to be no inconsistency in the budget formulation of D/o Economic Affairs. It may also be noted that most of the savings were largely due to post budget decisions/non-finalization of schemes/ exchange rate variations etc., which could not be visualized at the time of framing of Budget Estimates. Furthermore while making distribution of BE allocation, the guidelines of D/o Expenditure for expenditure management issued from time to time and expenditure trend of previous years and exchange rate variation of INR etc. are also taken into consideration."

5.2 **Demand No: 28**

Department: Expenditure

Object Head

Major Heads: 3475+2070+2052

Other General Economic Services

(Rs in Crore)

Year	BE	RE	Actuals
2016-17			
2017-18	480.00	304.49	224.47
2018-19	413.33	341.02	288.60
2019-20	400.55	485.55	316.08
2020 -21	535.55		

"Demand No. 28 – Department of Expenditure is meant to meet the expenditure under following Major heads:

(i) **Major Head 2052 – Secretariat General Services:** The provision under this Major Head includes establishment expenses in r/o the Department of Expenditure Secretariat, Office of the Controller General of Accounts, Central Pension Accounting Office, Cost Accounts Branch and Office of Controller of Accounts. From the year 2020-21, the expenditure on PFMS will also be borne under this head as PFMS is a regular expenditure of the O/o CGA.

(ii) **Major Head 2070 – Other Administrative Services:** The provision under this Major Head includes (a) Establishment and other expenditure of Institute of Government Accounts and Finance (INGAF); (b) Grant to National Institute of Financial Management Society (NIFM) for meeting their establishment expenditure, Provision towards tuition fees for the Post Graduate Diploma in Financial Management Programme [PGDM (FM)], Post Graduate Programme in Financial Markets and MDPs on Public Procurement and Integrated Finance Division for the officers of Central/State Governments and also provision for Advance Management Development Programmes for Financial Advisers and (c) Provision for Service charges to National Securities Depository Limited (NSDL) as Central Record Keeping Agency for the New Pension Scheme.

(iii) **Major Head 3475 – Other General Economic Services –** The provision under this head is currently for Public Financial Management System (PFMS). PFMS is a web-based application integrated with COMPACT and e-Lekha, the core accounting applications and the e-Payment gateway of CGA. <u>However, as per the recommendation of EFC, PFMS has been merged with O/o CGA as a regular function of O/o CGA from the Financial Year 2020-21 onwards.</u>

On being asked to explain the reasons for the shortfalls in utilization of budget allocation under this Head of account, the Ministry of Finance, Department of Expenditure furnished the following reply:

“2017-18 & 2018-19

- Most of the shortfall was under Major Head 3475. There was a shortfall in expenditure of Rs. 119.10 crore (2017-18) and Rs. 68.57 crore (2018-19) due to delay in procurement of hardware and software for the upgradation of PFMS and delay in hiring of requisite technical manpower due to the non-completion of the procurement processes in time.
- Under the manpower component, there was a shortfall in expenditure of Rs. 30.63 crore (2017-18) and Rs. 25.92 crore (2018-19) due to the non –filling up of sanctioned Gr. A & Gr. B posts in the State Directorates of PFMS.
- Under the infrastructure and office component, there was a shortfall in expenditure of Rs. 55.01 crore (2017-18) and Rs. 21.90 core (2018-19) due to non –establishment of permanent offices of the State Directorates.
- Under the training and capacity building, there was a shortfall in expenditure of Rs. 29.42 crore (2017-18) and Rs. 15.12 crore (2018-19) due to the vacant posts of PFMS and some delay in operationalization of Training Programmes for State Government officials. “

5.3 While deposing before the Committee on 25 Febraury 2020, Secretary, Expenditure made the following Oral submission as below:

“…But certain things which involve procurement or contracts or schemes which are of a capital nature, they do involve large payments at certain points of time and the Government is on a cash accounting system. So, when it is paid, it is shown as an expenditure. So, this is to say that a certain amount of lumpiness is part of the normal flow of Government expenses. The challenge for us is to estimate it correctly and predict the lumpiness that will actually occur in a given financial year. It is a matter where there is always a room for improvement but the predictability is also affected whether the contract actually gets approved or not…”.

VI. BANK CREDIT OFF-TAKE-MSME Sector including large industry

6.1 It has been stated in the Economic Survey of India 2019-20 that:

'*The growth of bank credit which was picking up in H1 of 2018-19, started decelerating in H2 of 2018-19 and further in H1 of 2019-20. The deceleration was witnessed across all major segments of non-food credit, save personal loans which continued to grow at a steady and robust pace. The deceleration in credit growth was most in the services sector. Credit growth to industry also witnessed a significant decline in recent months, both for MSME sector as well as large industries*'

6.2 The Committee wanted to know the measures that are being initiated by the Government to reverse the decelerating trend in bank credit particularly to industry including the MSME Sector, the Ministry of Finance, Department of Economic Affairs *inter alia* furnished the following reply as shown below:

"Various measures have been taken by the Government and Reserve Bank of India to promote credit growth in the economy. Measures taken are as follows:

- **Extension of One-time Restructuring Scheme for MSME advances:** In order to create an enabling environment for the micro, small and medium enterprises (MSME) sector in its efforts towards increased formalisation and to facilitate them to tide over this transition, the Reserve Bank has decided to extend the benefit of one-time restructuring without an asset classification downgrade to GST registered MSME accounts that were in default but standard as on January 1, 2020. The restructuring under the scheme has to be implemented latest by December 31, 2020.
- **External Benchmarking of New Floating Rate Loans by Banks to Medium Enterprises:** External benchmarking of new floating rate loans by banks to medium enterprises.
- As per RBI, all new floating rate retail loans and floating rate loans to micro and small enterprises extended by banks with effect from 1st October 2019 are to be linked to one of the specified external benchmarks. These benchmarks consist of the policy repo rate, Government of India 3-months or 6-months Treasury Bill yields, or any other benchmark indicated by the Financial Benchmarks India Private Ltd (FBIL). Currently, all new floating rate personal or retail loans and floating rate loans to micro and small enterprises (MSEs) are linked to external benchmarks. The external benchmark system was introduced by Reserve Bank of India from October 1, 2019. Most banks have linked their lending rates for housing, personal and micro and small enterprises (MSEs) to the policy repo rate of the Reserve Bank.
- **Incentivizing Bank Credit to Specific Productive Sectors:** Scheduled commercial banks will be allowed to deduct the equivalent of incremental credit disbursed by them as retail loans for automobiles, residential housing and loans to micro, small and medium enterprises (MSMEs), over and above the outstanding level of credit to these segments as at the end of the fortnight ending on January 31, 2020 from their net demand and time liabilities (NDTL) for

maintenance of cash reserve ratio (CRR). This exemption will be available for incremental credit extended up to the fortnight ending on July 31, 2020.

- **Projects under implementation in Commercial Real Estate sector:** Complementing the initiatives taken by the Government of India in the real estate sector, the reserve bank has decided to permit extension of the date of commencement of commercial operations (DCCO) of project loans for commercial real estate, delayed for reasons beyond the control of promoters, by another one year without downgrading the asset classification in line with the treatment accorded to other project loans for the non-infrastructure sector.
- RBI has permitted an increase in exposure of a bank's tier 1 capital to a single NBFC. Bank lending to NBFCs as priority sector lending if the funds are on-lent for investment to agriculture, micro and small enterprises and purchase of affordable housing.
- Government has announced an **alternative investment fund to help the real estate sector** finish pending housing projects. This is to provide priority debt financing for the completion of stalled housing projects that are in the 'Affordable and Middle-Income' Housing sector. Government will infuse Rs 10,000 crore in this fund. SBI, LIC and other sovereign funds will add to this fund to take it to Rs 25,000 crore and beyond.
- National Housing Bank can now extend up to Rs 30,000 crore credit lines to NBFCs instead of Rs 20,000 crore earlier.
- To guarantee support and enable NBFCs/Housing Finance Companies (HFCs) to resolve any temporary liquidity or cash flow mismatch issues, government has rolled out the **'Partial Credit Guarantee Scheme'** for purchase of high-rated pooled assets from financially sound NBFCs / HFCs by PSBs.
- In order to enhance debt flow to housing and infrastructure projects, government has proposed to establish an organization, Credit Enhancement for Infrastructure and Housing Projects.
- Additional deduction up to Rs 1.5 lakh for interest paid on loans borrowed up to 31st March, 2020 for purchase of house valued up to Rs 45 lakh to promote affordable housing.
- In order to boost credit to the export sector, RBI has enhanced the sanctioned limit to be eligible under priority sector lending norms. The limit has been raised from Rs 25 crore to Rs 40 crore per borrower. Furthermore, the existing criterion of 'units having turnover of up to Rs 100 crore has been removed.
- Export Credit Guarantee Corporation (ECGC) will expand the scope of Export Credit Insurance Scheme (ECIS) to offer higher insurance cover to banks' lending working capital for exports. This will enable reduction in overall cost of export credit including interest rates, especially to MSMEs.
- The Stand Up India Scheme has been extended upto the year 2025. The Scheme aims to facilitate bank loans between Rs 10 lakh to Rs 100 lakh to atleast one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower and atleast one woman borrower per bank branch for setting up a Greenfield enterprise. In case of non-individual enterprises, at least 51 per cent of the shareholding and controlling stake should be held by either an SC/ST or woman entrepreneur."

6.3 Ministry of Finance (Department of Financial Services) gave the following reply on the same issue as shown below:

Overall bank credit has declined in the Apr-Jun 2019 quarter, but has since then seen an uptick. Absolute credit to industry and to MSME sector also declined between March ’19 and September ’19, but has since then seen a revival.

Date	Gross Bank Credit	Credit to Industry	Credit to MSME
Dec 20, 2019	88,22,209	27,94,372	15,34,517
Sep 27, 2019	86,80,216	27,74,883	15,22,916
June 21, 2019	85,47,654	28,12,032	15,34,161
Mar 29, 2019	86,74,892	28,85,778	15,49,075
Dec 21, 2018	82,41,267	27,49,375	14,74,316

Source: Sectoral Deployment of Credit, RBI. All figures in Rs crore.

Reserve Bank of India (RBI) in its Report on Trend and Progress of Banking in India 2018-19 on December 2019, has *inter alia,* mentioned that the health of the banking sector hinges around a turnaround in macroeconomic conditions. The Economic Survey 2019-20 highlights the initiatives taken for economic revival - steps towards speeding up the insolvency resolution process under the Insolvency and Bankruptcy Code (IBC) and easing of credit, particularly for the stressed real estate and Non-Banking Financial Companies (NBFCs) sectors, and suggests that the impact of critical measures taken to boost investment presents green shoots for growth in the second half of 2019-20 and 2020-21.

A number of steps have been taken to encourage flow of credit to the economy, including, *inter alia,* the following:

(a) Reduction in lending rates:

- (i) Successive cuts effected in the benchmark Repo rate since February 2019, resulting in the weighted average lending rate of banks on fresh loans reducing by 69 basis points till December 2019,
- (ii) All fresh floating loans for retail and micro, small and medium enterprises (MSMEs) lending have been linked to an external benchmark rate, and
- (iii) RBI, on 6.2.2020, has announced relief in the Cash Reserve Ratio requirement of banks on incremental outstanding loans for automobiles, residential housing and MSMEs between 31.1.2020 and 31.7.2020;

(a) For MSMEs, measures taken include:

- (i) Introduction of a scheme for restructuring of loans under which more than 5.5 lakh stressed MSME accounts have been restructured so far. RBI has now extended the last date for implementations of restructuring from 31.3.2020 to 31.12.2020,
- (ii) Up to 25% enhancement by PSBs in existing working capital limits in standard MSME accounts,
- (iii) Launch of MSME Outreach Initiative by PSBs,
- (iv) Online bill discounting via TReDS platform, and
- (v) Time-bound in-principle approval on the PSBloansin59minutes.com platform;

(b) For exports, measures taken include:

(i) expanding the eligibility for classification of such credit as priority sector lending, and

(ii) infusing capital of Rs 1,500 crore in Exim Bank during 2019-20;

(c) For retail, measures taken include:

(i) reduction in risk weight on consumer loans other than on credit cards, and

(ii) introduction of in-principle approvals for retail lending through PSBloansin59minutes.com;

(d) For infrastructure, equity support of Rs 500 crore in India Infrastructure Finance Company Limited (IIFCL) has been provided in the current financial year, and further equity support of Rs 5,300 crore has been approved by the Union Cabinet to enable IIFCL to borrow and finance infrastructure projects; and

(e) External commercial borrowings have been facilitated through expansion of eligibility to include all entities eligible to receive FDI and reduction in the minimum average maturity requirement of the borrowing to three years.

(f) For NBFC sector, measures taken include:

(i) Overall positive liquidity has been maintained through open market operations by RBI and treating incremental credit of banks to NBFCs as high-quality liquid assets for calculation of former's liquidity coverage ratio,

(ii) Partial Credit Guarantee Scheme for purchase of high-rated pooled assets of NBFCs. Government has approved issuance of guarantees for purchase of asset pools worth **Rs 8,148 crore** as on February 17, 2020.

(iii) Substantial increase in credit extended to NBFCs by banks to facilitate on-lending.

(iv) Bank credit to NBFCs for on-lending classified as priority sector; and

(v) Co-origination of loans by banks with NBFCs.

(vi) Post IL&FS, from October 2018 to December 2019, Public Sector Banks have stepped in to support NBFCs and extended credit amounting to **Rs 4.99 lakh crore** by way of direct lending (Rs 3.73 lakh crore) and pool buy-outs (Rs 1.26 lakh crore).

6.4 On the issue , Special Secretary, Department of Financial Services further made the following submission before the Committee on 25 February 2020 as below:

> "….For the MSME segment, we also have the credit guarantee fund trust for the MSMEs. So, as on 15thFebruary, 2020, over 38 lakh guarantees covering loan amount to about rupees two lakh crore have been approved…"

6.5 The Department of Financial Services furnished the following on the **Quantum of the credit outstanding** of Public Sector Banks (PSBs) and Private Sector Banks to different sectors for the last three Financial Years (FYs) is as under:

Amounts in crore Rs.

	As on 31.3.2017	As on 31.3.2018	As on 31.3.2019
Public Sector Banks			
Agriculture and allied activities	8,84,996	9,17,583	9,90,102
Industry	20,92,394	21,20,788	20,60,684
Services	10,65,877	10,97,961	13,12,090
Retail	10,08,211	12,20,520	13,57,354
Priority Sector Advances	19,59,915	21,07,558	22,40,197
Private Sector Banks			
Agriculture and allied activities	2,17,962	2,56,706	3,07,555
Industry	6,98,038	8,45,081	10,54,608
Services	6,15,767	7,60,100	9,93,848
Retail	5,37,373	6,47,691	8,72,304
Priority Sector Advances	6,52,004	7,15,471	9,99,788

Source: RBI domestic Operations

6.6 Deployment of Gross Bank Credit by major sectors is shown in Annexure ***(Source: www.rbi.org.in)***

(b) As per Reserve Bank of India (RBI) data, for last three FYs, on the **State-wise Credit-Deposit Ratio** of PSBs and Private Sector Banks, the Department of Financial Services furnished the following

States / Union Territories	Public Sector Banks			Private Sector Banks		
	Mar-2017	**Mar-2018**	**Mar-2019**	**Mar-2017**	**Mar-2018**	**Mar-2019**
NCT of Delhi	85.4%	93.4%	114.7%	97.5%	99.5%	107.9%
Punjab	55.5%	56.2%	51.7%	82.4%	92.6%	89.6%
Haryana	60.1%	62.0%	59.0%	50.4%	54.0%	56.5%
Chandigarh	119.2%	130.1%	129.6%	57.8%	56.4%	60.1%
Jammu and Kashmir	27.2%	30.1%	32.1%	44.8%	47.8%	50.2%
Himachal Pradesh	29.2%	30.0%	29.8%	28.3%	40.5%	36.2%
Rajasthan	60.7%	64.9%	70.0%	92.3%	111.7%	112.5%
Assam	34.1%	36.0%	36.4%	76.3%	80.0%	86.5%
Meghalaya	26.3%	28.4%	30.4%	12.2%	13.5%	12.4%
Mizoram	32.4%	31.6%	32.9%	18.9%	24.8%	28.8%
Arunachal Pradesh	24.5%	25.8%	24.5%	10.1%	11.4%	8.9%
Nagaland	35.7%	39.2%	41.9%	12.1%	15.2%	16.9%
Manipur	39.2%	45.4%	51.3%	33.1%	39.5%	49.4%
Tripura	27.7%	31.3%	32.5%	135.6%	140.5%	127.1%
Bihar	27.4%	27.7%	29.2%	42.4%	49.2%	46.1%
Jharkhand	24.5%	24.1%	23.4%	49.9%	61.5%	56.1%
West Bengal	56.0%	43.7%	40.8%	65.5%	74.6%	71.1%
Odisha	35.4%	34.0%	34.2%	43.7%	48.2%	52.2%
Sikkim	28.5%	31.8%	35.9%	21.7%	15.7%	14.7%
Andaman and Nicobar Islands	40.5%	41.1%	43.1%	14.0%	18.1%	29.6%
Uttar Pradesh	37.5%	37.2%	37.5%	41.9%	54.9%	57.3%
Uttarakhand	30.8%	31.6%	33.1%	56.4%	72.8%	65.5%
Madhya Pradesh	55.5%	58.4%	60.7%	106.4%	119.3%	106.8%
Chhattisgarh	61.4%	61.9%	61.1%	86.2%	83.3%	83.3%
Gujarat	60.4%	62.3%	64.3%	95.2%	113.6%	113.8%
Maharashtra	109.5%	111.8%	112.3%	111.1%	102.1%	109.9%
Daman and Diu	20.4%	23.7%	22.3%	34.7%	43.0%	38.0%
Goa	24.0%	23.6%	23.0%	31.9%	39.0%	37.8%
Dadra and Nagar Haveli	31.0%	33.5%	41.3%	57.1%	75.4%	77.7%
Andhra Pradesh	98.0%	112.0%	126.3%	125.0%	128.0%	117.1%
Telangana	107.2%	113.2%	109.8%	87.3%	96.6%	101.9%
Karnataka	70.8%	72.2%	70.7%	59.3%	68.8%	71.8%
Lakshadweep	8.5%	8.2%	8.1%		2.7%	2.3%
Tamil Nadu	105.4%	107.9%	109.0%	102.6%	103.1%	106.1%
Kerala	60.6%	61.9%	64.9%	54.4%	62.3%	61.6%
Puducherry	53.4%	50.0%	52.7%	96.1%	99.3%	105.6%
Aggregate	70.0%	71.1%	72.9%	85.6%	88.1%	91.4%

Source: RBI quarterly statistics on deposits and credit of scheduled commercial banks

VII. Reforms in the Banking Sector

(a) Banking Governance Reforms

7.1 It has been stated in the Budget Speech 2020-21 as:

> "We had earlier approved consolidation of 10 banks into four. In the last few years, Government of India has infused about Rs. 3,50,000 crore by way of capital into Public Sector Banks for regulatory and growth purposes. Governance reforms would be carried out in these banks, so that they become more competitive".

7.2 The Government was asked about the governance reforms contemplated to be carried out in these banks and also to elaborate the roadmap being charted out by the Government for the progress and future of these consolidated banks. The Department of Financial Services furnished the following replies:

> " **(a):** With regard to governance norms for banks, it is stated that Government has recently introduced comprehensive reforms in PSBs, for empowering bank Boards, strengthening the Board committee system, improving the effectiveness of non-official directors and building a leadership pipeline. Specific reforms include, *inter alia,* empowerment of Boards to recruit Chief Risk Officers from the market at market-linked compensation, introduced Chief General Manager level, and decide sitting fees of non-official directors, assignment to non-official directors role analogous to that of independent directors, mandate to Boards to provide non-official directors necessary training and to undertake annual peer evaluation of their performance. Banks are committed to take steps for implementation in line with the reforms.
>
> **(b):** Government has approved in-principle the amalgamation of Oriental Bank of Commerce and United Bank of India into Punjab National Bank, Andhra Bank and Corporation Bank into Union Bank of India, Syndicate Bank into Canara Bank, and Allahabad Bank into Indian Bank, based on in-principle approvals accorded by respective bank Boards to the proposed amalgamations and no objection conveyed by RBI. The proposed amalgamations are aimed at harnessing scale and synergy benefits. Enhanced scale and volumes will enable cost efficiencies for investment in information technology, reduce operational costs and augment business. They will also expand the reach of banks' services to customers. Boards of the amalgamating banks have approved roadmaps for optimising the amalgamation process with a view to harness cost efficiencies and enable better customer outreach."

7.3 While tendering evidence before the Committee on 25 February 2020, Special Secretary, Department of Financial Services made the following oral submission:

> "…we have also tried to consolidate the banks, I mean, to make bigger banks. So, the consolidation process has been on from 27 in 2017 to 12 is what we are looking at. Consolidation of another 10 PSBs into four is in the process. We are looking at big banks basically to enhance their capacity to increase credit. We are also looking at the operational efficiency gains that will accrue and also thereby reduce the cost of

lending, and the enhanced risk appetite also. Then the thrust will be on, as I said, next-gen technology for banking. There will be wider offerings with enhanced customisation. They will have the better ability to raise resources from the market. This is the broad principle on which this consolidation is also going on…"

(b) Fin Tech- Blockchain

It has been stated in the Economic Survey 2019-20 (Volume I)

"PSBs were quick to adopt credit score by bureaus (Mishra, Rajan, and Prabhala, 2019. Similarly, they need to embrace FinTech, which is revolutionising the global financial landscape. FinTech is forcing traditional banks to review their outdated business paradigms to come up with effective, low-cost, banking solutions. PSBs have the maximum to gain from FinTech as their use of even conventional information technology is not all-pervasive, except in the use of core banking solutions. As of now, PSBs employ technology mostly for MIS and reporting while most information processing on loans happens manually which causes inefficiency, frauds and loan defaults. Information processing includes all activities related with the ex-ante screening of potential borrowers and the ex-post monitoring of their behaviour.

FinTech has radically changed the way information is processed by banks. In corporate lending, for instance, a huge mass of quantitative data such as company financials and qualitative data such as company filings and analyst call reports are machine-analysed using both supervised and unsupervised learning algorithms. Tools such as Machine Learning (ML), Artificial Intelligence (AI) as well as Big Data and matching provide banks the ability to recognize patterns quickly by analysing vast datasets, an activity that would be virtually impossible for humans, even using conventional information technology. The idea is not new as even standard econometric models are but tools for pattern recognition. The novelty lies in analysing extremely large sets of data using algorithms that explore, learn and identify patterns. Investments in FinTech in India are significant. Therefore, PSBs can benefit from the expertise that already resides in India in this area."

(c) National Payments Corporation of India (NPCI) and RuPay

National Payments Corporation of India (NPCI), an umbrella organisation for operating retail payments and settlement systems in India, is an initiative of Reserve Bank of India (RBI) and Indian Banks' Association (IBA) under the provisions of the Payment and Settlement Systems Act, 2007, for creating a robust Payment & Settlement Infrastructure in India.

Considering the utility nature of the objects of NPCI, it has been incorporated as a "Not for Profit" Company under the provisions of Section 25 of Companies Act 1956 (now Section 8 of Companies Act 2013), with an intention to provide infrastructure to the entire Banking system in India for physical as well as electronic payment and settlement systems. The Company is focused on bringing innovations in the retail payment systems through the use of technology for achieving greater efficiency in operations and widening the reach of payment systems.

The ten core promoter banks are State Bank of India, Punjab National Bank, Canara Bank, Bank of Baroda, Union Bank of India, Bank of India, ICICI Bank, HDFC Bank, Citibank N. A. and HSBC. In 2016 the shareholding was broad-based to 56 member banks to include more banks representing all sectors.

NPCI, during its journey, has made a significant impact on the retail payment systems in the country. Dedicated to the nation by our former President, Shri Pranab Mukherjee, endorsed by the Hon'ble Prime Minister, Shri Narendra Modi and later made the card of choice for the ambitious Pradhan Mantri Jan Dhan Yojana, RuPay is now a known name.

RuPay is an Indigenously developed Payment System – designed to meet the expectation and needs of the Indian consumer, banks and merchant eco-system. RuPay supports the issuance of debit, credit and prepaid cards by banks in India and thereby supporting the growth of retail electronic payments in India. RuPay is well poised to explore innovative payment opportunities such as Contactless – offline and online to drive adoption of low value payments. All RuPay Cards will now have the functionality of NCMC which can enable low value contactless payments (like transit, toll, parking, retail) using Offline technology.

The alliances with international network partners (Discover Financial Services, Japan Credit Bureau and China Union Pay) provides valuable access to global acceptance footprint and offer world class payment solutions to RuPay cardholders.

With Immediate Payment Service (IMPS), India has become the leading country in the world in real time payments in retail sector. National Automated Clearing House (NACH), an offline web based system for bulk push and pull transactions. NACH provides electronic mandate platform to register mandates facilitating paper less collection process for the corporates and banks. It provides for both account based and Aadhaar based transactions. Aadhaar Payment Bridge (APB) System is helping the Government and Government agencies in making the Direct Benefit Transfers for various Central as well as State sponsored schemes. To access these funds at door step & drive the financial inclusion in India, Aadhaar enabled Payment System(AePS) has been introduced. Since inception it has become instrumental to increase accessibility of basic banking services in underserved areas. To extend the convenience of biometric to merchant payments, BHIM Aadhaar has been launched by Hon'ble Prime Minister Narendra Modi.

National Financial Switch (NFS) is the largest network of shared Automated Teller Machines (ATMs) in India facilitating interoperable cash withdrawal, card to card funds transfer and interoperable cash deposit transactions among other value added services in the country.

Unified Payments Interface (UPI) has been termed as the revolutionary product in the payment system and Bharat Bill Payment System is currently offering one-stop bill payment solution with 150+ Billers in the five approved categories Viz. Electricity, Gas, Water, Telecom and DTH across India.

National Payments Corporation of India (NPCI) has developed the National Electronic Toll Collection (NETC) program to meet the electronic tolling requirements of the Indian market.

It provides an electronic payment facility to customer to make the payments at national, state and city toll plazas by identifying the vehicle uniquely through a FASTag. FASTag are Radio-Frequency Identification (RFID) stickers which are affixed on the vehicle windshield and enable the driver to make toll payments electronically while the vehicle is in motion without stopping at the Toll plazas by saving Fuel and Time.

With these products the aim is to transform India into a ‘less-cash’ society by touching every Indian with one or other payment services. With each passing year we are moving towards our vision to be the best payments network globally.

Background

DPSS at its meeting held on September 24, 2009 had given an in-principle approval to issue authorization to NPCI for operating various retail payment systems in the country and granted Certificate of Authorization for operation of National Financial Switch (NFS) ATM Network with effect from October 15, 2009. NPCI had deputed its officials to IDRBT Hyderabad and had taken over NFS operations on December 14, 2009. Membership regulations and rules had been framed for enrolling all banks in the country as members. This was done so that when the nation-wide payment systems are launched, all would get included on a standardized platform.

A Technical Advisory Committee was constituted with two eminent professors of IIT, Mumbai. Prof. N.L. Sarda is the Chairman and Prof. G. Sivakumar is the Co-Chairman of the Technical Advisory Committee. Members in these committees are from banks at the level of Deputy General Manager and Asst. General Manager.

Source: www.npci.org.in

RuPay Card

RuPay is the first-of-its-kind domestic Debit and Credit Card payment network of India, with wide acceptance at ATMs, POS devices and e-commerce websites across India. It is a highly secure network that protects against anti-phishing. The name, derived from the words ‘Rupee and ‘Payment’, emphasises that it is India’s very own initiative for Debit and Credit Card payments. It is our answer to international payment networks, expressing pride over our nationality.

RuPay fulfils RBI’s vision of initiating a ‘less cash’ economy. This could be achieved only by encouraging every Indian bank and financial institution to become tech-savvy and engage in offering electronic payments.

Issuing Banks

Presently, RuPay has collaborated with almost 600 international, regional and local banks across the country. It's ten core promoter banks are State Bank of India, Punjab National Bank, Canara Bank, Bank of Baroda, Union Bank of India, Bank of India, ICICI Bank, HDFC Bank, Citibank N. A. and HSBC. It expanded its shareholding in 2016 to 56 banks to bring more banks across sectors under its umbrella.

RuPay – a product of National Payments Corporation of India (NPCI)

RuPay is a product of NPCI, the umbrella organisation that powers retail payments in the country. The provision under the Payment and Settlement Systems Act, 2007, empowered the Reserve Bank of India (RBI) and Indian Banks' Association (IBA) to create a secure electronic payment and settlement system in India. The nature of NPCI's initiatives and objectives includes it under the "Not for Profit Company" under the provisions of Section 25 of the Companies Act 1956 and more recently under the Section 8 of the Companies Act 2013. This was an initiative to build the necessary banking infrastructure required to propel India towards a 'less cash' economy. NPCI recognises the need for tech-driven innovations in the retail payments system to drive operational efficiencies among a larger Indian audience.

Last Seven Years Journey

NPCI during its journey for last six years, has made a significant impact on the retail payment systems in the country. Dedicated to the nation by our Honble President, Shri Pranab Mukherjee, endorsed by the Hon'ble Prime Minister, Shri Narendra Modi and later made the card of choice for the ambitious Pradhan Mantri Jan Dhan Yojana, RuPay is now a known name. With Immediate Payment Service (IMPS), India has become the leading country in the world in real time payments in retail sector. National Financial Switch (NFS) and Cheque Truncation System (CTS) continues to be the flagship products of NPCI. Unified Payments Interface (UPI) and Bharat Interface for Money (BHIM) has been termed as the revolutionary products in the payment system. Bharat Bill Payment System (BBPS) has also been launched in pilot mode. The other products in pipeline include RuPay Credit Card, National Common Mobility Card - Tap & Go and Electronic Toll Collection.

Source: www.rupay.co.in

Annexure

Statement 1: Deployment of Gross Bank Credit by Major Sectors

(Rs. crores)

Sr.No	Sector	Jan.19,2018	Mar. 30, 2018	Jan.18, 2019	Mar.29, 2019	Jan.31, 2020	Variation (Year-on-Year)		Variation (Financial Year)	
							Jan.18, 2019 / Jan.19, 2018	Jan.31, 2020 / Jan.18, 2019	Jan.18, 2019 / Mar.30, 2018	Jan.31, 2020 / Mar.29, 2019
							%	%	%	%
I	**Gross Bank Credit (II + III)**	**7314974**	**7730285**	**8274989**	**8674893**	**8978800**	**13.1**	**8.5**	**7.0**	**3.5**
II	**Food Credit**	**61400**	**41861**	**70700**	**41474**	**78664**	**15.1**	**11.3**	**68.9**	**89.7**
III	**Non-food Credit (1 to 4)**	**7253574**	**7688424**	**8204289**	**8633419**	**8900136**	**13.1**	**8.5**	**6.7**	**3.1**
1	**Agriculture & Allied Activities**	**1006817**	**1030215**	**1083159**	**1111300**	**1153386**	**7.6**	**6.5**	**5.1**	**3.8**
2	**Industry (Micro & Small, Medium and Large)**	**2615139**	**2699268**	**2750038**	**2885778**	**2817525**	**5.2**	**2.5**	**1.9**	**-2.4**
2.1	Micro & Small	373796	372999	371022	375505	373050	-0.7	0.5	-0.5	-0.7
2.2	Medium	97166	103680	103951	106395	106813	7.0	2.8	0.3	0.4
2.3	Large	2144177	2222589	2275065	2403878	2337662	6.1	2.8	2.4	-2.8
3	**Services**	**1803030**	**2050472**	**2234030**	**2415609**	**2431975**	**23.9**	**8.9**	**9.0**	**0.7**
3.1	Transport Operators	117182	121268	133198	138524	141293	13.7	6.1	9.8	2.0
3.2	Computer Software	18489	18609	18858	18535	18775	2.0	-0.4	1.3	1.3
3.3	Tourism, Hotels & Restaurants	37052	36489	38682	39005	45394	4.4	17.4	6.0	16.4
3.4	Shipping	6096	6308	7501	7748	6682	23.0	-10.9	18.9	-13.8
3.5	Professional Services	150765	155407	169261	171517	172686	12.3	2.0	8.9	0.7
3.6	Trade	448368	466938	495938	528158	519547	10.6	4.8	6.2	-1.6
3.6.1	Wholesale Trade (other than food procurement)	199314	205160	218556	250528	237341	9.7	8.6	6.5	-5.3
3.6.2	Retail Trade	249054	261778	277381	277630	282206	11.4	1.7	6.0	1.6
3.7	Commercial Real Estate	184079	185801	198112	202291	227266	7.6	14.7	6.6	12.3
3.8	Non-Banking Financial Companies (NBFCs)	375993	496393	557602	641208	737198	48.3	32.2	12.3	15.0
3.9	Other Services	465005	563259	614880	668623	563134	32.2	-8.4	9.2	-15.8
4	**Personal Loans**	**1828589**	**1908469**	**2137063**	**2220732**	**2497250**	**16.9**	**16.9**	**12.0**	**12.5**
4.1	Consumer Durables	18405	19703	4568	6299	6453	-75.2	41.3	-76.8	2.4

4.2	Housing (Including Priority Sector Housing)	946589	974565	1120792	1160111	1316481	18.4	17.5	15.0	13.5
4.3	Advances against Fixed Deposits (Including FCNR (B), NRNR Deposits etc.)	59126	72493	68721	82873	67240	16.2	-2.2	-5.2	-18.9
4.4	Advances to Individuals against share, bonds, etc.	5319	5556	5841	6265	5185	9.8	-11.2	5.1	-17.2
4.5	Credit Card Outstanding	65280	68628	84237	88262	110864	29.0	31.6	22.7	25.6
4.6	Education	70835	69712	69175	67988	67038	-2.3	-3.1	-0.8	-1.4
4.7	Vehicle Loans	184697	189786	200582	202154	220240	8.6	9.8	5.7	8.9
4.8	Other Personal Loans	478338	508026	583147	606780	703749	21.9	20.7	14.8	16.0
5	**Priority Sector**	**2435929**	**2553187**	**2664619**	**2739021**	**2772197**	**9.4**	**4.0**	**4.4**	**1.2**
5.1	Agriculture & Allied Activities	1002443	1021591	1076840	1104988	1142576	7.4	6.1	5.4	3.4
5.2	Micro & Small Enterprises	916099	996365	1018050	1067175	1100615	11.1	8.1	2.2	3.1
5.2(a)	Manufacturing	373796	372999	371022	375505	373050	-0.7	0.5	-0.5	-0.7
5.2(b)	Services	542303	623366	647028	691670	727566	19.3	12.4	3.8	5.2
5.3	Housing	374018	375587	428701	432703	461089	14.6	7.6	14.1	6.6
5.4	Micro-Credit	19076	26352	23521	24101	36176	23.3	53.8	-10.7	50.1
5.5	Education Loans	58006	60713	56584	53950	53101	-2.5	-6.2	-6.8	-1.6
5.6	State-Sponsored Orgs. for SC/ST	280	296	383	397	413	36.8	7.8	29.4	4.0
5.7	Weaker Sections	556980	569048	608556	662628	715057	9.3	17.5	6.9	7.9
5.8	Export Credit	32117	28305	17519	15566	13503	-45.5	-22.9	-38.1	-13.3

Note: 1. Data are provisional and relate to select banks which cover about 90 per cent of total non-food credit extended by all scheduled commercial banks.

2. Export credit under priority sector relates to foreign banks only.

3. Micro & small under item 2.1 includes credit to micro & small industries in manufacturing sector.

4. Micro & small enterprises under item 5.2 includes credit to micro & small enterprises in manufacturing as well as services sector.

5.Priority Sector is as per old definition and does not conform to FIDD Circular FIDD.CO.Plan.BC.54/04.09.01/2014-15 dated April 23, 2015.

PART II

OBSERVATIONS/RECOMMENDATIONS

Pension Liabilities

1. The Committee note that Demand No. 37 is a Composite Grant relating to Central Civil Pension Payments. The Actual expenditure for pension and other retirement benefits in 2017-18, 2018-19 and 2019-20 (upto Dec. 2019), were Rs 41118.17 crore, Rs 47378.07 crore and Rs 51510.50 crore respectively. There is an increase by Rs 3501.33 crore in 2018-19 over the previous year 2017-18, and Rs 4483.10 crore increase in 2019-20 over the previous year 2018-19, with three more months' payment still to go for the 2019-20 fiscal. With pension payments of the Government increasing year after year, the Committee are of the view that an assessment of the long term pension liability would enable the Government to take prudent financial steps. The Committee would thus like to suggest that the Central Government may undertake a comprehensive study of the long term pension liabilities of the Central Government to enable us to have a better understanding our long term liabilities in general.

Outlay in Major Sectors and Major Schemes

2. The Committee are pleased to note from the Union Budget 2020-20 documents that there have been increased outlays in the BE 2020-21 over the RE 2019-20 in Major Sectors. As such, there is Rs 33,292 crore increase in 2020-21 outlays in the Aspirational India cluster, consisting of Educational & Skill Development, Wellness, Water Sanitation, Agriculture sectors over the RE of 2019-20. There is an increase in the 2020-21 outlays in the Financial Sector (Banking, Insurance, Infra Finance etc.) by Rs 16747 crore over the RE 2019-20. The allocations under Economic Development, New Economy and Caring Society

clusters, also witness quantum increase. In this regard, the Committee expect the Government to harness/utilize the budgetary allocations in a focused manner to achieve the intended outcomes of the Budget. At this juncture, the Committee feel pertinent to highlight that Budget provisions need to be channelized efficiently, lest avoidable hardship occurs to the States and the intended beneficiaries. For instance, State Civil Supply Corporation of Odisha procured paddy on behalf of Food Corporation of India (FCI) as the mandate of FCI is to provide about 90% as subsidy. Since the subsidy is not forthcoming from the Central Government, FCI is unable to pay the State Civil Supply Corporation. The State Corporation in the meantime, is paying a certain rate of interest for the loan it has availed from banks to procure the paddy.

3. The Committee further note that except for a few major schemes such as Mahatma Gandhi National Rural Employment Guarantee Programme (MGNREG), National Social Assistance Prgramme and Umbrella Programme for Development of Scheduled Tribes, all other major schemes enjoyed substantial increase in the Budgetary allocations for 2020-21 over the allocations for 2019-20. To mention some, Pradhan Mantri Gram Sadak Yojana (PMGSY), Pradhan Mantri Awas Yojana (PMAY), Jal Jeevan Mission (JJM), PMJAY-Ayushman Bharat, Pradhan Mantri Kisan Samman Nidhi (PM KISAN), Pradhan Mantri Swastha Suraksha Yojana (PMSSY) etc. received increased allocations over the 2019-20 RE by Rs 5430 crore, Rs 2172 crore, Rs 1499 crore, Rs 3115 crore, Rs 20630 crore, Rs 1287 crore respectively. In this regard, the Committee find it pertinent to mention that to reach the intended beneficiaries under various social schemes remains a challenge even after putting in place electronic payment/transfer system such as Direct Benefit Transfer (DBT) system/PFMS. The beneficiary/account holder

needs to be made aware about the operations of a bank account, because in many cases especially in the remote/rural areas, the account holder is not aware that money has been transferred to his account. The Committee would therefore like to urge the Government to conduct an independent survey/audit to collect robust statistics across the length and breadth of the country to ascertain the impact of various Government programmes at the micro/field level. State-wise details in this regard may be furnished to the Committee.

Demand no. 27- Department of Economic Affairs

4. The Committee note that in 2017-18 the Budget Outlay for Department of Economic Affairs (DEA) Demand no. 27, as a whole was Rs 15455.84 and the same was scaled up to Rs 15690.42 at RE stage (increased by Rs 234.58 crore); the actual expenditure, however, was Rs 9490.22 crore resulting in utilization shortfall by Rs 6200.20 crore. Under the same Demand, in 2018-19, the RE and Actual registered a mismatch by Rs 8860.75 crore again (shortfall in utilisation). The DEA explanation for the reasons for shortfall in actual expenditure include less expenditure on establishment matters, lesser participation by people and Institution in Gold and Monetisation scheme 2015 during the last few months of financial year etc. The Department also further submitted that '*most of the savings were largely due to post budget decisions/non-finalisation of schemes/exchange rate variations etc which could not be visualized at the time of framing of Budget estimates'*. The Committee are not convinced by the explanation submitted by the Department of Economic Affairs for such huge budgetary mismatch. The Committee are unable to comprehend as to how the nodal department for formulation and preparation of the Union Budget could make large allocations for schemes, which were not finalized or concretised at

the time of framing of Budget Estimates. The Committee desire that Budget Estimates should be done with greater due diligence and greater objectivity.

5. As per the evidence provided during the Demand for Grants Hearings, the Department of Economic Affairs prepares the Budget every year using spreadsheet based modeling. This modeling approach appears to be inadequate given the following factors: (1) wide variations in key exogenous parameters including oil prices, global interest rates, and shocks such as the ongoing Coronavirus pandemic; (2) fluctuations in revenue collections during the year; (3) difficult in accurately predicting one-off items such as spectrum revenues and disinvestment proceeds; and (4) inaccurate estimation of major expenditures such as pensions and interest expenses. In addition, nominal GDP and inflation rates can also deviate significantly from the Budgetary assumptions. Given these risks and uncertainties, the Department needs to strengthen its analytical modeling capabilities.

6. The Committee believe that the Department of Economic Affairs should work with various external research institutes (such as the National Institute for Public Finance and Policy or the National Council of Applied Economic Research) to develop robust macro models for the Indian economy. These models can then be utilized to look at various economic scenarios and examine the implications of various risks on Budgetary assumptions. These models can also assist the Standing Committee for Finance and other key stakeholders to stress-test economic assumptions and Budget projections. Indeed, every major economy around the world has multiple such model-based research centers that are housed in university economic departments, think tanks, central banks, and the government. It is essential that the Department of Economic Affairs undertake a

concerted effort to develop such research centers for India models as well as models at the State level as well.

Demand no. 28- Public Finance Management System (PFMS)

7. Under Demand No. 28, Department of Expenditure (DoE), Object Head (Major Head No. 3475/2070/2052), there have been consistent shortfalls since 2017-18 in utilization against budget allocations. The reasons for shortfall in expenditure as submitted by the DoE include to delay in procurement of hardware and software for the upgradation of PFMS and delay in hiring of requisite technical manpower due to non-completion of the procurement process in time, non filling up of sanctioned Group 'A' and Group 'B' posts in the State Director of PFMS and delay in training programmes for State Government officials. The Committee are perturbed to note that delays in filling up of manpower, procurement etc. have persisted for three years, since 2017-18. The Committee are apprehensive that delayed payments to end users/beneficiaries of various Government flagship schemes and programmes could be caused by upgradation delays and logistic failures in respect of PFMS managed by the Department of Expenditure. The Committee feel pertinent to point out here that delayed payments to States, vendors and beneficiaries of Government schemes remains a pain-point. The Committee therefore, desire that the Department of Expenditure should expedite all pending work with regard to PFMS, be it filling up of vacant posts or procurement of required hardware/software for upgradation to avoid further delays and lumpiness in utilization of budget allocations.

MSMEs

8. The Committee understand that gross bank credit in Industry (Micro, Small, Medium and Large) as on January 31, 2020 was Rs 2817525 crore as against Rs 2885778 crore as on March, 2019 i.e decrease by -2.4%; in Micro and Small industry it was Rs 373050 crore as on January 31, 2020 as against Rs 375505 crore i.e -0.7% decrease. The banking credit offtake in general experienced a decline. The Committee hope this decline will be arrested soon and bank credit will play the role of growth engine in times to come.

9. The Committee are informed that Government has taken up various steps for the benefit of MSMEs, which include relief on Cash Reserve Ratio requirement of banks on incremental outstanding loans for automobiles, residential housing and MSMEs between 31.01.2020 and 31.07.2020 extension of last date for restructuring of loans from 31.03.2020 to 31.12.2020 etc.. However, the Committee find that MSMEs operations are hindered by delayed payments by Central Governments/CPSEs and State Governments. The Government should therefore issue necessary instructions to the concerned authorities to make prompt payment of dues to the MSME sector, and a system put in place to ensure payments due to MSMEs are done without any delay in future.

10. MSMEs are still facing significant difficulties in getting government payments in time. This is causing them considerable hardship and also triggering loan defaults in some cases. The Committee notes that the TREDS system may still not being fully utilized by government entities. By ensuring that all government invoices are uploaded on TREDS, the government can get MSMEs their payments as quickly as possible. Every government entity should also be

monitoring whether payments are being provided in a timely fashion and exceptions must be fully evaluated.

Credit Deposit Ratio

11. From the data which was furnished to the Committee by Department of Financial Services, it was observed that there are wide disparity among the States in terms of Credit-Deposit Ratio (CDR). For instance in 2019 March, the CDR of Tripura was 127.1% for Arunachal it was only 8.09%; for Rajasthan it was 112.5% whereas in the same year it was only 36.2%. The Committee desire that the Ministry of Finance should take up pro-active measures to augment banking credit flow in States with low CD Ratio in particular and to achieve parity among the States. The Committee also urge to Government to ensure that non collateral loans must be disbursed, adhering to the collateral-free norms strictly. Furthermore, the Committee understand that since 2014, the Government has infused about Rs 3,50,000 crore by way of capital into Public Sector Banks for regulatory and growth purposes. At this juncture, the banks are thus adequately provisioned with capital too. However, the Committee are apprehensive that the PSBs seem to have lost their competitiveness and thus their market share and valuation substantially in the process. While acknowledging the steps taken by government so far like strengthening the Board Committee System, improving the effectiveness of non-official directors, empowering the Board to recruit Chief Risk Officer at the level of Chief General Manager etc, the Committee expect the Government to pursue these governance reforms vigorously for a resilient and vibrant banking system in the country.

12. The Committee observed that the functioning of the Bank Board Bureau (BBB) has still not been fully clarified. PSBs appear not to have world-class talent available for specialized functions such as risk management and new financial technologies. The BBD should assist PSBs in acquiring and retaining such specialized talent. PSBs are also going through considerable turmoil because of the mega mergers; this will require even closer assessment of human resources to ensure that sufficient management talent is available for the PSBs as they seek to streamline and expand their operations.

13. PSBs continue to have very low price-book multiples and their market valuations remain depressed. The Committee note that the PSBs do not appear to have differentiated strategies that will enable them to compete effectively. According to media reports, market share continues to decline in their most profitable activities. Apart from the mega mergers, the Department of Financial Services should also prepare a comprehensive plan on how to strengthen PSB competitiveness. Low valuations imply that banks will find it difficult to raise their equity base through the equity markets. As a result, if NPAs increase yet again due to adverse global trends, significant funding will be required from the government to keep PSBs appropriately capitalized.

FinTech - Blockchain

14. The Committee note that FinTech is revolutionizing the global financial landscape. The Committee are also given to understand that tools such as Machine Learning, Artificial Intelligence (AI) as well as Big Data provide banks the ability to recognize patterns quickly by analyzing vast data sets and activity that would be virtually impossible for humans, even using advanced information technology. The Committee believe that PSBs have the maximum leverage to gain

from FinTech. It would therefore be expedient to explore ways and means to bring in the services/technology of FinTech in tandem with mainstream Banking operations of the country. In this regard, the Committee are of the opinion that the emerging technologies/tool of Blockchain/cryptocurrencies, which provide a lot of flexibility in financial transactions, need to be evaluated in all their ramifications so that these technologies can be used safely and gainfully in our country. The Committee would thus like to urge the Government to come out with a White Paper on the FinTech Industry, particularly in the light of the recent Supreme Court Judgment upholding the validity of Cryptocurrency.

RuPay – a product of National Payments Corporation of India (NPCI)

15. The RuPay is an indigenously developed payment system designed by NPCI to meet the expectation and needs of the Indian consumer, banks and merchant eco-system. It is the first-of-its-kind domestic Debit and Credit Card payment network of India with wide acceptance at ATMS, POS devices and websites across India. The Committee are happy to note that the "alliances with international network partners (Discover Financial Services, Japan Credit Bureau and China Union Pay) have been made, which provides valuable access to global acceptance and footprint, while offering world class payment solutions to RuPay cardholders. The Committee desire that RuPay Card should thus be made fully global on par with other international brands.

Viability Gap Funding/ NIIF

16. The Committee note that the budget allocation for National Infrastructure and Investment Fund (NIIF) and Viability Gap Funding for 2020-21 are Rs 503.01 crore and Rs 240.69 crore respectively. With regard to NIIF, the Committee desire

to know the break up of the various sources to fund the allocation and also they desired to be apprised of the details of deployment of the fund allocated. As for the Viability Gap Funding, the Committee feel that the allocations of Rs 240.69 crore is far too low relatively in view of the projects pending completion in the country. The Committee desire that the Government should ensure that Viability Gap Funding should always be provided adequate budgetary allocation.

New Delhi;	**SHRI JAYANT SINHA,**
6 March, 2020	**Chairperson**
16 Phalguna, 1941 (Saka)	**Standing Committee on Finance**

Minutes of the Tenth sitting of the Standing Committee on Finance (2019-20)
The Committee sat on Tuesday, the 25 February, 2020 from 1100 hrs. to 1715 hrs in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Jayant Sinha - Chairperson

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Subhash Chandra Baheria
4. Shri Shrirang Appa Barne
5. Dr. Subhash Ramrao Bhamre
6. Smt. Sunita Duggal
7. Shri Gaurav Gogoi
8. Shri Manoj Kishorbhai Kotak
9. Shri Pinaki Misra
10. Prof. Saugata Roy
11. Shri Gopal Chinayya Shetty
12. Shri Manish Tewari
13. Shri Rajesh Verma
14. Shri Giridhari Yadav

RAJYA SABHA

15. Shri Rajeev Chandrasekhar
16. Shri Praful Patel
17. Shri Amar Patnaik
18. Shri T.K. Rangarajan
19. Dr. Manmohan Singh
20. Smt. Ambika Soni

SECRETARIAT

1.	Shri V.K Tripathi	-	Joint Secretary
2.	Shri Ramkumar Suryanarayanan	-	Director
3.	Shri Kulmohan Singh Arora	-	Additional Director
4.	Shri Tenzin Gyaltsen	-	Under Secretary
5.	Shri Kh. Ginlal Chung	-	Under Secretary

PART I
(1100 hrs - 1230 hrs)

WITNESSES

Department of Expenditure

1. Dr. T.V. Somanathan, Secretary
2. Ms. Soma Roy Burman, Controller General of Accounts
3. Ms. Annie George Mathew, Additional Secretary (Pers.)
4. Shri Rajeev Ranjan, Additional Secretary
5. Ms. Meera Swarup, AS & FA (Finance)
6. Shri Subodh Kumar Mathur, Addl. CGA

Department of Investment and Public Asset Management (DIPAM)

1. Shri Tuhin Kanta Pandey, Secretary
2. Shri Dheeraj Bhatnagar, Additional Secretary

Department of Financial Services

1. Shri Debasish Panda, Special Secretary (Secretary Designate)
2. Shri Pankaj Jain, Additional Secretary
3. Shri Amit Agrawal, Joint Secretary

Department of Revenue

1. Dr. Ajay Bhushan Pandey, Secretary
2. Shri Anil Kumar Jha, Addititional Secretary
3. Shri P. C. Mody, Chairman, CBDT
4. Shri M. Ajit Kumar, Chairman, CBIC
5. Dr. John Joseph, Member (CBIC)
6. Shri Prasana Kumar Dash, Member (IT & R), CBDT
7. Shri Prabhash Shankar, Member (TPS & S) & Admin, CBDT
8. Ms. Seema Khorana Patra, Member (A & J), CBDT
9. Shri Sandeep M. Bhatnagar, Member (Inv.), CBIC

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, the Committee took oral evidence of the representatives of Ministry of Finance (Departments of Expenditure, Financial Services, Investment and Public Asset Management and Revenue) on the Demands for Grants (2020-21) and related issues of

the Ministry of Finance. The major issues discussed with Departments of Expenditure, Financial Services and Investment and Public Asset Management include prompt procurement of software and hardware for upgradation of PFMS, avoidance of lumpiness in budget expenditure, timeliness of payments with respect to Central schemes and subsidies, measures to boost credit off take, effort to enhance Rupay Card's domain globally, measures to alleviate MSMEs' woes, steps to remove Credit-Deposit Ratio's disparity among the States, governance reforms in the banking sector, preparation of White Paper on FinTech/Blockchain/Cryptocurrency transactions, modalities for strategic disinvestment and so on.

With respect to the Department of Revenue, the issues discussed, *inter-alia,* included GST compensation to States and UTs, direct taxes, indirect taxes, reduction in personal Income tax rates, Dividend Distribution Tax (DDT), measures to widen tax net, faceless appeals, Vivaad Se Vishwas scheme, revenue collection target, Corporate tax cut, refunds, GST input tax credit and taxpayer's charter. The witnesses responded to the queries raised by the Members on the subject. As many of the queries of Members remained unanswered, the Chairperson directed the representatives of Ministry of Finance (Departments of Expenditure, Financial Services, Revenue and Investment and Public Asset Management) to furnish written replies to the points raised by the Members during the discussion within 07 days to the Secretariat.

The witnesses then withdrew.

PART II
(1400 hrs – 1715 hrs)

3. XX XX XX XX XX XX

XX XX XX XX XX XX.

The witnesses then withdrew.

The Committee then adjourned.

A verbatim record of the proceedings has been kept.

Minutes of the Eleventh sitting of the Standing Committee on Finance (2019-20)The Committee sat on Tuesday, the 3rd March, 2020 from 1500hrs. to 1830 hrs in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Jayant Sinha - Chairperson

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Subhash Chandra Baheria
4. Shri Shrirang Appa Barne
5. Dr. Subhash Ramrao Bhamre
6. Smt. Sunita Duggal
7. Shri Gaurav Gogoi
8. Shri Sudheer Gupta
9. Smt. Darshana Vikram Jardosh
10. Shri Manoj Kishorbhai Kotak
11. Shri Gopal Chinayya Shetty
12. Dr. (Prof.) Kirit Premjibhai Solanki
13. Shri Manish Tewari
14. Shri P. Velusamy
15. Shri Parvesh Sahib Singh Verma
16. Shri Rajesh Verma

RAJYA SABHA

17. Shri Rajeev Chandrasekhar
18. Shri A. Navaneethakrishnan
19. Shri Praful Patel
20. Shri Amar Patnaik
21. Shri Mahesh Poddar
22. Shri C.M. Ramesh
23. Shri T.K. Rangarajan
24. Shri G.V.L Narasimha Rao
25. Dr. Manmohan Singh

SECRETARIAT

1.	Shri V.K Tripathi	-	Joint Secretary
2.	Shri Ramkumar Suryanarayanan	-	Director
3.	Shri Kulmohan Singh Arora	-	Additional Director
4.	Shri Tenzin Gyaltsen	-	Under Secretary
5.	Kh. Ginlal Chung	-	Under Secretary

PART I
(1500 hrs - 1600 hrs)

2. XX XX XX XX XX XX

XX XX XX XX XX XX.

PART II
(1600 hrs - 1700 hrs)

3. XX XX XX XX XX XX

XX XX XX XX XX XX.

PART III
(1700 hrs - 1830 hrs)

WITNESSES

Ministry of Finance (Department of Economic Affairs)

1. Shri Atanu Chakraborty, Secretary, DEA
2. Ms. Meera Swarup, Additional Secretary & Financial Adviser (Finance)
3. Shri. K. Rajaraman, Additional Secretary, DEA
4. Shri C.S. Mohapatra, Additional Secretary, DEA
5. Shri Samjeer Kumar Khare, Additional Secretary, DoE
6. Shri Sanjeev Sanyal, Principal Economic Adviser
7. Shri Rajat Kumar Mishra, Joint Secretary (Budget), DEA

4. At the outset, the Chairperson welcomed the Members and the witnesses to the sitting of the Committee. After the customary introduction of the witnesses, the Chairperson initiated the discussion and major issues discussed with Department of Economic Affairs include Budget 2020-21 outlays with respect to Demand nos. 27, 35 and 36, outlays for infrastructure projects, viability gap funding, printing of currency notes etc. The Chairperson then directed the representatives of Ministry of Finance (Department of Economic Affairs) Implementation to furnish written replies to the points raised by the Members during the discussion within seven days to the Secretariat.

(The witnesses then withdrew)

The Committee then adjourned.

Minutes of the Twelfth sitting of the Standing Committee on Finance (2019-20)The Committee sat on Friday, the 6th March, 2020 from 1500hrs. to 1545 hrs in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Jayant Sinha – Chairperson

LOK SABHA

2. Dr. Subhash Ramrao Bhamre
3. Smt. Sunita Duggal
4. Shri Manoj Kishorbhai Kotak
5. Shri Gopal Chinayya Shetty
6. Dr. (Prof.) Kirit Premjibhai Solanki
7. Shri Manish Tewari

RAJYA SABHA

8. Shri Rajeev Chandrasekhar
9. Shri A. Navaneethakrishnan
10. Shri Amar Patnaik
11. Shri Mahesh Poddar
12. Shri T.K. Rangarajan
13. Shri G.V.L. Narasimha Rao
14. Dr. Manmohan Singh
15. Smt. Ambika Soni

SECRETARIAT

1.	Shri V.K Tripathi	-	Joint Secretary
2.	Shri Ramkumar Suryanarayanan	-	Director
3.	Kh. Ginlal Chung	-	Under 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) Seventh Report on Demands for Grants (2020-21) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Investment & Public Asset Management).

(ii) Eighth Report on Demands for Grants (2020-21) of the Ministry of Finance (Department of Revenue).

(iii) Ninth Report on Demands for Grants (2020-21) of the Ministry of Corporate Affairs.

(iv) Tenth Report on Demands for Grants (2020-21) of the Ministry of Planning.

(v) Eleventh Report on Demands for Grants (2020-21) of the Ministry of Statistics and Programme Implementation.

After some deliberations, the Committee adopted the above draft Report with some modifications and authorised the Chairperson to finalise them and present the Report to Parliament.

The Committee then adjourned.