18

STANDING COMMITTEE ON FINANCE
(2019-20)

SEVENTEENTH LOK SABHA

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

***[Action taken by the Government on the recommendations contained in Seventh Report of the Standing Committee on Finance on* 'Demands for Grants (2020-21)']**

EIGHTEENTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

September, 2020 / Bhadrapada, 1942 (Saka)

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STANDING COMMITTEE ON FINANCE
(2019-2020)

(SEVENTEENTH LOK SABHA)

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***[Action taken by the Government on the recommendations contained in Seventh Report of the Standing Committee on Finance on* 'Demands for Grants (2020-21)']**

Presented to Hon'ble Speaker on 9 September, 2020

Presented to Lok Sabha on ____________, 2020

Laid in Rajya Sabha on ______________, 2020

LOK SABHA SECRETARIAT
NEW DELHI

September, 2020 / Bhadrapada, 1942 (Saka)

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** Not appended in the cyclostyled copy*

COMPOSITION OF STANDING COMMITTEE ON FINANCE (2019-2020)

Shri Jayant Sinha - Chairperson

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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
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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 Bikash Ranjan
29. Shri G.V.L Narasimha Rao
30. Dr. Manmohan Singh
31. Smt. Ambika Soni

SECRETARIAT

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

INTRODUCTION

I, the Chairperson of the Standing Committee on Finance, having been authorized by the Committee, present this Eighteenth Report on action taken by Government on the Observations / Recommendations contained in the Seventh Report of the Committee (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 Seventh Report was presented to Lok Sabha / laid on the table of Rajya Sabha on 12 March, 2020. The Action Taken Notes on the Recommendations were received from the Government *vide* their communication dated 9 July, 2020.

3. The Committee considered and adopted this Report at their sitting held on 8 September, 2020.

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

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

NEW DELHI
08 September, 2020
17 Bhadrapada, 1942 (Saka)

SHRI JAYANT SINHA,
Chairperson,
Standing Committee on Finance

REPORT

CHAPTER – I

This Report of the Standing Committee on Finance deals with action taken by Government on the recommendations/observations contained in their 7th 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) which was presented to Lok Sabha / Laid in Rajya Sabha on 3 March, 2020.

2. The Action Taken Notes have been received from the Government in respect of all the 16 recommendations contained in the Report. The replies have been analyzed and categorized as follows:

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

Recommendation Nos. 1, 2, 3, 4, 5, 7, 9, 10, 11, 12, 13, 14, 15 and 16

(Total - 14)
(Chapter- II)

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

Recommendation Nos. 6 and 8

(Total - 02)
(Chapter- III)

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

(Total - NIL)
(Chapter- IV)

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

(Total NIL)
(Chapter- V)

3. The Committee desire that the replies to the observations/recommendations contained in Chapter-I may be furnished to them expeditiously.

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

Recommendations (Serial No. 3)

5. The Committee further note the except for a few major schemes such as Mahatma Gandhi National Rural Employment Guarantee Programme(MGNREG), National Social Assistance Programme 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.

6. In their action taken reply, the Ministry of Finance has furnished the following written submission:

> "Department of Expenditure vide its O.M. 66(59)/PFC-II/2018 dated 17.08.2019 followed by different reminders/ suggestions has already directed all Ministries/ Departments to undertake independent third-party evaluation of all public funded schemes/programmes before continuation of schemes/programmes for the 15th Finance Commission Cycle period. NITI Aayog has been entrusted to conduct the evaluation of the centrally sponsored schemes whereas evaluation of the central sector schemes is being done by respective Ministries/Departments. DoE vide its O.M. 66(59)/PFC-II/2018-Pt dated 22.05.2019 has also issued a sample ToR for

central sector schemes according to which evaluation of third party will be conducted. Evaluation report of the scheme/programme will be considered at the time of appraisal and approval of the scheme in the 15th FC Cycle. These evaluation reports will reveal details about impact of Govt. schemes at the micro-level."

7. From the reply furnished by the Government, the Committee understand that Department of Expenditure has issued direction to all Ministries/Departments to undertake independent third-party evaluation of all public funded schemes/programmes for 15th Finance Commission Cycle period. It was submitted to the Committee that NITI Aayog has also been entrusted to conduct the evaluation of Centrally Sponsored Schemes whereas evaluation of the Central Sector Schemes is being done by respective Ministries/Department. As accurately identifying the glitches would enable the Government to initiate effective corrective measures, the Committee would also urge the Government to conduct an independent survey/audit as well to collect robust statistics across the length and breadth of the country to ascertain the impact of various Government programmes at micro/field level. State-wise details in this regard may be furnished to the Committee.

Recommendations (Serial No. 7)

8. Under Demand No.28, Department of Expenditure (DoE), Object head (Major Head No. 3475/2070/2052). There has 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 of 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.

9. In their action taken reply, the Ministry of Finance has furnished the following written submission:

As regards the Committee's recommendations pertaining to expediting procurement of required hardware/software, it may be pointed out that both the aspects of procurement of IT infrastructure for PFMS and hiring of technical manpower have been taken care of in Financial Year 2019-20. The pending procurement of hardware and software for Data Centre (DC), Shastri Park, New Delhi and Data Recovery Centre (DRC), Hyderabad worth Rs. 96.247 crore (Rs. 10.30 crore for hardware for DC and DRC, Rs. 85.00 crore for software for DC and DRC and Rs. 0.947 crore for procurement of Desktop for Development Centre, Shivaji Stadium, PFMS) have been completed. The delivery of servers worth Rs. 10.30 crore was delayed due to the lockdown. The procurement of various Hardware and Software items for upgradation of infrastructure at Data Centre at Shivaji Park, New Delhi, at Disaster Recovery Centre at Hyderabad and software products for the development system at Shivaji Stadium, New Delhi, for implementation of PM-KISAN Yojana, Unified Application Performance Monitoring Tool for PFMS and 152 BizTalk licences were completed in FY 2019-20.

Further, regarding the hiring of 120 technical manpower, the agency has been short listed through open tendering and presently 116 professionals are taken onboard and are working in PFMS.

The details of the budget allocated and expenditure incurred under IT(OE) and Professional Services for FY 2019-20 are as under:

Budget Head	BE 2019-20 (Rs.in thousands)	Final allocation 2019-20 (Rs. in thousands)	Total expenditure 2019-20 (Rs. in thousands)	Total expenditure as % of final requirement
IT (OE)*	90,00,00	1,53,00,00	1,42,94,00	93.28%
Professional Services	41,70,00	22,69,40	22,19,40	97.80%

**Rs. 10.30 crore (for delivery of servers) could not be utilized and had to be surrendered as the vendor expressed its inability to move the requisite hardware servers from Chennai warehouse due to lockdown.*

Manpower/HR issues:

The implementation of Public Financial Management System (PFMS) project initiated under the erstwhile Planning Commission was transferred to the Ministry of Finance, Department of Expenditure in 2015.

259 posts (84 Group A posts, 169 Group B posts and 6 Group C posts) were created for the project. It was envisaged that the newly created posts for implementing the PFMS project would be filled up as far as possible from already available officers/staff within the "CGA" system and the remaining posts as per requirement by officers on deputations from various accounting services of Central and State Governments. However, on account of lack of clarity in the modalities involved, in particular relating to deputation, till date the posts could not be manned fully and only a limited number of Group A posts could be filled up by taking officers from the organization of CGA. The Group B & C posts are being manned by officials of CGA's organization to leverage the domain expertise available with these officials in various aspects of PFMS.

Subsequent to the Expenditure Finance Committee (EFC) meeting on 29.07.2019 chaired by Secretary (Expenditure) and its recommendation that PFMS would that it would cease to be a Central Sector Scheme and all activities of the PFMS along with the outputs/deliverables would form a part of regular functions of Controller General of Accounts, a proposal for restructuring of manpower of PFMS to create a unified and cohesive organizational structure is under active consideration of the Department.

10. From the reply furnished by the Government, the Committee understand that the pending procurement of hardware and software for Data Centre (DC), Shastri Park, New Delhi and Data Recovery Centre (DRC). Hyderabad worth Rs 96.247 crore has been completed. The Committee note that regarding the plan to hire 120 technical manpower, 116 professionals "were taken on board and are working in PFMS". The Committee were given to understand that other efforts were also made by the Government to streamline the functioning/operations of

PFMS. It was, however noted, from the submission of the Government that 259 (Group 'A', 'B' and 'C') posts could not be fully manned due to lack of clarity in the modalities (of recruitment) involved. In this regard, the Committee urge the Government to clearly spell out the recruitment modalities of the 259 posts without further delay. As PFMS provides efficient and effective tracking of funds flow to the lowest level of implementation of plan/scheme of the Government, the Committee would reiterate that if PFMS is fully made operational, the occurrence of lumpiness of expenditure in utilization of budget allocations will also be curbed. The Department of Expenditure should therefore expedite all pending matters with regard to PFMS to avoid further delays and lumpiness of expenditure in utilization of budget allocations.

Recommendations (Serial No. 14)

FinTech - Blockchain

11. 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 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 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 out 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 Judgement upholding the validity of Cryptocurrency.

12. In their action taken reply, the Ministry of Finance has furnished the following written submission:

"The Committee has recommended that AI and other technologies and services of Fintech be brought into mainstream banking operations of the country. In India, the banking and financial services sector has taken several initiatives in adoption of blockchain-based solutions, some of which are recounted below.

i. In November 2017, Axis Bank launched instant international payment services using Ripple's enterprise blockchain technology solution. The bank launched a service for its retail customers in India to receive payments from RakBank in UAE and for its corporate customers in India to receive payments from Standard Chartered Bank in Singapore (Axis Bank, 2017).

ii. In November 2018, HSBC India and ING Bank Brussels successfully executed a blockchain enabled, live trade finance transaction jointly with Reliance Industries and Tricon Energy, with a digital transfer of the title of goods from the seller to the buyer in the underlying trade and the full digitization of the underlying trade. The end-to-end transaction was executed on R3's Corda blockchain platform. The Letter of Credit (LC) was issued by ING Bank for Tricon Energy USA (importer) with HSBC India as the advising and negotiating bank for Reliance Industries, India (exporter) (HSBC, 2018).

iii. **In July 2019,** Yes Bank, as an issuing and paying agent (IPA), facilitated the issuance of a Commercial Paper (CP) of **INR 100 crore** using Block chain technology for Vedanta Limited, a natural resources conglomerate. This was the first time in Asia that a CP was digitally issued using Blockchain technology. The digital solution ensures an efficient, transparent and secure mechanism for CP issuance and redemption. This transaction was completed in partnership with MonetaGo, which built the solution using R3's Corda blockchain platform (Yes Bank, 2019).

2) Public sector banks (PSBs) have also started leveraging AI and Machine Learning technologies. AI enabled chatbots such as the SBI Intelligent Assistant (SIA)chat assistant of State Bank of India (launched in 2017) are becoming popular. Such capabilities can either be developed in-house by PSBs, or through tie-ups with Fintechs in our vibrant start-up ecosystem:

i. In order to derive maximum benefit from Fintech and emerging technologies, such as machine learning (ML), artificial intelligence (AI) and big data analytics, PSBs may be advised to earmark resources for creation of necessary technological infrastructure and capable human resources.

ii. Efficient usage of such technologies would require seamless recording and storage of large amounts of data pertaining to the business, investments, customers and employees of the bank. Thus, they may need to create appropriate "data warehouses" for storage and usage of data. Many private sector financial and non-financial firms already follow this practice.

iii. In order to develop human resources adept at leveraging these technologies, PSBs may identify such employees with necessary background and/or interest from their existing pool of employees/newly recruited candidates to receive training on these existing technologies. For training purposes, PSBs may enter into collaboration with Indian universities/colleges (IITs, IIMs, Indian Statistical Institute, IISc etc.) and also incentivize their staff to undertake training programmes on online training platforms (Coursera, Udemy, edX etc.). Such employees may be offered full reimbursements on successful completion of such courses and usage of these techniques in their work. An initial small team of employees may start working on applying such tools across business domains of the bank.

iv. Further, PSBs can get into partnerships and/or mutual arrangements with Fintech startups in the domain of payments, loan and investment products, credit scoring, etc. to leverage new-age technology in their business. The PSBs, on their own or as a group, may also setup their own "research and innovation labs" to create new banking products and also enhance the usage of emerging technologies (AI/ML/Big Data etc) across business functions.

3) RBI has set up a Regulatory Sandbox for issuing facilitative regulation to help the fast- developing Fintech sector. A regulatory sandbox refers to the live testing of new products or services in a controlled/test regulatory environment for which regulators may (or may not) permit certain regulatory relaxations for the limited purpose of the testing. It allows the regulator, the innovators, the financial service providers (as potential deployers of the technology) and the customers (as final users) to conduct field tests to collect evidence on the benefits and risks of new financial innovations, while carefully monitoring and containing their risks. It can provide a structured avenue for the regulator to engage with the ecosystem and to develop innovation-enabling or innovation-responsive regulations that facilitate delivery of relevant, low-cost financial products (RBI, 2019).

4) The objective of RBI’s Regulatory Sandbox is to foster responsible innovation in financial services, promote efficiency and bring benefit to consumers. The proposed financial service to be launched under the Sandbox should include new or emerging technology or use of existing technology in an innovative way and should address a problem and bring benefits to consumers. The first cohort of applications considered for the Regulatory Sandbox were under the operational theme “retail payments” (Manikandan, 2019).

5) In India, FinTech has the potential to provide workable solutions to the problems faced by the traditional financial institutions such as low penetration, lack of technology-adoption, scarce credit history and cash driven transaction economy. A collaborative participation from all stakeholders, viz. regulators, market players and investors need to be harnessed to ensure change in the Indian banking and financial services sector. The FinTech surge in India has been facilitated by the following factors: Aadhaar identity, banking penetration, mobile and wireless connection penetration, API for business and start-ups, increase in disposable income due to middle class expansion, government initiatives and policy initiatives in the payments space.

6) The National Investment Promotion and Facilitation Agency, Invest India has categorised the FinTech industry in India into 4 major segments namely WealthTech, Payments, Lending and InsureTech. On the payments side, various developments have been observed in FinTech. One of the classic examples is the UPI platform developed by the National Payments Corporation of India (NPCI), an application based electronic payment system enabled through a smart phone that uses a registered virtual address to make or receive payments which has revolutionized the mobile payments arena. UPI has since emerged as the fastest growing retail payment system in the world. In the payment space, various FinTech firms are operating as Prepaid Payment Instruments issuers, Bharat Bill Payment Operating Units, White Label ATMs, etc. It is also seen from the figures for Q1-2020 that India has attracted maximum amount of investments in fintech in the world (overtaking China); Payments and Lending are the focus areas of the investments.

7) At present, given the importance of FinTech in the financial sector, an exclusive Department is being set-up in the Reserve Bank to handle all activities related to FinTech. Further, the Payment and Settlement Systems Vision 2019-21 recognises the need for continued emphasis on innovation.

8) The benefits and risks associated with DLT to banking and financial sector have been discussed in the RBI Annual Report 2016-17. The features of DLT could transform financial services and markets by reducing complexity, improving end-to-end processing speed, increasing transparency and improving immutability in transaction record keeping and network resilience, reducing operational and financial risks. This could largely reduce the need for reconciliation across multiple record-keeping infrastructures. However, DLT may pose new or different risks concomitant to operational and security issues arising from the technology, lack of inter-operability with existing processes and infrastructures and issues related to data integrity, immutability and privacy. As DLT is an evolving technology that has not yet been proven sufficiently robust for wide scale implementation, implementing across jurisdictions draws its own challenges on legal aspects.

9) Incidentally, the Inter-Ministerial Committee on Crypto Currencies, in which RBI was a member, has also highlighted the positive aspects of DLT and suggested various applications, especially in financial services, for use of DLT in India.

10) In the Indian context, a Proof-of-Concept (PoC) was structured and customised by the IDRBT to facilitate the feasibility analysis of blockchain technology for Indian banking and finance sector with two use cases that highlight banking and consumer interaction: domestic trade finance with a sight letter of credit and Enhanced Information Payments (EIP). Overall, the PoC provided a good demonstration of the use-cases and helped to broaden the understanding of the technology and its potential to other real-life applications, but scalability and security aspects need to be studied in detail.

11) While RBI is supportive of DLT and its applications in financial sector, RBI is wary of the risks associated with Virtual Currencies (VCs), one of the applications of DLT, and therefore, had cautioned the users, holders and traders of VCs on many occasions.

12) The Standing Committee has recommended that the Government issue a White Paper on Fintech Industry. A whitepaper on FinTech industry would help us in understanding the extent of / potential for its adoption in the financial sector in the country and formulate appropriate regulatory and supervisory framework for the same. The Reserve Bank of India on its part has established a New Frontiers Unit within its Department of Economic and Policy Research to conduct relevant research into emerging fields like Blockchain, AI and Fintech. An article titled "Distributed Ledger Technology, Blockchain and Central Banks was published in the RBI Bulletin (Roy et al., 2020).

13. The Government in their action taken reply have stated that in India, the banking and financial services sector has taken several initiatives in adoption of blockchain-based solutions and have enumerated a number of initiatives/developments taking place in the country with respect to FinTech industry. It has been submitted that the Reserve Bank of India on its part has established a New Frontiers Unit within its Department of Economic and Policy Research to conduct relevant research with emerging fields like Blockchain, AI and FinTech. The Committee feel that developments/initiatives taking place with respect to FinTech industry as furnished by the Government indicate that things are in the right direction. However, it is necessary that the emerging technologies of Blockchain/Cryptocurrencies are evaluated in all their ramifications so that these technologies can be used safely and gainfully in our country. The Committee would therefore again urge the Government to come out with a comprehensive White Paper on the FinTech Industry.

CHAPTER - II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 1)

Pension Liabilities

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, Rs47378.07 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.

<u>Reply of the Government</u>

Expenditure under MH:2071-Pension and other Retirement Benefits from FY 2015-16 to 2020-21.

		Expenditure (in crores) under MH : 2071			Increase in Exp. in % as compare to previous year		
Financial Year	Revised Estimates	Total Exp.	DCPS(NPS)	Exp. excluding DCPS	Total Exp.	DCPS(NPS)	Exp. excluding DCPS
2015-16	27723	27558	2335	25223			
2016-17	33128	33085	3116	29969	20.06	33.45	18.82
2017-18	41118	41126	3538	37588	24.30	13.54	25.42
2018-19	47378	44882	4057	40825	9.13	14.67	8.61
2019-20*	51511	51511	5900	45611	14.77	45.43	11.72

* RE treated as Exp.

Note:

1. The increase in Exp. during 2016-17 & 2017-18 as compare to previous year 2015-16 is due to revision in pension due to 7th CPC.
2. The huge increase In expenditure of DCPS during 2019-20 as compare to previous year is due to increase in rate of employer's contribution from 10% to 14%.

Expected long term liabilities under MH:2071-Pension and other Retirement Benefits

	Expenditure (in crores) under MH : 2071			Increase in Exp. in % as compare to previous year		
Financial Year	Total Exp.	DCPS(NPS)	Exp. excluding DCPS	Total Exp.	DCPS(NPS)	Exp. excluding DCPS
2020-21*	62125	6150	55975	20.61	4.24	22.72
2021-22#	66750	7073	59678	6.93	15.00	6.20
2022-23	73425	8133	65292	10.00	15.00	9.41
2023-24	80768	9353	71414	10.00	15.00	9.38
2024-25	88844	10756	78088	10.00	15.00	9.35
2025-26	97729	12370	85359	10.00	15.00	9.31
2026-27	117274	16081	101194	20.00	30.00	18.55
2027-28	140729	18493	122236	20.00	15.00	20.79
2028-29	154802	21267	133535	10.00	15.00	9.24
2029-30	170282	24457	145826	10.00	15.00	9.20

*** BE treated as Exp.**
 # The Total Exp. is based on the figures projected in Mid Term Expenditure Framework (MTEF)

Note

1. The increase in total expenditure during 2022-23 to 2025-26 and 2028-29 to 2029-30 is calculated @ 10% per year as per previous trend and general increase in DA twice in a year.
2. The increase in total expenditure during 2026-27 to 2027-28 is calculated @ 20% per year as per previous trend and expected pay commission in the year 2026.
3. The increase in DCPS expenditure during 2022-23 to 2025-26 and 2027-28 to 2029-30 is calculated @ 15% per year as per previous trend and general increase in DA twice in a year and increase in number of employees due to new recruitments.
4. The increase in DCPS expenditure during 2026-27 is calculated @ 30% per year as per previous trend and expected pay commission in the year 2026.

Ministry of Finance (Department of Expenditure) O.M. No. G-20018/03/2020-IFU(Exp.) dated 26.06.2020

Recommendation (Serial No.2)

Outlay in Major Sectors and Major Schemes

The Committee are pleased to note from the Union Budget 2020-21 documents that there have been increased outlays in the BE 2020-21 over the RE 2019-20 in Major Sectors. As such, there is ₹ 33,292 crore increases 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 ₹ 16,747 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.

Reply of the Government

The recommendations/observations of Standing Committee on Finance on utilisation of budgetary allocations in a focussed manner have been noted.

Since 2017-18, in addition to the financial outlays of schemes of the Ministries being indicated in the Budget documents, the expected outputs and outcomes of the schemes are also being presented in a consolidated Outcome Budget document, along with the Budget. These Outlays, Outputs and Outcomes are being presented to the Parliament in measurable terms, bringing-in greater accountability for the agencies involved in the execution of government schemes and projects. Outlay is the amount that is provided for a given scheme or project in the Budget; while Output refers to the direct and measurable product of program activities, often expressed in physical terms or units.

Outcomes are the collective results or qualitative improvements brought about in the delivery of these services.

The Outcome Budget presents (a) the financial outlay for the year (b) clearly defined outputs and outcomes (c) measurable output and outcome indicators and (d) specific output and outcome targets. This will significantly enhance transparency, predictability and ease of understanding of the Government's development agenda. Through this exercise, the Government aims to nurture an open, accountable, pro-active and purposeful style of governance by transitioning from mere outlays to result-oriented outputs and outcomes. This effort will enable Ministries to keep track of the scheme objectives and work towards the development goals set by them. The document contains Output-Outcome Framework for major Central Sector (CS) Schemes and Centrally Sponsored Schemes (CSS) with outlay of ₹ 500 crore and greater.

[Ministry of Finance (Department of Economic Affairs) O.M. No.9(7)-B(W&M)/2020 dated 19.06.2020.]

Recommendation (Serial No.3)

The Committee further note the except for a few major schemes such as Mahatma Gandhi National Rural Employment Guarantee Programme(MGNREG), National Social Assistance Programme 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.

Reply of the Government

Department of Expenditure vide its O.M. 66(59)/PFC-II/2018 dated 17.08.2019 followed by different reminders/ suggestions has already directed all Ministries/ Departments to undertake independent third-party evaluation of all public funded schemes/programmes before continuation of schemes/programmes for the 15th Finance Commission Cycle period. NITI Aayog has been entrusted to conduct the evaluation of the centrally sponsored schemes whereas evaluation of the central sector schemes is being done by respective Ministries/Departments. DoE vide its O.M. 66(59)/PFC-II/2018-Pt dated 22.05.2019 has also issued a sample ToR for central sector schemes according to which evaluation of third party will be conducted. Evaluation report of the scheme/programme will be considered at the time of appraisal and approval of the scheme in the 15th FC Cycle. These evaluation reports will reveal details about impact of Govt. schemes at the micro-level.

[Ministry of Finance (Department of Expenditure) O.M. No. 66(38)/PFC-II/2016(Misc) dated 29.04.2020.]

Comments of the Committee
(Please see Para No. 7 of Chapter I)

Recommendation (Serial No. 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.

Reply of the Government

The recommendations of the Committee have been noted for compliance.

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. Shifting of MDR Charges from DEA to Ministry of Electronics and Information Technology (Meity),
iii. Shifting of provision 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, a Central provision of Rs. 3000.00 crore each was made for new announcements during 2017-18 & 2018-19 under the Head "New Schemes". However, various schemes were introduced by other Ministries / Departments and suitable augmentations were provided through supplementary grants etc. in those Ministries / Departments in place of DEA. The shifting of provisions through supplementary in other Ministries / Departments results into savings in DEA. 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. From the above explanations for F.Y. 2017-18 & 2018-19, 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. 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. However in view of above and keeping in view the observation of the Standing Committee on Finance, this time (F.Y. 2020-21) more efforts have been made to make

the realistic estimation of requirement so that the fund allocated are utilized to the maximum extent. For instances:-

i. Only token provisions have been made for 'New Schemes' and 'Investment in Strategic and Social Infrastructure Finance Corporation of India (ISSIFC)'.
ii. The provision for Investment in National Investment and Infrastructure Fund (NIIF) Limited and management fee thereof has been reduced to Rs. 503.01 crore.
iii. The provision for purchase of coins from Security Printing & Minting Corporation of India Limited (SPMCIL) has been reduced to Rs. 1500.00 cr.

6. It may be stated that budget outlays are generally made considering the approval of the schemes by the competent authority, anticipating devising mechanism for implementation. However, expeditious scheme implementation depends on many factors such as drawing up detailed scheme implementation guidelines, selection of implementing agencies, compliance of various statutory requirements before release of funds, etc. In certain cases, sluggish responses than anticipated results into slow pick-up of the schemes. As a corollary, these factors contribute to less utilisation of funds made at the time of Budget Estimates. However, efforts are made to avoid the large mismatch between the budget allocation and utilisation.

[Ministry of Finance(Department of Economic Affairs) O.M. No.(5/9/2020-IF-I) dated 14.6.2020 and O.M. No.9(7)-B(W&M)/2020 dated 19.06.2020.]

Recommendation (Serial No.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 modelling. This modelling 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 modelling capabilities.

Reply of the Government

The recommendations of the Committee have been noted for compliance.

It may be submitted that estimates are generally made depending on fixed costs, regular incidence, schedule payments and payments arising out of maturity. Contingency element is also factored in finalizing the estimates. However, wild variations arising out of extraordinary situations like exchange rate variations, international oil prices, and market related interest rates cannot be anticipated, estimated and included precisely.

Review of the estimates made at the time of Budget is conducted regularly and corrections in estimates effected in mid-year review and the same is reflected in Revised Estimates.

The recommendations of the Committee will however be kept in view and the methods in estimation modified suitably.

[Ministry of Finance (Department of Economic Affairs) O.M. No.(5/9/2020-IF-I) dated 14.6.2020 and O.M. No.9(7)-B(W&M)/2020 dated 19.06.2020.]

Recommendation (Serial No.7)

Under Demand No.28, Department of Expenditure (DoE), Object head (Major Head No. 3475/2070/2052). There has 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 of 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.

Reply of the Government

As regards the Committee's recommendations pertaining to expediting procurement of required hardware/software, it may be pointed out that both the aspects of procurement of IT infrastructure for PFMS and hiring of technical manpower have been taken care of in Financial Year 2019-20. The pending procurement of hardware and software for Data Centre (DC), Shastri Park, New Delhi and Data Recovery Centre (DRC), Hyderabad worth Rs. 96.247 crore (Rs. 10.30 crore for hardware for DC and DRC, Rs. 85.00 crore for software for DC and DRC and Rs. 0.947 crore for procurement of Desktop for Development Centre, Shivaji Stadium, PFMS) have been completed. The delivery of servers worth Rs. 10.30 crore was delayed due to the lockdown. The procurement of various Hardware and Software items for upgradation of infrastructure at Data Centre at Shivaji Park, New Delhi, at Disaster Recovery Centre at Hyderabad and software products for the development system at Shivaji Stadium, New Delhi, for implementation of PM-KISAN Yojana, Unified Application Performance Monitoring Tool for PFMS and 152 BizTalk licences were completed in FY 2019-20.

Further, regarding the hiring of 120 technical manpower, the agency has been short listed through open tendering and presently 116 professionals are taken onboard and are working in PFMS.

The details of the budget allocated and expenditure incurred under IT(OE) and Professional Services for FY 2019-20 are as under:

Budget Head	BE 2019-20 (Rs.in thousands)	Final allocation 2019-20 (Rs. in thousands)	Total expenditure 2019-20 (Rs. in thousands)	Total expenditure as % of final requirement
IT (OE)*	90,00,00	1,53,00,00	1,42,94,00	93.28%
Professional Services	41,70,00	22,69,40	22,19,40	97.80%

**Rs. 10.30 crore (for delivery of servers) could not be utilized and had to be surrendered as the vendor expressed its inability to move the requisite hardware servers from Chennai warehouse due to lockdown.*

<u>Manpower/HR issues:</u>

The implementation of Public Financial Management System (PFMS) project initiated under the erstwhile Planning Commission was transferred to the Ministry of Finance, Department of Expenditure in 2015. 259 posts (84 Group A posts, 169 Group B posts and 6 Group C posts) were created for the project. It was envisaged that the newly created posts for implementing the PFMS project would be filled up as far as possible from already available officers/staff within the "CGA" system and the remaining posts as per requirement by officers on deputations from various accounting services of Central and State Governments. However, on account of lack of clarity in the modalities involved, in particular relating to deputation, till date the posts could not be manned fully and only a limited number of Group A posts could be filled up by taking officers from the organization of CGA. The Group B & C posts are being manned by officials of CGA's organization to leverage the domain expertise available with these officials in various aspects of PFMS.

Subsequent to the Expenditure Finance Committee (EFC) meeting on 29.07.2019 chaired by Secretary (Expenditure) and its recommendation that PFMS would that it would cease to be a Central Sector Scheme and all activities of the PFMS along with the outputs/deliverables would form a part of regular functions of Controller General of Accounts, a proposal for restructuring of manpower of PFMS to create a unified and cohesive organizational structure is under active consideration of the Department.

[Ministry of Finance (Department of Expenditure) O.M. No. G-20018/03/2020-IFU(Exp.) dated 26.6.2020]

Comments of the Committee
(Please see Para No. 10 of Chapter I)

Recommendation (Serial No.9)

The Committee are informed that Government has tkane 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.

Reply of the Government

Delayed payments are continuously being monitored by Ministry of Micro, Samll & Medium Enterprises (MoMSME) through their Samadhaan portal/ website which is also available in public domain. A meeting with the major PSUs was also taken by Secretary (Expenditure) & Secretary (Economic Affairs) on 27.08.2019 to review the pending payments to Micro, Small & Medium Enterprises (MSMEs) by PSUs. During the meeting, PSUs were directed to make payments to vendors, MSMEs as well as to big companies as promptly as possible in order to ensure adequate money supply/ liquidity in market. Further to this Meetings were taken by Hon'ble Finance Minister on 27.09.2019 with Central ministries and on 28.09.2019 with PSUs to review pending payments in Central Ministries & PSUs. Central Ministries were directed to immediately clear all dues with regard to supply of works, goods and services which are not either under litigation or arbitration. It should also include all agencies viz. Attached/Subordinate offices/Autonomous bodies/statutory Bodies or Central Public Sector Undertakings (CPSUs) etc working under their control. Similarly, PSUs were directed to clear all outstanding dues, excluding the cases in litigation and arbitration etc. Financial Advisors of the concerned Ministries/Departments have also been instructed to regularly monitor the pending payments and report the status in their monthly DO letters to Secretary(Exp).

The PSUs were also directed to set up a portal that shall have the feature of online bill submission by vendor, bill tracking, payment status etc.

[Ministry of Finance (Department of Expenditure) O.M. No.F.11/6/2020-PPD dated 20.03.2020.]

Recommendation (Serial No.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.

Reply of the Government

In order to enable better utilisation of Trade Receivables Discounting System (TReDS) by government entities, the Ministry of Micro, Small and Medium Enterprises (M/o MSME) has issued a Notification No. S.O 5621(E) dated 2.11.2018 (copy enclosed) stipulating that all Central Public Sector Enterprises (CPSEs) shall be required to get themselves onboarded on the TReDS platform. The Notification further provides that the Department of Public Enterprises, Government of India shall be the competent authority to monitor the compliance of such instructions by Central Public Sector Enterprises.

2. M/o MSME has further intimated that it is monitoring the registration of CPSEs with the help of the Department of Public Enterprises. For ensuring timely payment from the Government Department / CPSEs, Secretary (MSME) has issued a D.O letter dated 18.5.2020 to all the Secretaries of Government of India requesting for release of pending payments to MSMEs at the earliest is annexed at Annexure (I) .

[Ministry of Finance (Department of Financial Services) O.M. No.7/19/2020-Parl dated 22.06.2020.]

Recommendation (Serial No.11)

Credit Deposit Ratio

From the date which was furnished to the Committee by the 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.

Reply of the Government

District Annual Credit Plan (ACP) is prepared by the Banks in consultation with district level Government officials and monitored through District Level Coordination Committee (DLCC). The ACP of all the district in a State/UT are integrated into State ACP and is monitored at State Level Bankers' Committee (SLBC). SLBC meetings are attended by senior officers from State Government, representatives of Department of Financial Services, RBI, NABARD and participating banks/financial institutions. If there is any shortfall in the achievement of targets of ACP including CD Ratio, the same is monitored by SLBC for its improvement. For CD Ratio, instructions contained in the RBI's Master Circular – Lead Bank Scheme are followed to improve the shortfall. CD Ratio is also a function of credit absorption capacity which is dependent on the development level of the states in the form of availability of necessary infrastructure facilities required for, varying ability of different regions to absorb credit, etc.

For restoring competitiveness of PSBs, Government has adopted a comprehensive approach of reforming PSBs in key areas, including through—

1. industry-benchmarked improvement in turnaround time;
2. industry-benchmarked improvements in digital banking services;
3. competitive pricing;
4. customer-need driven marketing strategy and reach; and
5. prudential lending and effective loan lifecycle management.

(1) *Turnaround time (TAT):* Under the PSB EASE Reforms initiated in January 2018, TAT for retail credit has been systematically improved through initiatives like deployment of loan management systems and centralised processing hubs and the progress has been benchmarked against leading private sector banks. As per TransUnion CIBIL data for PSBs having business of over Rs.5 lakh crore, TAT measured in terms of the interval between credit report inquiry from the credit information company and credit disbursement for six such PSBs (State Bank of India, Punjab National Bank, Bank of Baroda, Canara Bank, Union Bank of India and Bank of India) benchmarked against the four private sector banks of comparable business size (HDFC Bank, ICICI Bank, Axis Bank and Kotak Mahindra Bank), for the fourth quarter (Q4) of the financial year (FY) 2018-19, shows that PSBs are competitive vis-à-vis private sector peers. Details are as under:

Loan type	**TAT for PSBs**	**TAT for private sector banks**
Home loan	30.2 days (improved from 35.0 in Q4FY2017-18)	31.2 days
Automobile loan	7.4 days (improved from 13.2 in Q4FY2017-18)	17.7 days
Personal loan	9.1 days (improved from 14.2 in Q4FY2017-18)	20.9 days

Source: *Trans Union CIBIL / IBA (EASE Reforms); for PSBs with business above Rs. 5 lakh crore and private sector banks with comparable business*

(2) *Digital banking services:* Mobile and Internet banking have been systematically improved in terms of number of services offered, customer-friendliness, and local language customer-interface, and benchmarked against leading private sector banks:

Mobile & Internet banking	**PSB average** For banks with business ≥ Rs. 5 lakh crore (March 2020)	**Pvt. sector bank average** For banks with comparable business (March 2020)
Avg. number of services	39	37
Avg. customer-friendly features	120	94*
Avg. local languages available	8	1

Source: EASE Reforms data (Indian Banks' Association)

*as of June 2019

(3) *Competitive pricing:* PSBs have generally been offering credit at rates of interest that are significantly more competitive than their private sector bank peers. Details are as under:

	PSB median (as on 31.5.2020)	Private sector bank median (as on 31.5.2020)
One-year Marginal Cost of Lending Rate (MCLR)	7.83%	9.08%

Source: RBI

(4) *Customer-need driven marketing strategy and reach:* PSBs have been the principal source of finance for several segments and areas insufficiently served by other lenders and financial markets, such as rural areas, weaker sections, agriculture, housing and education. Private sector banks, on the other hand, focus on serving the relatively better-off class of customers. PSBs, while continuing to cater to the banking needs of the masses, also need to augment income and enhance profitability through competitiveness in those segments in which private sector banks have an edge. To this end, the following reform initiatives have been pursued under PSB EASE Reforms:

a. Sales force in the form of dedicated marketing officers in PSBs has doubled from 8,920 officers in March 2018 to 18,053 in March 2020.
b. Sourcing of loans through the sales force and marketing tie-ups has quadrupled from 7% of the total loans sources in Q4 FY2017-18 to 31% in Q4 FY2019-20.
c. Cross-sell of non-banking financial products has made available bouquet of financial products to the customer.
d. Digital initiation of lending for retail and MSMEs has been launched through PSBloansin59minutes.com.
e. Trade Receivables Discounting System (TReDS) has been onboarded by all PSBs and PSBs are now competitively accessing the trade receivables discounting market.
f. A comprehensive agenda for smart, tech-enabled banking has been adopted for FY2020-21, under which, *inter alia*, PSBs have –

i. Initiated eShishu Mudra launched for straight-through processing of loans to micro-enterprises;
ii. Started providing customer-need driven credit offers through analytics;
iii. Begun instituting an integrated account management framework for large corporates, with single-point relationship manager for seamlessly meeting their requirements across business verticals within the bank;

iv. Put in place advanced queue management systems in transaction-intensive branches, with single-window operations, to reduce customer waiting and transaction time; and

v. Introduced centralised processing hubs for faster time-bound processing and app-based loan application and offers for agricultural loans.

(5) *Prudential lending and effective loan lifecycle management:* Weaknesses in appraisal and monitoring in PSBs resulted in poor asset quality, resulting in stressed financials that adversely impacted their ability to lend or to make investments to improve systems and expand products and services. These have been systemically addressed through—

a. technology- and data-driven risk assessment with prudential underwriting and pricing systems, for which—
    i. Risk Scoring and Scrutiny Systems that comprehensively factor in third-party data and non-financial factors and provide for higher scrutiny of high-risk cases have been introduced in banks;
    ii. adherence to risk-based pricing has been substantially improved; and
    iii. improved credit policies have been adopted that provide for improved consortium lending, ring-fencing of cash flows, and disbursement arrangements;

b. setting up of loan management systems;

c. introduction of Early Warning Signals (EWS) systems in banks, with ~80 EWS triggers including third-party data and workflow for time-bound remedial actions;

d. specialised monitoring for time-bound action in case of stress and focussed recovery arrangements through Stressed Assets Management Verticals in banks (which recovered Rs.1.21 lakh crore in the preceding two financial years (till Q3 of FY2019-20), and have put in place one-time settlement platforms and portals, eB□□□□□ platform for online auction and eDRT for online recovery case management.

Enabled by the reforms, there has been perceptible improvement in the financial performance of PSBs, with—

a) Gross NPAs reducing from Rs.8.96 lakh crore in March 2018 to Rs.7.17 lakh crore in December 2019;

b) Record recovery of Rs.2.62 lakh crore being effected since March 2018 till December 2019;

c) Fresh slippage into NPA reducing from a peak of 8.34% in FY2017-18 to 3.88% for the 12-month period ending December 2019 (as against 4.72% for private sector banks during the same period). Details are as under:

	Fresh slippages in last 12 months as percentage of opening standard advances	
	PSBs	**Private Sector Banks**
FY2017-18	8.34%	4.73%
FY2018-19	3.96%	3.39%
Jan to Dec 2019	3.88%	4.72%

Source: RBI

d) Provision coverage ratio rising to 77.5% in December 2019, from 62.7% in March 2018, reflecting increased resilience; and

e) Occurrence of frauds declining sharply, from a peak of 0.93% in FY2013-14 to 0.06% in FY2019-20 (as against 0.09% for private sector banks in FY2019-20). Details are as under:

	Frauds occurred as percentage of gross advances	
	PSBs	**Private Sector Banks**
FY2017-18	0.235%	0.239%
FY2018-19	0.268%	0.294%
FY2019-20	0.065%	0.092%

Source: RBI

For vigorous pursuit of governance reforms for a resilient and vibrant banking system--

a) Governance reforms have been incorporated in the PSB EASE Reforms Agenda for FY202021 and are being tracked through an independent agency for ensuring their implementation;

b) The Board committee system in PSBs has been rationalised and strengthened with—

i. the Nominations Committee and Remunerations Committees being combined into a Nominations and Remunerations Committee in all banks;

ii. Rationalisation of committees effected by six banks;

iii. Entrustment of performance evaluation of the bank's Managing Director and Chief Executive Officer and all senior executives in nationalised banks to a Board committee;

iv. Provision of adequate term for non-official directors on Management Committees to enable them to contribute effectively to credit decisions;

v. Empowerment of the Risk Management Committee to fix accountability for compliance with the bank's risk appetite framework;

c) Effectiveness of non-official directors (NODs) has been enhanced by—

i. Giving them mandate to play role akin to that of independent directors;
ii. Institution of their peer evaluation;
iii. Initiation of their training;
iv. Enhancement of their sitting fees;

d) Empowerment of bank Boards to decide on institution of Chief General Manager (CGM) level and fix sitting fees in larger banks, and to recruit the bank's Chief Risk Officer (CRO) from the market at market linked compensation: the larger banks have already created the CGM cadre and enhanced sitting fees, and six PSBs have initiated the process of recruiting their CRO from the market; and
e) Institution of succession planning systems in banks, implemented through Individual Development Plans for senior management.

[Ministry of Finance (Department of Financial Services) O.M. No.7/19/2020-Parl dated 22.06.2020.]

Recommendation (Serial No.12)

The Committee observed that the functioning of the Bank Board Bureau (BBB) has still not been fully clarified. PSBs appear not be have workd-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.

Reply of the Government

BBB has launched a Leadership Development Programme through the Indian Banks' Association, conducted by leading HR agencies/ institutions, to impart quality leadership training tailored to the needs of senior PSB executives.

In addition, a number of steps have been taken as part of the PSB EASE Reforms to this end, including, *inter alia*, the following:

(a) to strengthen risk management, bank Boards have been empowered to recruit the bank's Chief Risk Officer from the market, on market-linked compensation;

(b) as part of the PSB EASE Reforms Agenda for FY2020-21, PSBs have committed to creation of human resource for emerging banking and specialised roles (such as analytics, artificial intelligence / machine-learning based solutions, FinTech/digital/payments, wealth management, risk and economics), and some banks have already recruited specialists;

(c) bank Boards have instituted systems in banks for strength-based succession planning, being implemented through Individual Development Plans for grooming, training and developing management talent in identified areas; and

(d) to equip banks with management talent based on assessment of human resources for carrying out and expanding operations in a streamlined manner,—

(i) job families system has been created in PSBs to facilitate specialisation in middle management level for related job areas such as credit, risk and compliance, treasury and foreign exchange, information/digital technology, fintech and payments, etc.; and

(ii) mandatory role-based e-learning programmes has been instituted for officers for ensuring continuous learning.

[Ministry of Finance (Department of Financial Services) O.M. No.7/19/2020-Parl dated 22.06.2020.]

Recommendation (Serial No.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.

Reply of the Government

The preambles to the Banking Companies (Acquisition and Transfer of Undertakings) Acts of 1970 and 1980 and the State Bank of India Act, 1955 commit PSBs to serve economic development in conformity with national policy and objectives, expand banking facilities on large scale particularly in underserved areas, and fulfil other public purposes. In line with the legislative intent and policy, PSBs have played an important role in nation-building as the principal source of finance for several segments and areas insufficiently served by other lenders and financial markets, such as rural areas, weaker sections, agriculture, housing and education.

Major contributions include financial inclusion with opening of over 35 crore Jan Dhan accounts, massive banking network in rural and semi-urban areas, about 92% share in educational loans, credit to farmers through Kisan Credit Cards, etc. Further, PSBs have been in the lead in lending for long-gestation projects for core industries and infrastructure. Such activities have relatively lower financial returns, but have high economic and social returns.

While recognising the importance and the role of PSBs, Government has also recognised the need for greater competition to foster higher productivity and efficiency in the banking system and, accordingly, through an amendment to the Banking Regulation Act in 1993, allowed the setting up of new private sector banks. As a result, the banking system in the country today has both public and private sector banks, which fulfil different objectives.

The profile of customers catered to by PSBs and private sector banks is different. While the average savings account balance as on 31.3.2019 was about Rs.24,000 even for the largest six PSBs by business size, this was Rs.67,000 for the largest three private sector banks[1]. While the higher income profile of the latter enables better business returns, the lower ticket-size of PSB business adds to their cost structure, impacting profitability.

These differences notwithstanding, PSBs need to be competitive in offering banking services to all segments with good profitability so that they are better able to serve their customers and carry out policy objectives. To this end, Government has adopted a comprehensive approach of reforming PSBs to strengthen their competitiveness in key areas including through—

1. industry-benchmarked improvement in turnaround time;
2. industry-benchmarked improvements in digital banking services;
3. competitive pricing;
4. customer-need driven marketing strategy and reach; and
5. prudential lending and effective loan lifecycle management.

(1) *Turnaround time (TAT):*Under the PSB EASE Reforms initiated in January 2018, TAT for retail credit has been systematically improved through initiatives like deployment of loan management systems and centralised processing hubs and the progress has been benchmarked against leading private sector banks. As per TransUnion CIBIL data for PSBs having business of over Rs.5 lakh crore, TAT measured in terms of the interval between credit report inquiry from the credit information company and credit disbursement for six such PSBs (State Bank of India, Punjab National Bank, Bank of Baroda, Canara Bank, Union Bank of India and Bank of India) benchmarked against the four private sector banks of comparable business size (HDFC Bank, ICICI Bank, Axis Bank and Kotak Mahindra Bank), for the fourth quarter (Q4) of the financial year (FY) 2018-19, shows that PSBs are competitive vis-à-vis private sector peers. Details are as under:

Loan type	TAT for PSBs	TAT for private sector banks
Home loan	30.2 days (improved from 35.0 in Q4FY2017-18)	31.2 days
Automobile loan	7.4 days (improved from 13.2 in Q4FY2017-18)	17.7 days
Personal loan	9.1 days (improved from 14.2 in Q4FY2017-18)	20.9 days

Source: *Trans Union CIBIL / IBA (EASE Reforms); for PSBs with business above Rs.5 lakh crore and private sector banks with comparable business*

(2) *Digital banking services:* Mobile and Internet banking have been systematically improved in terms of number of services offered, customer-friendliness, and local language customer-interface, and benchmarked against leading private sector banks:

Mobile & Internet banking	**PSB average** For banks with business ≥ Rs.5 lakh crore (March 2020)	**Pvt. sector bank average** For banks with comparable business (March 2020)
Avg. number of services	39	37
Avg. customer-friendly features	120	94*
Avg. local languages available	8	1

***Source**: EASE Reforms data (Indian Banks' Association)*

**as of June 2019*

(3) *Competitive pricing:* PSBs have generally been offering credit at rates of interest that are significantly more competitive than their private sector bank peers. Details are as under:

	PSB median (as on 31.5.2020)	Private sector bank median (as on 31.5.2020)
One-year Marginal Cost of Lending Rate (MCLR)	7.83%	9.08%

Source: RBI

(4) *Customer-need driven marketing strategy and reach:* PSBs have been the principal source of finance for several segments and areas insufficiently served by other lenders and financial markets, such as rural areas, weaker sections, agriculture, housing and education. Private sector banks, on the other hand, focus on serving the relatively better-off class of customers. PSBs, while continuing to cater to the banking needs of the masses, also need to augment income and enhance profitability through competitiveness in those segments in which private sector banks have an edge. To this end, the following reform initiatives have been pursued under PSB EASE Reforms:

(a) Sales force in the form of dedicated marketing officers in PSBs has doubled from 8,920 officers in March 2018 to 18,053 in March 2020.
(b) Sourcing of loans through the sales force and marketing tie-ups has quadrupled from 7% of the total loans sources in Q4 FY2017-18 to 31% in Q4 FY2019-20.
(c) Cross-sell of non-banking financial products has made available bouquet of financial products to the customer.
(d) Digital initiation of lending for retail and MSMEs has been launched through PSBloansin59minutes.com.
(e) Trade Receivables Discounting System (TReDS) has been onboarded by all PSBs and PSBs are now competitively accessing the trade receivables discounting market.
(f) A comprehensive agenda for smart, tech-enabled banking has been adopted for FY2020-21, under which, *inter alia*, PSBs have—

    (i) Initiated eShishu Mudra launched for straight-through processing of loans to micro-enterprises;
    (ii) Started providing customer-need driven credit offers through analytics;

(iii) Begun instituting an integrated account management framework for large corporates, with single-point relationship manager for seamlessly meeting their requirements across business verticals within the bank;
(iv) Put in place advanced queue management systems in transaction-intensive branches, with single-window operations, to reduce customer waiting and transaction time; and
(v) Introduced centralised processing hubs for faster time-bound processing and app-based loan application and offers for agricultural loans.

(5) *Prudential lending and effective loan lifecycle management:* Weaknesses in appraisal and monitoring in PSBs resulted in poor asset quality, resulting in stressed financials that adversely impacted their ability to lend or to make investments to improve systems and expand products and services. These have been systemically addressed through—

(a) technology- and data-driven risk assessment with prudential underwriting and pricing systems, for which—
  (i) Risk Scoring and Scrutiny Systems that comprehensively factor in third-party data and non-financial factors and provide for higher scrutiny of high-risk cases have been introduced in banks;
  (ii) adherence to risk-based pricing has been substantially improved; and
  (iii) improved credit policies have been adopted that provide for improved consortium lending, ring-fencing of cash flows, and disbursement arrangements;

(b) setting up of loan management systems;

(c) introduction of Early Warning Signals (EWS) systems in banks, with ~80 EWS triggers including third-party data and workflow for time-bound remedial actions;

(d) specialised monitoring for time-bound action in case of stress and focussed recovery arrangements through Stressed Assets Management Verticals in banks (which recovered Rs.1.21 lakh crore in the preceding two financial years (till Q3 of FY2019-20), and have put in place one-time settlement platforms and portals, eB□□□□ platform for online auction and eDRT for online recovery case management.

Enabled by the reforms, there has been perceptible improvement in the financial performance of PSBs, with—

(a) Gross NPAs reducing from Rs.8.96 lakh crore in March 2018 to Rs.7.17 lakh crore in December 2019;

(b) Record recovery of Rs. 2.62 lakh crore being effected since March 2018 till December 2019;

(c) Fresh slippage into NPA reducing from a peak of 8.34% in FY2017-18 to 3.88% for the 12-month period ending December 2019 (as against 4.72% for private sector banks during the same period). Details are as under:

	Fresh slippages in last 12 months as percentage of opening standard advances	
	PSBs	**Private Sector Banks**
FY2017-18	8.34%	4.73%
FY2018-19	3.96%	3.39%
Jan to Dec 2019	3.88%	4.72%

Source: RBI

(d) Provision coverage ratio rising to 77.5% in December 2019, from 62.7% in March 2018, reflecting increased resilience; and

(e) Occurrence of frauds declining sharply, from a peak of 0.93% in FY2013-14 to 0.06% in FY2019-20 (as against 0.09% for private sector banks in FY2019-20). Details are as under:

	Frauds occurred as percentage of gross advances	
	PSBs	**Private Sector Banks**
FY2017-18	0.235%	0.239%
FY2018-19	0.268%	0.294%
FY2019-20	0.065%	0.092%

Source: RBI

[Ministry of Finance (Department of Financial Services) O.M. No.7/19/2020-Parl dated 22.06.2020.]

Recommendation (Serial No.14)

FinTech - Blockchain

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 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 out 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 Judgement upholding the validity of Cryptocurrency.

<u>Reply of the Government</u>:

The Committee has recommended that AI and other technologies and services of Fintech be brought into mainstream banking operations of the country. In India, the banking and financial services sector has taken several initiatives in adoption of blockchain-based solutions, some of which are recounted below.

v. In November 2017, Axis Bank launched instant international payment services using Ripple's enterprise blockchain technology solution. The bank launched a service for its retail customers in India to receive payments from RakBank in UAE and for its corporate customers in India to receive payments from Standard Chartered Bank in Singapore (Axis Bank, 2017).

vi. In November 2018, HSBC India and ING Bank Brussels successfully executed a blockchain enabled, live trade finance transaction jointly with Reliance Industries and Tricon Energy, with a digital transfer of the title of goods from the seller to the buyer in the underlying trade and the full digitization of the underlying trade. The end-to-end transaction was executed on R3's Corda blockchain platform. The Letter of Credit (LC) was issued by ING Bank for Tricon Energy USA (importer) with HSBC India as the advising and negotiating bank for Reliance Industries, India (exporter) (HSBC, 2018).

vii. **In July 2019,** Yes Bank, as an issuing and paying agent (IPA), facilitated the issuance of a Commercial Paper (CP) of **INR 100 crore** using Block chain technology for Vedanta Limited, a natural resources conglomerate. This was the first time in Asia that a CP was digitally issued using Blockchain technology. The digital solution ensures an efficient, transparent and secure mechanism for CP issuance and redemption. This transaction was completed in partnership with MonetaGo, which built the solution using R3's Corda blockchain platform (Yes Bank, 2019).

13) Public sector banks (PSBs) have also started leveraging AI and Machine Learning technologies. AI enabled chatbots such as the SBI Intelligent Assistant (SIA)chat assistant of State Bank of India (launched in 2017) are becoming popular. Such capabilities can either be developed in-house by PSBs, or through tie-ups with Fintechs in our vibrant start-up ecosystem:

iv. In order to derive maximum benefit from Fintech and emerging technologies, such as machine learning (ML), artificial intelligence (AI) and big data analytics, PSBs may be advised to earmark resources for creation of necessary technological infrastructure and capable human resources.

v. Efficient usage of such technologies would require seamless recording and storage of large amounts of data pertaining to the business, investments, customers and employees of the bank. Thus, they may need to create appropriate "data warehouses" for storage and usage of data. Many private sector financial and non-financial firms already follow this practice.

vi. In order to develop human resources adept at leveraging these technologies, PSBs may identify such employees with necessary background and/or interest from their existing pool of employees/newly recruited candidates to receive training on these existing technologies. For training purposes, PSBs may enter into collaboration with Indian universities/colleges (IITs, IIMs, Indian Statistical

Institute, IISc etc.) and also incentivize their staff to undertake training programmes on online training platforms (Coursera, Udemy, edX etc.). Such employees may be offered full reimbursements on successful completion of such courses and usage of these techniques in their work. An initial small team of employees may start working on applying such tools across business domains of the bank.

viii. Further, PSBs can get into partnerships and/or mutual arrangements with Fintech startups in the domain of payments, loan and investment products, credit scoring, etc. to leverage new-age technology in their business. The PSBs, on their own or as a group, may also setup their own "research and innovation labs" to create new banking products and also enhance the usage of emerging technologies (AI/ML/Big Data etc) across business functions.

14) RBI has set up a Regulatory Sandbox for issuing facilitative regulation to help the fast- developing Fintech sector. A regulatory sandbox refers to the live testing of new products or services in a controlled/test regulatory environment for which regulators may (or may not) permit certain regulatory relaxations for the limited purpose of the testing. It allows the regulator, the innovators, the financial service providers (as potential deployers of the technology) and the customers (as final users) to conduct field tests to collect evidence on the benefits and risks of new financial innovations, while carefully monitoring and containing their risks. It can provide a structured avenue for the regulator to engage with the ecosystem and to develop innovation-enabling or innovation-responsive regulations that facilitate delivery of relevant, low-cost financial products (RBI, 2019).

15) The objective of RBI's Regulatory Sandbox is to foster responsible innovation in financial services, promote efficiency and bring benefit to consumers. The proposed financial service to be launched under the Sandbox should include new or emerging technology or use of existing technology in an innovative way and should address a problem and bring benefits to consumers. The first cohort of applications considered for the Regulatory Sandbox were under the operational theme “retail payments” (Manikandan, 2019).

16) In India, FinTech has the potential to provide workable solutions to the problems faced by the traditional financial institutions such as low penetration, lack of technology-adoption, scarce credit history and cash driven transaction economy. A collaborative participation from all stakeholders, viz. regulators, market players and investors need to be harnessed to ensure change in the Indian banking and financial services sector. The FinTech surge in India has been facilitated by the following factors: Aadhaar identity, banking penetration, mobile and wireless connection penetration, API for business and start-ups, increase in disposable income due to middle class expansion, government initiatives and policy initiatives in the payments space.
17) The National Investment Promotion and Facilitation Agency, Invest India has categorised the FinTech industry in India into 4 major segments namely WealthTech, Payments, Lending and InsureTech. On the payments side, various developments have been observed in FinTech. One of the classic examples is the UPI platform developed by the National Payments Corporation of India (NPCI), an application based electronic payment system enabled through a smart phone that uses a registered virtual address to make or receive payments which has revolutionized the mobile payments arena. UPI has since emerged as the fastest growing retail payment system in the world. In the payment space, various FinTech firms are operating as Prepaid Payment Instruments issuers, Bharat Bill Payment Operating Units, White Label ATMs, etc. It is also seen from the figures for Q1-2020 that India has attracted maximum amount of investments in fintech in the world (overtaking China); Payments and Lending are the focus areas of the investments.
18) At present, given the importance of FinTech in the financial sector, an exclusive Department is being set-up in the Reserve Bank to handle all activities related to FinTech. Further, the Payment and Settlement Systems Vision 2019-21 recognises the need for continued emphasis on innovation.
19) The benefits and risks associated with DLT to banking and financial sector have been discussed in the RBI Annual Report 2016-17. The features of DLT could transform financial services and markets by reducing complexity, improving end-to-end processing speed, increasing transparency and improving immutability in transaction record keeping and network resilience, reducing operational and financial risks. This could largely reduce the need for reconciliation across multiple

record-keeping infrastructures. However, DLT may pose new or different risks concomitant to operational and security issues arising from the technology, lack of inter-operability with existing processes and infrastructures and issues related to data integrity, immutability and privacy. As DLT is an evolving technology that has not yet been proven sufficiently robust for wide scale implementation, implementing across jurisdictions draws its own challenges on legal aspects.

20) Incidentally, the Inter-Ministerial Committee on Crypto Currencies, in which RBI was a member, has also highlighted the positive aspects of DLT and suggested various applications, especially in financial services, for use of DLT in India.

21) In the Indian context, a Proof-of-Concept (PoC) was structured and customised by the IDRBT to facilitate the feasibility analysis of blockchain technology for Indian banking and finance sector with two use cases that highlight banking and consumer interaction: domestic trade finance with a sight letter of credit and Enhanced Information Payments (EIP). Overall, the PoC provided a good demonstration of the use-cases and helped to broaden the understanding of the technology and its potential to other real-life applications, but scalability and security aspects need to be studied in detail.

22) While RBI is supportive of DLT and its applications in financial sector, RBI is wary of the risks associated with Virtual Currencies (VCs), one of the applications of DLT, and therefore, had cautioned the users, holders and traders of VCs on many occasions.

23) The Standing Committee has recommended that the Government issue a White Paper on Fintech Industry. A whitepaper on FinTech industry would help us in understanding the extent of / potential for its adoption in the financial sector in the country and formulate appropriate regulatory and supervisory framework for the same. The Reserve Bank of India on its part has established a New Frontiers Unit within its Department of Economic and Policy Research to conduct relevant research into emerging fields like Blockchain, AI and Fintech. An article titled “Distributed Ledger Technology, Blockchain and Central Banks was published in the RBI Bulletin (Roy et al., 2020).

Sources:

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- Manikandan, A. (2019), "*Retail Payments to be first cohort for testing under RBI sandbox",* Economic Times, November 4
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- Roy, M., Dhal, S., and Priyaranjan, N.(2020), "*Distributed Ledger Technology, Blockchain and Central Banks*", Reserve Bank of India Bulletin, February 11
- Yes Bank (2019), "*Yes Bank Implements Asia's First Commercial Paper Issuance on Blockchain*", Press Release, July 11

[Ministry of Finance (Department of Financial Services) O.M. No.7/19/2020-Parl dated 22.06.2020.]

Comments of the Committee

(Please see Para No. 13 of Chapter I)

Recommendation (Serial No.15)

RuPay – a product of national Payments Corporations of India (NPCI)

The RuPay is an indigenously developed payment system designed by NPCI to meet the expectations 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 devies and websites across India. The Committee are happy to note that the "alliances with internations 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.

Reply of the Government

National Payments Corporation of India (NPCI) has informed that it is working on building inter-regional partnerships to enhance the global acceptance of the product. The acceptance is built for RuPay Cards through “Network to Network” arrangements with international partners in different geographies. In its efforts to offer continued convenience and quality customer service, NPCI has strengthened its network capabilities by associating itself with trusted industry players such as Discover Financial Services (DFS) & Japan Credit Bureau International (JCBI). RuPay is currently issuing the international cards using DFS & JCBI BINs which are accepted at millions of ATMs/POS terminals/e-commerce merchants outside India on DFS/JCBI’s network – 80 milliopn RuPay international cards already issued. Currently, DFS has acceptance at 44 million merchant locations whereas JCBI has acceptance at 30 million merchant locations outside of India over 100 countries. RuPay is also currently working with Singapore, UAE, South Korea, Saudi Arabia, Bhutan, Bahrain and Maldives for bi-lateral arrangements.

[Ministry of Finance (Department of Financial Services) O.M. No 7/19/2020 – Parl dated 22.06.2020]

Recommendation (Serial No.16)

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 allocations 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 allocations.

Reply of the Government

A. Break up of various sources to fund the allocation for NIIF

An amount of Rs. 500.01 crore has been provided under the Head 5465-01-190-40.00.54 in BE 2020-21. Out of this, a total expenditure of INR 408,29,56,884 has been made towards management fees/release of commitments made by Government of India to NIIF. Further, an amount of Rs.22049.98 crore has been provided under Major Head 5475 for Support for Infrastructure Pipeline. Some investment into infrastructure projects may also be made from this fund. In this regard, an EFC note for the 'Capital infusion by Government into NIIF Infrastructure Debt Financing Platform' has been approved by SEA and sent to other Departments for comments. As per the proposal in EFC, an amount of INR 6,000 crores worth of equity investment has been sought from the GOI from INR.22,000 crore announced for National Infrastructure Pipeline projects in Budget 2020-21

B. Details of deployment of the funds:

As on date, three funds i.e. National Investment and Infrastructure Fund or *Master Fund*, *NIIF Fund of Funds-I* and *National Investment and Infrastructure Fund-II (or Strategic Opportunities Fund)* have been established under the NIIF platform and registered with SEBI as Category II Alternative Investment Funds. Government of India has made a commitment of Rs ~20,000 crore across three funds established under umbrella of NIIF.

B.1. The details of three funds are as follows:-

i. NIIF Master Fund:

a) The first fund registered by SEBI is National Investment and Infrastructure Fund, or Master Fund, which aims to focus on investing in companies and projects in core infrastructure sectors such as ports and logistics, roads, airports, renewable energy etc. The Master Fund investors currently include Government of India, Abu Dhabi Investment Authority (ADIA), Temasek, AutralianSuper, Ontario Teachers' Pension Plan, Canada Pension Plan Investment Board, Axis Bank Ltd, HDFC Asset Management Company Ltd, HDFC Standard Life Insurance Company Ltd, Housing Development Finance Company Ltd, ICICI Bank Ltd, and Kotak Mahindra Life Insurance Company Limited. The NIIF Master Fund has reached its initial target of fund raising (commitment to invest) of USD 2.1 billion.

b) Hindustan Infralog Private Limited: The NIIF Master Fund set up a Joint Venture (JV) platform Hindustan Infralog Private Limited (HIPL), with DP World, a global ports operator. Hindustan Infralog will invest up to USD 3 billion of equity in the ports and logistics sector to acquire assets and develop projects in the ports sector, and beyond sea ports in areas such as river ports and transportation, freight corridors, port-led special economic zones, inland container terminals, and logistics infrastructure including cold storage. HIPL's first investment is the acquisition of a controlling stake in Continental Warehousing Corporation (CWC), a leading multi-modal logistics company with a Pan-India presence. HIPL has won a 60-year concession to develop and operate a free trade warehousing zone (FTWZ) located in JNPT SEZ in Mumbai. HIPL has recently acquired a significant controlling stake in KRIBHCO Infrastructure Limited (KRIL), a mid-sized logistics player operating ICD facilities in North India and running container trains

c) Ayana Renewable Power Private Limited (Ayana India): NIIF alongside Green Growth Equity Fund (GGEF) has acquired 51% stake (25.5% stake each) in Ayana India. The closing was achieved on 29th March 2019, pursuant to which NIIF has invested INR 970 million in Ayana. It currently has three solar projects having combined installed capacity of 800 MW under different stages of development. The company is targeting to expand its pipeline further by participating in upcoming solar, wind and hybrid auctions which are lined up over the next few months having central government agencies or credible state discoms as counterparties. The management is also evaluating potential opportunities to consolidate operational renewable power projects

d) Athaang Infrastructure: As part of its roads sector strategy, NIIF has created its roads platform, Athaang Infrastructure with initial technical and investment team already in place. NIIF is in advanced stages of exclusive discussions with seller for two road projects and is actively evaluating 7 deals. As part of its roads strategy, NIIF had also entered a 50:50 JV with Roadis, a wholly owned subsidiary of PSP Investments to invest in toll road opportunities

e) IntelliSmart Infrastructure Private Limited: NIIF and Energy Efficiency Services Limited (EESL) have created a new platform SPV which will be engaged in funding, implementing and maintaining the smart meter infrastructure for the smart meter implementation contracts for various state electricity distribution companies ("discoms"). NIIF will own 51% stake in the SPV while EESL will own the remaining 49% stake. The definitive documentation for this partnership were signed in Aug 2019; incorporation of the company and recruitment of key management personnel for the SPV is currently underway.

f) Investment in Mumbai International Airport Limited: NIIF Master Fund along with ADIA and PSP Investments have signed an agreement to acquire 79.1% stake in the holding company of Mumbai International Airport Limited, which owns the Mumbai and Navi Mumbai Airports. Definitive documentation has been completed for the investment. The investment is subject to certain ongoing litigation and successful closure of conditions precedent.

ii. **NIIF Fund of Funds-I**:

a) The second fund is the NIIF Fund of Funds – I, aims to invest through experienced fund managers across various strategies and sectors like Green Infrastructure, Mid-Income & Affordable Housing, Social infrastructure, Infrastructure services as well as other allied sectors. Asian Infrastructure Investment Bank (AIIB) has made an equity investment of USD 100 million in NIIF Fund of Funds-I as Phase I in first closing. In March 2020, Asian Development Bank made USD 100mn (INR equivalent) investment in the Fund of Funds. NDB has secured board approval to invest USD 100 million in NIIF and we are currently in the process of document negotiation.

b) Green Growth Equity Fund (GGEF): NIIF FoF partnered with DFID (Department for International Development), United Kingdom to set up the Green Growth Equity Fund (GGEF) with a commitment of GBP 120 million each. GGEF is a fund focused on creating successful green energy businesses (renewables) in India. The Fund has set-up four platforms across utility scale green energy, C&I, e-mobility and waste management.

c) HDFC Capital Affordable Real Estate Fund-2 (HCARE-2): FoF made its second investment in HDFC Capital Affordable Real Estate Fund-2 (HCARE-2). NIIF has committed INR 660 crores to HCARE2 in October 2018, while the other investors are HDFC and ADIA with total fund commitments of INR 4,290 crore. The target sectors of this fund are urban Mid-income and affordable housing in key large cities.

d) Multiples Private Equity Fund III: FoF's third commitment is to Multiples Private Equity Fund III, a mid-market growth equity fund. The fund is currently being raised and it is managed by Multiples Alternate Asset Management. NIIF has committed INR 878 crores (~USD 125 million) at first close of Fund III, which has also seen participation from some of the leading multilaterals and pension funds. The third fund will invest in midmarket companies, focusing on healthcare, financial services, digital businesses, consumer, education and logistics businesses, amongst other sectors

iii. NIIF Strategic Opportunities Fund or NIIF -II

a) The third fund i.e. NIIF-II – Strategic Opportunities Fund has been established to invest in growth-oriented sectors that are strategically important to the Indian economy. The sectors of initial focus are healthcare, financial services and food & agribusiness supply chain among others. In most cases, SOF will be in a dominant position by taking a majority or a significant minority position in companies within these sectors. So far, the SOF has the Government of India as its only investor

b) Infrastructure *Debt Platform*: NIIF Strategic Opportunities Fund (SoF) entered into an agreement to acquire ~81.5% equity interest in IDFC's Infrastructure Debt Fund business. Strategic Opportunities Fund (SoF) is creating an infrastructure debt financing platform to address the shortage of long-term debt for infrastructure projects. In line with this strategy, the SoF has committed to acquire a controlling stake in IDFC's IDF. The IDF has received approvals from the RBI for the transaction. With a portfolio exposure across 81 assets, IDF has been growing well since acquisition and continues to have zero NPAs

c) *Aseem Infrastructure Finance Limited:* NIIF SOF has set up a wholly owned NBFC, Aseem Infrastructure Finance Limited (AIFL) which can lend to greenfield

/ under construction assets and near operational assets. NIIF is currently hiring an experienced management team for AIFL and operations are expected to commence shortly.

B.2. The current status of NIIF Funds is as follows:

Investments by ALL Investors including GoI: (as on April 28, 2020)

Fund	Capital Commitments (INR Crores)	Actual Investments* (INR Crores)	Fund Co-investment Commitment # (INR Crores)	Downstream Co-Investment Commitments + (INR Crores)
Master Fund	14,449	1,882	20,429	DP World: 2,303^ CDC & GGEF: 1,793 ADIA & PSP: 5,539
Fund of Funds	4,700	691	-	ADIA & HDFC: 3,630 DFID & EverSource: 1,304 Other investors in Multiples III: 2,254
Strategic Fund	9,673	1,024	-	-
Total	28,821	3,597	20,429	17,123
Total Commitments	49,250#			17,123
Total Actual Investments	3,597			5,492

** Represent amount called and invested by Master Fund, Fund of Funds and Strategic Fund (including amount called for making investment in Mumbai & Navi Mumbai Airport)*

 # Includes co-investments of investors (including GoI) directly into NIIF funds and does not account for the investments downstream made directly by NIIF investors in many downstream projects/acquisitions.

+ These co- investments represent amounts committed by NIIF's partners directly into NIIF's operating companies or investee funds

^ DP World made a soft commitment of INR 13,000 crore in the executed contract. INR 2,303 crore is the actual commitment made to the platform.

Viability Gap Funding (VGF) scheme

Regarding adequate budgetary allocation for Viability Gap Funding (VGF) scheme, it is stated that the estimates for anticipated demand of VGF are made on the basis of projections by project sponsoring authorities. Moreover, VGF disbursal depends on factors including the Equity infusion by Concessionaire, Debt disbursed by Financial Institutions and factors impacting physical & financial progress of project, therefore, actual drawdown of funds under VGF scheme cannot be predicted accurately. No proposal was pending for VGF disbursement for want of allocation of funds in this scheme. Recommendations of Standing Committee are noted for compliance.

[Ministry of Finance(Department of Economic Affairs) O.M. No. (18/8/2017-DI) dated 04.06.2020 and O.M. No. 8/1/2020-Infra-Fin. dated 15th June, 2020]

CHAPTER - III

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

Recommendation Serial No.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 centres 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 centres for India models as well as models at the State level as well.

Reply of the Government

Budget exercise is an independent and sensitive exercise done by Ministry of Finance. Overall framework of Budget is largely guided by the fiscal indicators/rolling targets set under Fiscal Responsibility and Budget Management Act, 2003. Government, faced with the task of implementing counter-cyclical policies while walking the fiscal tight rope, has focused on maintaining the quality of expenditure. It has been the endeavour of the Government to ensure that fiscal situation remains close to the consolidation path.

Assumptions for Gross Tax Revenues for the year 2021-22 and 2022-23 are brought out in Medium Term Fiscal Policy cum Fiscal Policy Strategy Statement, laid as part of Budget documents. As regards the non-tax receipts, the estimates of dividend receipts are based on the performance of CPSUs and overall economy. Interest receipts are a fixed return and based on the loan outstanding.

Notwithstanding the above, institutions like National Institute of Public Finance and Policy and National Council of Applied Economic Research are always consulted on issue based subjects and topics for guidance.

[Ministry of Finance (Department of Economic Affairs) O.M. No.9(7)-B(W&M)/2020 dated 19.06.2020]

Recommendation Serial No.8

MSMEs

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 Rs2885778 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.

Reply of the Government

With regard to gross bank credit trends, it is submitted that as payments cycles for businesses and governments coincide with the closing of the financial year in March, and as the payments and borrowing cycles are linked, borrowing tends to peak in March. Therefore, the standard practice in assessing credit trends is to measure change on a year-to-year basis (*i.e*, on 12-month intervals). On a year-on-year basis, there was no decline in credit for Industry (as well as Micro & Small Industry) in January 2020 or by the end of the financial year 2019-20 in March 2020.

Details of growth of credit are`as under:

(In crore Rs.)

	Industry (Micro & Small, Medium and Large)	Micro &Small Industry
January 2019	27,50,038	3,71,022
January 2020	28,17,525	3,73,050
March 2019	28,85,778	3,75,505
March 2020	29,05,151	3,81,825

As per sectoral deployment of credit data of RBI for 33 scheduled commercial banks (SCBs), accounting for about 90% of total non-food credit

A number of steps have been taken to support flow of credit by banks, including, *inter alia*, the following:

(1) To provide liquidity for ensuring enhancement of lending capacity and extend financing to stalled projects,—

I. Overall positive liquidity has been maintained through open market operations by RBI, reduction in cash reserve ratio (CRR), increased access to funds under the Marginal Standing Facility and treating incremental credit of banks to non-banking financial companies (NBFCs) as high-quality liquid assets for calculation of the former's liquidity coverage ratio;

II. Enhance credit flow and liquidity support to the NBFC sector, in which there have been instances of credit default, through—

   a. Partial Credit Guarantee Scheme for purchase of high-rated pooled assets of NBFCs;
   b. Bank credit to NBFCs for on-lending being classified as priority sector;
   c. Banks co-originating loans with NBFCs; and
   d. Linking of the risk weights for bank credit to NBFCs to the external credit rating of the borrowing NBFC, thereby incentivising lending to well-rated NBFCs.

III. Enable financing for stalled housing and real estate projects through—

   a. An Alternate Investment Fund has been set up to finance affordable and middle-income housing sector projects, and NBFCs including housing finance companies (HFCs) are also eligible for finance from the fund; and
   b. Allowing of deferment by one year of the date of commencement of commercial operations (DCCO) in commercial real estate projects delayed due to reasons beyond control.

(2)To facilitate and incentivise lending,—

I. lending rates have been reduced through—

   a. Successive reductions since February 2019 in the benchmark repo rate and the reverse repo rate, with sharper cut in the latter, to reduce lending rates and spur lending; and
   b. Linking of fresh floating loans for lending for retail and micro, small and medium enterprises (MSMEs) to the repo rate or other external benchmark, for automatic transmission of the benchmark rates to the borrower;

II. Lending has been promoted through—

   a. Providing additional emergency credit line of up to 20% of outstanding credit, as on 29.2.2020, for total credit of up to Rs.3 lakh crore, to business entities banking with PSBs and having outstanding credit of up to Rs.25 crore and turnover of up to Rs.100 crore;

b. Providing of additional loan facility by PSBs as emergency relief to their existing borrowers, without additional margin, security or processing fee;

c. Scheme for restructuring of loans to MSMEs;

d. Launch of the Trade Receivables Discounting System (TReDS) platform, to enable online financing of trade receivables of MSMEs on competitive terms;

e. Launch of PSB59minutes.com platform, to enable contactless, quick and hassle-free digital initiation of lending for MSME and retail loans;

f. Giving of relief to banks in their CRR requirement, for incremental lending to automobiles, residential housing and MSMEs from February to July 2020, thereby incentivising lending for these purposes; and

g. Reduction of risk weights on consumer loans (other than credit cards), thereby incentivising retail lending;

III. Export credit has been incentivised by expanding the eligibility for classification of such credit as priority sector lending; and

IV. 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.

[Ministry of Finance (Department of Financial Services) O.M. No.7/19/2020-Parl dated 22.06.2020.]

CHAPTER – IV

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

NIL

CHAPTER- V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWATED

NIL

New Delhi;
8 September 2020
17 Bhadrapada, 1942 (Saka)

SHRI JAYANT SINHA,
Chairperson,
Standing Committee on Finance

Minutes of the Sixteenth sitting of the Standing Committee on Finance (2019-20)
The Committee sat on Tuesday, the 8th September, 2020 from 1500hrs. to 1600 hrs in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

Shri Jayant Sinha – Chairperson

LOK SABHA

2. Shri Subhash Chandra Baheria
3. Shri Vallabhaneni Balashowry
4. Smt. Sunita Duggal
5. Smt. Darshana Vikram Jardosh
6. Shri Manoj Kishorbhai Kotak
7. Shri Gopal Chinayya Shetty
8. Shri Manish Tewari
9. Shri Rajesh Verma

RAJYA SABHA

10. Shri Rajeev Chandrasekhar
11. Shri Amar Patnaik
12. Shri G.V.L Narasimha Rao
13. 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 Kh. Ginlal Chung	-	Under Secretary

PART I

(1500 hrs – 1545 hrs)

2. XX XX XX XX XX XX

XX XX XX XX XX XX.

PART II

(1545 hrs onwards)

3. The Committee thereafter took up the following draft reports for consideration and adoption:

(i) Draft Report on the subject 'Financing the startup ecosystem'.

(ii) Draft Action Taken Report on the recommendations contained in 1st Report on Demands for Grants (2019-20) of the Ministry of Finance (Departments of Economic Affairs, Financial Services, Expenditure and Investment and Public Asset Management).

(iii) Draft Action Taken Report on the recommendations contained in 2nd Report on Demands for Grants (2019-20) of the Ministry of Finance (Department of Revenue).

(iv) Draft Action Taken Report on the recommendations contained in 3rd Report on Demands for Grants (2019-20) of the Ministry of Corporate Affairs.

(v) Draft Action Taken Report on the recommendations contained in 4th Report on Demands for Grants (2019-20) of the Ministry of Planning (NITI)

(vi) Draft Action Taken Report on the recommendations contained in 5th Report on Demands for Grants (2019-20) of the Ministry of Statistics and Programme Implementation.

(vii) Draft Action Taken Report on the recommendations contained in 7th Report on Demands for Grants (2020-21) of the Ministry of Finance (Departments of Economic Affairs, Financial Services, Expenditure and Investment and Public Asset Management).

(viii) Draft Action Taken Report on the recommendations contained in 8th Report on Demands for Grants (2020-21) of the Ministry of Finance (Department of Revenue).

(ix) Draft Action Taken Report on the recommendations contained in 9th Report on Demands for Grants (2020-21) of the Ministry of Corporate Affairs.

(x) Draft Action Taken Report on the recommendations contained in 10th Report on Demands for Grants (2020-21) of the Ministry of Planning (NITI)

(xi) Draft Action Taken Report on the recommendations contained in 11th Report on Demands for Grants (2020-21) of the Ministry of Statistics and Programme Implementation.

(xii) Draft Action Taken Report on the 50th Report (16th Lok Sabha) on the subject "Review of NSSO and CSO and Streamlining Of Statistics Collection Machinery in the Country, including Management Information System for Project Monitoring/Appraisal'

After some deliberations, the Committee adopted the above draft Reports and authorised the Chairperson to finalise them and present the Report to the Hon’ble Speaker / Parliament.

The Committee then adjourned.

A verbatim record of the proceedings has been kept.

APPENDIX

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE SEVENTH REPORT OF THE STANDING COMMITTEE ON FINANCE (SEVENTEENTH LOK SABHA) ON DEMANDS FOR GRANTS (2020-21) OF THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS, EXPENDITURE , FINANCIAL SERVICES & INVESTMENT AND PUBLIC ASSET MANAGEMENT).

		Total	% of total
(i)	Total number of Recommendations	16	
(ii)	Recommendations/Observations which have been accepted by the Government (vide Recommendation Nos. 1,2,3,4,5,7,9,10,11,12,13,14,15 & 16)	14	87.5%
(iii)	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies (6 & 8)	02	12.5%
(iv)	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee	NIL	--
(v)	Recommendations/Observations in respect of which final reply of the Government are still awaited	NIL	--