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**STANDING COMMITTEE ON FINANCE  
(2020-21)**

**SEVENTEENTH LOK SABHA**

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

**DEMANDS FOR GRANTS  
(2021-22)**

**TWENTY-FIFTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**March, 2021 / Phalguna, 1942 (Saka)**

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(2021-22)**

Presented to Lok Sabha on 16 March, 2021

Laid in Rajya Sabha on 16 March, 2021



**LOK SABHA SECRETARIAT  
NEW DELHI**

**March, 2021 / Phalguna, 1942 (Saka)**

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Minutes of the sittings held on 23 February, 2021 and 10th March, 2021.

**COMPOSITION OF STANDING COMMITTEE ON FINANCE (2020-21)**

**Shri Jayant Sinha - Chairperson**

**MEMBERS**

**LOK SABHA**

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

**RAJYA SABHA**

22. Shri Rajeev Chandrasekhar
23. Shri A. Navaneethakrishnan
24. Shri Praful Patel
25. Dr. 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 Vinod Kumar Tripathi
  2. Shri Ramkumar Suryanarayanan
  3. Shri Kulmohan Singh Arora
  4. Shri Kh. Ginlal Chung
  5. Ms. Yugma Malik
- Joint Secretary  
- Director  
- Additional Director  
- Under Secretary  
- Committee Officer



## INTRODUCTION

- I, the Chairperson, of the Standing Committee on Finance, having been authorised by the Committee, present this Twenty-Fifth Report (Seventeenth Lok Sabha) on 'Demands for Grants (2021-22)' of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services, and Investment and Public Asset Management).
2. The Demands for Grants (2021-22) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services, and Investment and Public Asset Management) were laid on the Table of the House on 11 February, 2021 under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha.
3. The Committee took oral evidence of the representatives of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services, and Investment and Public Asset Management) on 23 February, 2021. The Committee wish to express their thanks to the representatives of the Departments of Economic Affairs, Expenditure, Financial Services, and Investment and Public Asset Management for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the Demands for Grants (2021-22).
4. The Committee considered and adopted this Report at their Sitting held on 10th March, 2021.
5. For facility of reference, the Observations / Recommendations of the Committee have been printed in bold at the end of the Report.

**New Delhi;**  
**10 March, 2021**  
**19 Phalguna, 1942 (Saka)**

**SHRI JAYANT SINHA,**  
**Chairperson**  
**Standing Committee on Finance**

**REPORT**  
**PART I**

**I. INTRODUCTORY**

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

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

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



**II MANDATE OF THE DEPARTMENTS OF ECONOMIC AFFAIRS (Demand no. 29), EXPENDITURE (Demand no. 30), FINANCIAL SERVICES (Demand no. 31) & INVESTMENT AND PUBLIC ASSET MANAGEMENT (Demand no. 32),**

**Department of Economic Affairs  
Demand No. 29**

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

**(1) Economic Division**

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

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

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

**(2) Budget Division**

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

**(3) Financial Market Division**

2.6 Policy Developments

a) Primary Market Section

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

b) Secondary Market Section

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

c) Commodity Derivatives Section

i. Unified Exchanges



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

#### **(4) Financial Stability and Cyber Security**

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

#### **(5) Financial Sector Reforms and Legislation Division**

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

#### **(6) Infrastructure Policy & Finance Division**

2.10 The Division has the following Units: Infrastructure Finance (Infra-Fin), Infrastructure Policy & Programme (IPP), Energy Sector Policies & Programmes

(ESPP) and Public Private the rule of law in India. Besides, several such cases of economic offences also involve non-repayment of bank loans thereby, worsening the financial health of the banking sector in India. The pre-existing civil and criminal provisions in law were inadequate to deal with the severity of the problem.

**(7) Investment Division**

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

**(8) Administration Division**

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

**(9) Currency & Coin Division-Currency Section**

2.13 All policy issues and matters relating to design, form and material of currency notes/banknotes including security features, production planning of printing of currency notes and other security documents. Others include currency related legislation, indigenization of bank notes production items, distribute/complaint in respect of supply of material of printing of bank notes and other security products, expansion, up-gradation and modernization of Presses, Paper Mills, Ink factory, Postal Stamp; Revenue Stamp, NJSP, Passports, fair price determination of Bank Notes and Postal



Stamps, Preshipment inspection of CWBN/security paper and currency conferences etc. Further, a Task Force Committee was constituted on 14th April 2018 to ensure uninterrupted supply of currency in various parts of the country with Secretary (EA) as Chairman and Secretary (DFS) and Dy. Governor, RBI as members.

**(10) UN Division**

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

## **Department of Expenditure**

### **Demand No.30**

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

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



## **Department of Financial Services**

### **Demand No. 31**

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

2.18 DFS also deals with legislative and other issues pertaining to the concerned regulatory bodies such as the Insurance Regulatory and Development Authority of India (IRDAI), the Pension Fund Regulatory and Development Authority (PFRDA) and with certain legislative matters related to Reserve Bank of India (RBI).

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

## **Demand No. 32**

### **Department of Investment and Public Asset Management**

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

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

#### **I. Functions**

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

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

Note: All other post disinvestment matters, including those relating to and arising out of the exercise of Call option by the Strategic Partner in the erstwhile Central Public Sector Undertakings, shall continue to be handled by the administrative Ministry or Department concerned, where necessary, in consultation with the Department of Investment and Public Asset Management (DIPAM).

2. Decisions on the recommendations of Administrative Ministries, NITI Aayog, etc. for disinvestment including strategic disinvestment.
3. All matters related to Independent External Monitor(s) for disinvestment and public asset management.
- 4.(a) Decisions in matters relating to Central Public Sector Undertakings for purposes of Government Investment in equity like capital restructuring, bonus, dividends, disinvestment of government equity and other related issues.

(b) Advise the Government in matters of financial restructuring of the Central Public Sector Enterprises and for attracting investment in the said Enterprises through capital market.

5. The Unit Trust of India Act, 1963 (52 of 1963) along with subjects relating to Specified Undertaking of the Unit Trust of India (SUUTI).



### III. SUBMISSION FURNISHED ON DEMAND NOS. 36,37,38,39 and 40

#### Demand No.36

#### Indian Audit & Accounts Department

The Constitution of India has mandated the Comptroller & Auditor General of India as Auditor of the nation; an instrument for ensuring accountability of the executive to the legislature. The Indian Audit & Accounts Department (IA&AD) carries out the Auditing and Accounting mandate of the C&AG. There are 96 Audit offices; 32 Accounts & Entitlement (A&E) offices and 13 Training Institute with 44285 manpower under this Department. The Audit offices entrusted with the responsibility of audit of all receipts and expenditure of the Union/State Governments and the local self Governments and also authorizing GPF and Pensions and allied Accounts & Entitlements of the State Governments. To fulfill the constitutional mandate, 75 per cent staff of Audit Offices and 05 per cent staff of Civil Accounts staff have to be on tour.

3.2 Further, the office is in the process of computerization of entire functions of the Department through the "One IAAD, One System" project. In this regard, Ministry had already allotted Rs. 50.00 crore in First Supplementary in 2020-21. The office had also requested Rs. 100.00 crore for "One IAAD, One Systems" in Second and Final batch of Supplementary 2020-21 which are yet to be allotted.

3.3 Statement showing approved provision in Budget Estimates, Revised Estimates from 2017-18 onwards along with actual expenditure.

#### Grant No. 36 – Indian Audit & Accounts Department

Year	(Rs. in Crore)		
	Budget Estimates (Gross)	Revised Estimates (Gross)	Expenditure
2021-22	5434.92	-	-
2020-21	5383.27	5058.31	-
2019-20	5025.91	5118.02	5108.36
2018-19	4630.12	4851.56	4812.26
2017-18	4322.24	4400.56	-



### Details of Revised Estimates 2020-21 & Budget Estimates 2021-22.

3.4 The position of Budget Estimates approved for the years, 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22 is as under:-

#### PART – A

3.5 (1) MAJOR HEAD : 2016 – Audit

(In thousands of Rupees)

Revenue Section				
Year	Voted	Charged	Total	% Increase
2021-22	52099700	2000000	54099700	8.33%
2020-21	51788100	1864600	53652700	7.09%
2019-20	48322200	1776900	50099100	8.58%
2018-19	44535900	1605300	46141200	7.07%
2017-18	41630300	1465400	43095700	-

The total Grant is for establishment related expenditure.

(2) MAJOR HEAD : 4059 – Capital Outlay on Public Works

(In thousands of Rupees)

Year	Voted	Charged	Total	% Increase
2021-22	140000	-	140000	55.55%
2020-21	90000	-	90000	12.50%
2019-20	80000	-	80000	-
2018-19	80000	-	80000	19.94%
2017-18	66700	-	66700	-

(3) MAJOR HEAD : 4216 – Capital Outlay on Housing

(In thousands of Rupees)

Year	Voted	Charged	Total	% Increase
2021-22	109500	-	109500	21.66
2020-21	90000	-	90000	12.50%
2019-20	80000	-	80000	-
2018-19	80000	-	80000	33.33%
2017-18	60000	-	60000	-

### Demand No.37

#### Interest Payment

3.6 The entire expenditure included in the Appropriation-Interest Payments is 'charged' on the 'Consolidated Fund of India' (CFI) in terms of Article 112 (3) (c) of the Constitution of India. The Appropriation provides for debt servicing/discounting charges on Central Governments' debt obligations both internal and external. It also includes provisions for interest payable on Public Account elements like provident funds, special securities issued to National Small Savings Fund, Special Deposits with the Government besides depreciation and other Reserve Funds of commercial departments such as Railways, provisions for management of debt and other liabilities of the Central Government.

3.7 The Budget Estimates/Revised Estimates and actual for the years 2018-19, 2019-20, 2020-21 and 2021-22 (on gross and net basis) is tabulated below:

Table: 'Appropriation No. 37- Interest Payments' (Rs. in crore)						
Year	BE	Percentage increase/decrease over previous year	RE	Percentage increase/decrease over previous year	Actual	Percentage increase/decrease over previous year
<b>On Gross Basis</b>						
2017-18	538078.39	5.99	543800.29	7.41	543710.07	7.77
2018-19	590794.95	9.80	599991.60	10.33	595554.03	9.54
2019-20*	673470.60	13.99	663297.18	10.55	655372.01	10.04
2020-21	733203.16	8.87	732987.16	10.51		
2021-22	847195.79	15.55				
<b>On Net Basis</b>						
2017-18	523078.39	6.17	530842.56	9.89	528951.99	10.03
2018-19	575794.95	10.08	575794.95	8.47	582648.45	10.15
2019-20*	660470.60	14.71	625105.23	8.56	612070.02	5.05
2020-21	708203.16	7.23	692900.00	10.85		
2021-22	809701.32	14.33				

\*: Provisional Actual

3.8 The Appropriation-Interest Payments also includes provision for payment of interest on Ways & Means Advance/OD from RBI, Cash Management Bills (CMBs)

discounting charges on 14-days Intermediate Treasury Bills (ITBs), Auction Treasury Bills (ATBs) availed/issued to meet the short-term mismatches between receipts and payments of Central Government.

3.9 In RE 2020-21, there is a substantial reduction in the requirement due to softening of the yields due to reduction in Policy rates by RBI. The lower provision (on net basis) is mainly on account of higher receipts of accrued interest and premium on the securities issued by the Government in 2020-21, and on gross basis the variation in provision is marginal, when compared with BE provision. In the BE 2021-22, a higher provision has been incorporated due to higher volume of borrowing & issuance of Government securities.



**Demand No.38**  
**Repayment of Debt**

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

3.11 Fiscal Deficit in a year is financed through borrowings from various sources, net of repayments and cash draw-down. In a fiscal deficit regime, repayment obligations are primarily met out of fresh borrowings. An analysis of Demands for Grants No.38-Appropriation- 'Repayment of Debt', i.e. Major Head-wise percentage increase/decrease over the period from 2017-18 to 2021-22 are as under:-

Table: Appropriation No. 38- REPAYMENT OF DEBT						
						(Rs in crore)
Year	BE	% increase/ Decrease Over previous year	RE	% increase/ Decrease over previous year	Actual	% increase/ decrease over previous year
<b>Major Head – 6001 – Internal Debt</b>						
2017-2018	5055024	15.39	5753205	5.28	5845919	3.42
2018-2019	6055518	19.79	6160227	7.07	6034207	3.22
2019-2020*	5947825	-1.78	6312279	2.47	6292658	4.28
2020-2021	6853534	15.23	6446476	2.13	-	-
2021-2022	6903225	0.73	-	-	-	-
<b>Major Head-6002-External Debt</b>						
2017-2018	30281	17.85	27066	0.24	26685	1.87
2018-2019	29455	-2.73	31340	15.79	30739	15.19
2019-2020*	35363	20.06	34110	8.84	33891	10.25
2020-2021	37388	5.73	35234	3.30	-	-
2021-2022	40926	9.46	-	-	-	-
*Provisional Actual						



3.12 The net decrease in RE 2020-21 over BE 2020-21 in respect of internal debt is mainly on account less utilisation of WMA & OD and consequential effect of lower investment by State Government in Intermediate Treasury Bills (ITBs).

3.13 RE 2020-21 provision for external debt repayment is lower on account of rescheduling of repayments. The provision of Rs 35,234 crore is incorporated in RE 2020-21, primarily on account of the scheduled repayments. In BE 2021-22, a provision of Rs 40,926 crore has been incorporated based on the revised repayment schedule. The BE 2021-22 provision is higher by Rs 5,692 crore over RE 2020-21.

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

## Demand No.39

### Pension

3.15 Grant No. 39 – Pensions is a Composite Grant relating to Central Civil Pension payments. The Budget Estimates are prepared on the basis of projections of expenditure received from various Civil Ministries/Departments and the trend of expenditure booked by CPAO.

#### Grant No. 39 - Pensions

(Percentage Variation in Heads over the last three years)

(Rs. in crore)							
Year	Major Head	Budget Estimate	Revised Estimate	Actual Exp.	Revised Estimate (previous year)	Increase (+) / Decrease (-) over Previous Year (Col. 4-6)	Percentage Increase / Decrease $\frac{\text{Col. 7} \times 100}{\text{Col. 6}}$
1	2	3	4	5	6	7	8
2018-19	2071 – Pension and other Retirement Benefits	47378.09	47378.09	44696.85	41118.17	(+)6259.92	(+)15.22
	2235 – Social Security & Welfare	51.91	51.91	39.75	51.83	(+)0.08	(+)0.15
	<b>Total</b>	<b>47430.00</b>	<b>47430.00</b>	<b>44736.60</b>	<b>41170.00</b>	<b>(+)6260.00</b>	<b>(+)15.20</b>
2019-20	2071 – Pension and other Retirement Benefits	49510.50	51510.50	50094.19	47378.09	(+)4132.41	(+)8.72
	2235 – Social Security & Welfare	54.50	54.50	38.25	51.91	(+)2.59	(+)4.98
	<b>Total</b>	<b>49565.00</b>	<b>51565.00</b>	<b>50132.44</b>	<b>47430.00</b>	<b>(+)4135.00</b>	<b>(+)8.71</b>
2020-21	2071 – Pension and other Retirement Benefits	62124.90	63106.48	50691.53 upto Dec,2020	51510.50	(+)11595.98	(+)22.51
	2235 – Social Security & Welfare	44.45	44.45	24.08 upto Dec,2020	54.50	(-)10.05	(-)18.44
	<b>Total</b>	<b>62169.35</b>	<b>63150.93</b>	<b>50715.61 upto Dec,2020</b>	<b>51565.00</b>	<b>(+)11585.93</b>	<b>(+)22.46</b>
2021-22	2071 – Pension and other Retirement Benefits	56828.14	-	-	-	-	-
	2235 – Social Security & Welfare	44.98	-	-	-	-	-
	<b>Total</b>	<b>56873.12</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

3.16 Reasons for variations in the Revised Estimates for the last three years 2018-19 to 2020-21 are broadly as under :-

- Due to increase in D.A. rates.

<b>Date from which payable</b>	<b>Dearness Allowances Rate</b>
01.01.2018	7%
01.07.2018	9%
01.01.2019	12%
01.07.2019 onwards	17%

- Due to increase in number of Pensioners. (Each year about 40,000 new pensioners are getting added)
- Due to increase in pension after attaining the age of 80 years and above.
- Due to increase in Govt. Contribution from 10% to 14% w.e.f. 01.04.2019 of Defined Contribution Pension Scheme (DCPS).

(Rs. in Crores)

<b>Financial Year</b>	<b>Expenditure under DCPS</b>
2018-19	4057.36
2019-20	5857.35
2020-21 (upto December,2020)	5218.16



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

**Public Finance States Division**

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

3.18 Till 2014-15, PF-S Division was releasing the funds under both under Plan & Non-Plan. Plan Grants comprised of 'Block Grants' which consisted the Normal Central Assistance (NCA), Backward Regions Grant Fund (BRGF) - Scheme (State Component), Additional Central Assistance (ACA) for Externally Aided Projects (EAPs), Special Central Assistance (SCA), Special Plan Assistance (SPA), etc. Non-Plan Grants were provided as recommended by FC-XIII for its award period 2010-15. With effect from 2015-16, the release of Finance Commission grants were being made as per the recommendations of Fourteenth Finance Commission (FFC) for its award period 2015-20, based upon the prescribed conditionality by FFC and accepted by Central Government. Fifteenth Finance Commission (XV-FC) has submitted its recommendation for the year 2020-21 and further for the period 2021-26. These recommendations are already accepted by Central Government. The Grants recommended by XV-FC are covered under Article 275(1) of the Constitution and are charged expenditure.

3.19 The XV-FC, after making detailed assessment of the revenue expenditure need of the States has recommended tax devolution of 41% in the divisible pool of Central Taxes. The former additional central assistance in the form of block grants namely NCA,

SCA, SPA, etc. which was present during pre 14<sup>th</sup> FC period, got subsumed in the higher tax devolution as recommended by FFC.

3.20 The State's share of Central Tax during 2021-22 BE is estimated to be Rs.6,65,562.74 crore as compared to Rs.5,49,959.19 crore in 2020-21 RE showing an increase of Rs.1,15,603.55 crore during 2020-21. Besides, as per the XV-FC recommendation, Grant-in-aid of Rs. 30,000.00 crore to cover revenue deficit of State, local body grants (rural and urban local bodies) of Rs. 99,924.80 crore & grants of Rs. 20,000.00 crore for augmenting the State Disaster Response Fund (SDRF) has also been provided during BE 2020-21.

3.21 An amount of Rs.2,20,843.00 crore is estimated in 2021-22 (BE) in Demand No. 40 for transfer to States as Grants.

3.22 The Details of provisions and releases under Demand No. 40 for the period (2018-19 to 2021-22) are given in Statement No. 1(a) & (b).



Statement 1 (a)

Scheme-wise BE, RE & Actual Releases during the period 2018-19 to 2020-21 & BE for 2021-22 regarding Schemes under Demand No. 40 of Ministry of Finance, Department of Expenditure, Public Finance-States

Sl. No.	Name of the Scheme	(Rs.in Crore)											
		2018-19			2019-20			2020-21			Short-fall/Excess, if any, with reasons	BE 2021-22	
		BE	RE	Actual Releases	BE	RE	Actual Releases	BE	RE	Actual Releases (till 20.01.21)			
1	Special Assistance	15000.00	13500.00	4685.81	15000.00	5000.00	1623.70	15000.00	3000.00	219.15	'Special Assistance' is a need based assistance which is provided to States as and when demanded. The allocation under this head was reduced by Rs.12000.00 crore at RE stage.	15000.00	
2	Grant to areas not covered by Part IX and IXA of the Constitution**	500.00	500.00	475.29	500.00	500.00	500.00	500.00	0.00	0.00	'Grant to areas not covered by Part IX and IXA of the Constitution is a new budget line which will be the support to all those areas which have not been covered by The Fourteenth Finance Commission (FFC) irrespective of the area being covered under the Sixth Schedule or not. This scheme has been discontinued from FY-2020-21	0.00	
3	Addl. Assistance for Externally Aided Projects (EAPs) (Loans & Grants)	24500.00	27300.84	26598.18	24223.28	28000.00	27369.81	29000.00	34525.00	21295.01	CAA'A is the nodal agency for the releases of Additional Central Assistance for Externally Aided Projects. The releases are dependent upon the disbursement of loan amount by donor agencies. Hence, additional amount was sought at RE Stage to meet the increased demand under this head.	49750.00	
4	Support for COVID-19 Vaccination	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	This is new Budget line introduced from FY-2021-2022 in order to provide support for COVID-19 Vaccination.	35000.00	
5	Back to Back Loans to States in lieu of GST Compensation Shortfall	0.00	0.00	0.00	0.00	0.00	0.00	0.00	110208.00	72000.00	This is new Budget line introduced from FY-2020-2021 in order to compensate GST Shortfall to the states and Uts.	0.01	
6	Special Assistance as Loan to States for Capital Expenditure	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12000.00	5328.24	This is new Budget line introduced from FY 2020-2021 in order to provide Special Assistance as Loan to States for Capital Expenditure	10000.00	
	<b>Total</b>	<b>40000.00</b>	<b>41300.84</b>	<b>31759.28</b>	<b>39723.28</b>	<b>33500.00</b>	<b>29493.51</b>	<b>44000.00</b>	<b>159733.00</b>	<b>98842.40</b>	<b>0.00</b>	<b>109750.01</b>	



**Statement 1 (b)**

**Scheme-wise BE,RE &Actual Releases during the period 2018-19 to 2020-21 & BE for 2021-22 regarding finance Commission Grants under Demand No.40 of Ministry of Finance, Department of Expenditure, Public Finance-States**

**(Rs.in Crore)**

Sl. No.	Schemes	2018-19			2019-20			2020-21			2021-22
		BE	RE	Actual	BE	RE	Actual	BE	RE	Actual (till 20.01.21)	BE
1	Post Devolution Revenue Deficit Grant	34582.00	34582.00	34582.00	34206.00	28313.50	28313.50	30000.00	74340.00	61913.49	118452.00
2	Grant-in-Aid for State Disaster Relief Fund	9852.13	9852.13	9658.13	10343.85	10937.63	10937.63	20000.00	22262.43	19036.42	22184.00
3	Grants for Local Bodies										
3(i)	Rural Bodies	45069.18	42815.18	35063.89	52557.60	59360.97	59360.96	69924.80	60750	33386.48	44901.00
3(ii)	Urban Bodies	19870.19	18879.47	14399.56	23358.77	25097.78	25097.77	30000.00	25000	14625.00	22114.00
4	Grant for Health Sector	0.00	0	0	0.00	0	0.00	0.00	0	0.00	13192.00
	<b>Total</b>	<b>109373.50</b>	<b>106128.78</b>	<b>93703.58</b>	<b>120466.22</b>	<b>123709.88</b>	<b>123709.86</b>	<b>149924.80</b>	<b>182352.43</b>	<b>128961.39</b>	<b>220843.00</b>
5	<b>NDRF</b>	10000.00	10000.00	10000.00	10000.00	20000.00	19730.50	25000.00	10000.00	4409.71	12390.77

#### IV Budgetary Allocations and Other Issues

##### (A) Demand No. 29- Department of Economic Affairs

Year	BE	RE	Actuals
2018-19	18329.46	29622.64	22950.19
2019-20	20420.43	28582.62	16203.68
2020 -21	51658.96	38645.88	
2021-22	99549.53		

4.2 On being asked about the inconsistencies between BE 2020-21, RE 2020-21 and the massive increase of BE 2021-22 to Rs 99549.53 crore in the budget of Department of Economic Affairs as a whole and the adverse effect of Covid-19 on the utilization of funds, the Department of Economic Affairs furnished their reply as under:

“Reasons for decrease of fund requirement at RE stage during current F.Y. 2020-21, under various budgetary heads were on account of lesser proposals received under towards Assistance for Infrastructure Development-Viability Gap Funding and SWMIH, revision of estimated total value of gold deposited in FY 2020-21 under Gold Monetization Scheme. Further, there is non-requirement of funds towards Subscription to International Monetary Fund (SDR purchase against India's quota Increase), Support for Infrastructure Pipeline, shifting of responsibility of holding of G-20 India Presidency to MEA which will now be in 2023. Furthermore, there is decrease of Rs.11000.00 crore towards inter account transfer for National Investment Fund (NIF) due to the consequential effect of non requirement of funds towards Support for Infrastructure Pipeline. Thus, there is lesser requirement of fund resulting in total decrease of ₹13013.08 crore at RE stage.

...It may also be noted that most of the savings were largely due to post budget decisions/non-finalization of schemes/ Situations arising due to COVID-19, exchange rate variations etc., which could not be visualized at the time of framing of Budget Estimates.

BE 2021-22 for Department of Economic Affairs has been kept at ₹ 99549.53 crore (Gross). The major increase in BE 2021-22 under Grant No. 29 is on account of provision of ₹44714.64 crore under the Head “Support for Infrastructure Pipeline”, which is meant for projects / programmes / Departments that show good progress on Capital Expenditure and are in need of further funds. Further a provision of ₹29500.00 Crore made for Inter Account Transfer in “Appropriation to the Contingency Fund of India”. The Provision is for enhancing the corpus of the Contingency Fund of India from ₹500 crore to ₹30,000 crore. However there would not be additional cash outgo in this provision as matching receipts has been provisioned from “Appropriation from the Consolidated Fund of India”.

Besides above, there are other increased demands provisioned (increase over BE 2020-21) for meeting payments towards Interest Equalisation Support to EXIM



Bank and Indian Companies, payment of Interest overdues to EXIM Bank (Increase of ₹1200.75 crore); an increase of ₹4500 crore for NIIF; and increase of ₹2250 crore towards Single Window for Affordable and Middle Income Housing(SWAMIH). A provision of Rs. 1000 crore each for NIIF IDF Platform (NIIF Infrastructure Debt Fund Platform) and Loans to IMF under New Arrangements to Borrow [NAB]. Minor increases in other head of accounts are normal increases keeping in view establishment requirements and international obligatory payments wherein fluctuations in exchange rate variations are to be taken into consideration.

Thus from above, it is evident that allocation of ₹99549.53 crore is estimated keeping in view of justified demands.

In the Department of Economic Affairs, there is a provision towards Support for Infrastructure pipeline projects (₹22049.98 crore) and ₹13000 crore under National Investment Fund. The provision under "Support for Infrastructure pipeline projects" was part of budget speech 2020 as reproduced below:-

*"About Rs.22,000 crore has already been provided, as support to National Infrastructure Pipeline projects. This would cater equity support for Infrastructure companies such as IIFCL and a subsidiary of NIIF. It will leverage it to create financing pipeline of more than Rs.1,00,000 crore, and serve as a major source of long term debt for infrastructure projects."*

However due to COVID-19 lockdown, only one proposal for equity infusion by Government of Rs 6000 crores in NIIF Debt Platform sponsored by NIIF was finalised subject to the condition that only Rs.2,000 crore would be allocated during the current year 2020-21 and further condition, in view of the unprecedented financial situation and availability of limited fiscal space due to the prevailing COVID-19, the proposed amount may be disbursed only if there is readiness and demand for debt raising.

Further on account of COVID-19 pandemic, the expenditure priorities of the Government shifted to other sectors specifically health sector."

**(B) Demand No. 30- Department of Expenditure**

4.3 The Department of Expenditure was asked about the reasons for the RE being just Rs.406.14 crore vis-à-vis the BE at Rs.535.55 crore for the year 2020-21 for which the following reply was furnished in the post-evidence reply:-

"The BE 2020-21 for Department of Expenditure is Rs. 535.55 crores which has been reduced to Rs. 406.14 crore in RE 2020-21 i.e. a decrease of Rs. 129.41 crores. The major reduction/ decrease in expenditure has been observed in following object head



- i) Information Technology ( Office Expenses): Rs 72.08 crore is reduced because of delays in the procurement of hardware and software as the procurement could not be done during the various phases of lockdown till November.
- ii) Professional Services: A reduction of Rs. 3.07 Crores has been observed due to engagement of lesser no. of hired consultants during varuous phases of lockdown.
- iii) Minor works: A reduction of Rs. 4.49 Crores has been observed due to less renovation and repair work because of pandemic.
- iv) Office Expenses: A reduction of Rs. 7.06 Crores has been observed due to closure of various offices during Lockdown and working from home leading to lesser expenditure on office.
- v) Rent, Rates and Taxes : A reduction of Rs. 9.68 crores has been observed due to delay in hiring of new building by CGA/ PFMS.
- vi) Other Office Expenses , Domestic travel and Foreign travel: A reduction of Rs. 7.59 Crores has been observed due to lockdown, restriction in movement and reduction of number of trainings by INGAF, NIFM and other institution.
- vii) Further, NIFM imparts training to the officers of Central/States/UTs Government by offering various courses. During this financial year, due to Covid-19 pandemic and lockdown, the participation of candidates was reduced drastically which resulted in to less expenditure of about Rs. 12.30 crore.
- viii) In addition to this , small saving /reduction has been observed in various other object heads also.”

**(C) Demand No. 31- Department of Financial Services**

4.4 Enquiring from Department of Financial Services about the revised estimates for the year 2020-21 rising by Rs.22755.56 crore to Rs.51830.58 crore from the initial budget allocation of Rs.29075.02 crore and the impact of the pandemic and the relief provided by government, and other factors that played a role in budget enhancement, the Secretary, Department of Financial Services made the following oral submission:-

“The Budget Estimate for 2020-21 for the Department of Financial Services was Rs. 29075.02 crore whereas the Revised Estimate went up to Rs. 51,830.58 crore. So, the difference was roughly Rs. 22,755.56 crore. Rs. 20,000 crore was for the recapitalization of banks. During the pandemic, it was felt necessary that small loans



like MUDRA loans should get some kind of relief. So, interest subvention of two per cent was given for a period of one year. That accounted for almost Rs. 1232 crore. Then there was interest on interest on the loan moratorium, the matter which went to the Supreme Court and thereafter the Government came up with the scheme of ex-gratia relief to the borrowers of about 8 categories of loans up to Rs. 2 crore and that amount was factored in which was about Rs. 5,500 crore. Then, there was much needed relief for the MSMEs through the emergency credit line guarantee scheme which was provided. As of now, more than Rs. 91 lakh MSMEs have been benefitted and the amount which has been sanctioned by the banks, private and public, and the NBFCs is about Rs. 2,45,000 crore. For that, the guarantee amounts of Rs. 4,000 crore was provided. We also had a scheme called the Partial Credit Guarantee Scheme which was essentially to provide liquidity to the NBFCs. The first version took care of the larger NBFCs who had a better rating. Then the scheme was tweaked and the second version took care of the liability side, and therefore, the lower rated NBFCs were also entitled to get this benefit. This was a guaranteed support which was given to the banks. So, a provision of Rs. 1,000 crore was made for that. Then, Rs. 3,000 crore of capital was provided for the first time to public sector insurance companies because of the solvency issues. A provision of Rs. 10,000 crore was provided for a NBFC, which is the India Infrastructure Finance Company Limited. So, that was reappropriated. Therefore, the total amount then, the RE, went up to Rs. 51,830 crore."

**(D) Extensive Government Borrowings and Fiscal & Debt Dynamics**

4.5 On being asked about the impact of borrowing by the government on crowding out private investment, Secretary, Department of Economic Affairs stated the following:-

"The point is that we have been very badly affected by COVID-19 and the private investment is at the moment not coming as much as we would have liked it to come. It is the requirement of the hour that if we want the growth to continue, the Government has to step in. That is the reason and that is the philosophy under which we are going and that we are borrowing much higher amounts..."

...So, fiscal deficit would come down from 9.5 per cent in the current to 6.8 per cent in the next year, which is 2.7 percentage lesser and then gradually it will come down to 4.5 per cent or below 4.5 per cent in the year 2024-25. As the economy grows, as the Government sector which spends more on capital expenditure leads to growth and the private sector gets into the system, to that extent, the Government sector total percentage of proportion into this would go down and our borrowings would go down and the borrowings of the private sector would be in."

4.6 And on the issue of fiscal and debt dynamics of the economy, Secretary, Department of Expenditure furnished:-

"On the debt dynamic, which is a very important point that has been raised and certainly we are seized of the matter."



Secretary, Department of Economic Affairs, on the same said:-

"...we are conscious of that. We actually do that exercise as to how things would span out."

**(E) Disinvestment**

4.7 During the course of presentation by Secretary, Department of Investment and Public Asset Management (DIPAM), points pertaining to the disinvestment process, new PSE policy, iterations undertaken before making liquidation decision, non-core asset monetization, models and benchmarks followed for disinvestment and asset monetization, problems faced while disinvesting and adequate administrative flexibility for making decisions was discussed.

4.8 DIPAM in its post evidence replies furnished the following on the issue of

**(a) Administrative flexibility:-**

"Once the CCEA accords "In Principle" approval for Strategic disinvestment of a CPSE, it follows multi-stake holders' consultative mechanism for subsequent decision making. The process is spearheaded by Inter-Ministerial Group (IMG) [chaired by Secretary, DIPAM and Secretary of the Administrative Ministry] and comprising of senior officers not below the rank of Joint Secretary to Government of India from 9 different Ministries/ Departments]. Recommendations of the IMG are examined by a Core Group of Secretaries on Disinvestment (CGD)...

...To make the process flexible and market oriented following actions have been taken:

Delegation in favour of Alternative Mechanism has been taken from CCEA in March, 2019 for deciding the quantum of shares to be transacted, mode of sale and final pricing of the transaction (or lay down the principles/guidelines for such pricing); selection of strategic partner/buyer; terms and conditions of sale; and to decide on the proposals of CGD with regard to the timing, price, the terms & conditions of sale and any other related issues to the transaction. Thus, once CCEA accords 'in principle' approval, final decisions relating to strategic disinvestments are taken by AM without going back to CCEA.

Procedure for strategic disinvestment has been modified with the approval of CCEA in October, 2019. Strategic disinvestments sometimes involve dealing with some sectoral policy issues which require active involvement of Administrative Ministry. IMG chaired by the Secretary, DIPAM and Co-Chaired by Secretary of the Administrative ministry/department concerned now drive the procedure and play a pivotal role in the entire process from the stage of fine-tuning the selection



of CPSEs and designing the broad contours of the transaction till making the final recommendations to AM for selection of the strategic buyer.

Now Roadshows with the investors are being organised before finalising the Preliminary Information Memorandum (PIM) inviting Expression of Interest (EOI). Feedbacks of the investors are taken into account while finalising PIM & EOI. Draft SPA, which entails the terms and conditions of sale, is shared with the Qualified Interested Parties (QIPs) for their comments. Comments of the QIPs are considered while finalising the SPA. Negotiations on the clauses of SPA takes place with the QIPs through the Transaction Advisor.

Further, transaction specific delegation is taken from time to time in favour of Secretary, DIPAM or IMG for issue of corrigenda to EOI and to decide on certain issues."

(b) Liquidation decisions and guidelines:-

"There are no general guidelines that at what point a CPSEs is recommended for liquidation. This is made on case to case basis taking into consideration advice of the Transaction Adviser."

(c) Models and benchmarks followed for disinvestment and asset monetization and disinvestment experience in other countries:-

"Asset Monetisation is carried out as per the approved procedure and mechanism vide DIPAM OM No. 3/3/2018/DIPAM-II dated 08<sup>th</sup> March 2019. The model of monetization is approved by the Alternative Mechanism on the recommendation of the Inter-Ministerial Group (IMG) after due diligence on the assets. An exercise to benchmark the process to global practice has been taken up in collaboration with World Bank.

Government has approved the new PSE policy delineating 4 Strategic Sectors based on the criteria of national security, energy security, critical infrastructure, provision of financial services and availability of important minerals. In Strategic sectors, bare minimum presence of the existing public sector commercial enterprises at Holding Company level will be retained under Government control. The remaining enterprises in a strategic sector, will be considered for privatisation or merger or subsidiarization with another PSE or for closure. PSEs in non-strategic sectors will be considered for privatisation, where feasible, otherwise such enterprises shall be considered for closure.

Proposal seeking 'In-principle' approval of the CCEA for strategic disinvestment of a specific PSE will be moved from time to time by DIPAM, on a case-to-case basis and the timing for specific transactions will be contingent, inter alia, on the considerations of appropriate sequencing, sectoral trends, administrative feasibility, investors' interest, etc.



As regards disinvestment experience in other countries, different jurisdictions choose to privatize or disinvest their assets and enterprises in accordance with varied priorities, objectives and regulatory mechanisms . While privatization in most developing economies is aimed at meeting fiscal deficit and revenue requirements, countries have also benefited by way of higher economic growth and jobs from efficiency brought about in the due to privatisation.”

**(F) Bad Bank**

4.9 For resolution of stressed asset, it has been stated in the Budget Speech 2021-22 that:

*‘The high level of provisioning by public sector banks of their stressed assets calls for measures to clean up the bank books. An Asset Reconstruction Company Limited and Asset Management Company would be set up to consolidate and take over the existing stressed debt and then manage and dispose of the assets to Alternate Investment Funds and other potential investors for eventual value realization.’*

4.10 The Committee enquired about the formal structure of the proposed bad bank and its step by step working mechanism to which Secretary, Department of Financial Services stated:-

“It is an institutional mechanism – it is essentially trying to take care - which is nothing but an ARC, AMC model where we are trying to take care of the legacy NPAs where the banks are not able to extract the money which has got locked into it. The high level of provisioning has also been made by the banks ranging from 85 per cent to 100 per cent in some of the assets. So, the whole idea is to resolve these stressed assets and clean up the balance-sheet of the banks.”

4.11 The Ministry further furnished:-

“Under proposed structure, the ARC which will have an Asset Management Company (AMC) to manage and sell bad assets, will look to resolve stressed assets. Most of existing ARCs are thinly capitalised – necessitating to set up a new structure to resolve these stressed assets urgently.

Banks will able to transfer their stressed assets to the ARC under extant regulations. The new structure would enhance the value or at least preserve the value and then ultimately sell it through a market price discovery mechanism to a potential investor or to an AIF.

The process of setting up new structure [(Asset Reconstruction Company (ARC) - Asset Management Company (AMC)] will be a Banks led process. ARC will acquire NPAs from selling lenders for consolidation and debt aggregation. AMC will



essentially be a resolution manager. Its mandate will be that of resolving assets and selling such assets to potential investors (incl AIFs) through transparent price discovery. The purpose of setting up a new structure is to enable banks to clean their balance-sheets, make available fresh capital from sale of bad assets which would, in turn, propel credit growth.

Banks have improved their appraisal process based on learnings during the last cycle. Whenever an account becomes NPA, banks take a hit. The proposed AMC-ARC structure only promote recovery and higher realization of assets where provisioning has already taken up. Therefore, it is in the interest of banks to avoid provisioning in the first place and hence AMC-ARC will not in any way encourage reckless lending.”

#### **(G) Development Financial Institution (DFI)**

4.12 In the Central Budget 2021-22 the Government proposed a Development Financial Institution (DFI) to enable long term funding worth Rs 5 lakh crore in 3 years for infrastructure projects.

4.13 The Committee sought details about the formal structure and funding sources of the DFI and Secretary, Department of Financial Services submitted:-

“Innovative means of financing also is what we envisage under the ambit of this institution, which is basically underwriting, securitisation, credit enhancement and so on and so forth..

...We are also looking at infusing an initial capital of Rs. 20,000 crore. We will allow them to leverage it to ten times borrowing. So, they will be able to have a loan book of Rs. 2 lakh crore to begin with. Thereafter, it will be enhanced. Initially, it will be owned by the Central Government up to 100 per cent. But we will try to build a provision within the Act that over a period of time it will come down to 26 per cent. We have also created a separate provision within the Bill, which will come to the Parliament, where we are saying that a licensing framework for private DFI is also being provided so that anyone who wants to establish one can do so.

Now, with regard to the cost of funds, which is very important and critical for the success of this bank, is essentially we are looking at low-cost funds. We are working on various permutation and combinations. Some dispensation from the Central Bank, some support from the Government through the Budget or other concessions. These are matter of details which we are working out. Also to enable a sustained kind of access to funds, we are also looking at huge pension funds which we have within and outside the country and we are looking at the insurance funds. These kinds of funds will have the comfort of putting their money into this national bank. So, that will also be another source which will help the economy grow.”



4.14 The Ministry further furnished the following reply:-

"The DFI is proposed to be set up as a Statutory Corporation and for which an appropriate legislation will be introduced in Parliament for consideration. The primary aim of the DFI would be to address market failures in the provision of long-term finance in infrastructure sector and it shall have both developmental and financial objectives. A provision for capital infusion of Rs.20,000 crore in the proposed institution has been kept in BE 2021-22."

**(H) Sovereign Credit Rating**

4.15 The Economic Survey 2020-21 states *'that India's sovereign credit ratings do not reflect its fundamentals. However, they can affect equity and debt FPI flows of developing countries, causing damage and worsening crisis. It is therefore imperative that sovereign credit rating methodology be made more transparent, less subjective and better attuned to reflect economies' fundamentals'*

4.16 On being asked about the measures being undertaken so that a robust rating reflecting India's zero sovereign default history is rightly demonstrated, the Ministry furnished:-

"The Ministry of Finance, in its interactions with credit rating agencies (CRAs), has been highlighting India's zero sovereign default history, India being a net creditor to the world even when entire private sector's foreign currency debt is taken into account, and CRAs under-assessment of India's fundamentals in their ratings. India has already raised the issue of pro-cyclicality of credit ratings in G20. In response, the Financial Stability Board (FSB) is now focusing on assessing the pro-cyclicality of credit rating downgrades"

**(I) Increasing FDI in Insurance Sector**

4.17 It has been stated in the Budget Speech 2021-22 that *'I propose to amend the Insurance Act, 1938 to increase the permissible FDI limit from 49% to 74% in Insurance Companies and allow foreign ownership and control with safeguards. Under the new structure, the majority of Directors on the Board and key management persons would be resident Indians, with at least 50% of Directors being Independent Directors, and specified percentage of profits being retained as general reserve.'*



4.18 The Committee enquired about the current insurance penetration and insurance density in India and how it compares to its BRICS counterparts for both life insurance and non-life insurance, to which the Ministry furnished the following reply:-

Penetration and Density (2019)

Penetration (2019) in % (premium percentage of GDP)

	India	Brazil	Russia	China	South Africa
Life	2.82	2.25	0.37	2.3	10.73
Non-Life	0.94	1.78	0.97	2.01	2.67
Total	3.76	4.03	1.35	4.3	13.4

Density (2019) in \$ (premium per capita)

	India	Brazil	Russia	China	South Africa
Life	58	196	43	230	643
Non-Life	19	155	113	201	160
Total	78	351	157	430	803

Penetration (2019) in %

	A	B	C	D	(A+B+C+D)
	~Public Insurers	~Private Insurers	~Standalone Health Insurers (Private)	~Specialised Insurers: ECGC and AICIL (Public)	India
~Life	1.87	0.95	-	-	2.82
~Non-Life	0.36	0.45	0.07	0.06	0.94
~Total	2.23	1.40	0.07	0.06	3.76

- Currently, there are 58 direct insurance companies and 12 reinsurance companies operating in India. Out of 58 insurers, 34 are non-life or general insurance companies (including standalone Health Insurers) while 24 are life insurance companies.

4.19 The Committee further asked about the expected increase and impact of FDI in insurance penetration and density over a course of 5 years in the country and the reply furnished by the Ministry is as follows:-

- Along with the opening up of the sector in 2000, 26% FDI was introduced for insurance companies. In the year 2014, it was opened up to 49%, along with 'Indian-owned and controlled' clause.
- FDI Inflows in Insurance Sector:

Year	FDI	Capital (INR Crore)
2000-2015	26%	~9,961.62 (Life~7498.63; Non-life: 2462.99)
2016 till date	49%	~25,642 (Life~14918 Gen.~10724)

- Effects of raising FDI in the past (26% to 49%), led to fresh FDI of over Rs.26,000 Crore made in the insurance sector; 28 of the then existing Indian insurance companies could access fresh capital
- IRDAI after its detailed stakeholder consultation with insurance industry, the Life and General Insurance Councils, leading industry chambers and promoter banks where in over 80% entities and bodies supported FDI raise concluded that there is an acute scarcity of capital in the sector and the raise will enable the requisite infusion needed for the sector where long-term capital is the urgent need.
- The rationale and the justification advanced by IRDAI are sound and in alignment with the Government's Consolidated FDI Policy, which recognises FDI as a major source of non-debt financial resource for economic development.
- Also, given the widespread concerns raised towards individual and organizational protections in the wake of pandemic COVID-19, there is a need to increase insurance penetration and awareness and further opening up of FDI will be a step in this direction.
- Amendment to the Insurance Act, 1938 has been announced to increase the permissible FDI limit from 49% to 74% in Insurance Companies and allow foreign ownership and control with safeguards.
- Opening up of FDI in the insurance sector would inter-alia bring in,
  - fresh capital inflows
  - desired increase in insurance penetration and density
  - introduction of new technologies and innovation
  - global best practices and systems
  - new products and enhanced customer experience.

**(J) Privatisation of Public Sector Banks (PSBs) and Insurance Company**

4.20 On being questioned about privatization of two Public Sector Banks other than IDBI Bank, and also one General Insurance Company in the year 2021-22 and the impact of this step in revitalising the banking sector, the Ministry furnished:-



- Banking and insurance have been categorized as strategic sectors under the new Strategic Disinvestment Policy announced by DIPAM. In such strategic sectors, Government will maintain minimum presence.
- Consolidation carried out over the last few years beginning with SBI, has significantly reduced number of banks.
- With improved CRARs, better profitability and an enhanced ability to raise resources from the market, PSBs now offer more options in terms of potential privatization and disinvestment.
- This will involve consultation with stakeholders, involvement of the institutional mechanism prescribed in the policy and legislative changes. During the course of the year, this process shall be carried forward.
- 4 PSU general insurers, with 39% market share, over 2/3<sup>rd</sup> of the health insurance share and have around 7000 branches to serve customers and service claims
- As spelt out in the new Strategic Disinvestment Policy, the objective is to secure growth of the disinvested company and to enable financing of social and developmental programmes
- Growth that the insurance sector has seen would not have been possible without the participation of our PSU insurance companies. They have played a major role in spreading insurance across the country, particularly in the areas of securing lives and livelihoods, crops and cattle, properties and machineries.
- NITI will initiate the process of selection of the banks/insurer and necessary legislative amendments shall be carried out in the Act to achieve the same.

To bring in new vigour and efficiency in such banks and insurance company efforts will be put in place in the form of greater innovation, new technologies and world-class practices."

## PART II

### OBSERVATIONS/RECOMMENDATION

#### Demand No. 29- Department of Economic Affairs

1. The Committee note that the budget outlay for Department of Economic Affairs as a whole is at Rs 99549.53 crore i.e. a rise of Rs 47890.57 crore from the previous BE 2020-21 which was Rs 51658.96 crore, while even the revised estimate for FY 2020-21 stands at just Rs 38645.88 crore. The reasons cited by DEA for the decreased fund requirement by Rs 13013.08 crore at RE stage include lesser proposals received towards Assistance for Infrastructure Development-Viability Gap Funding, revision of estimated total value of gold deposited in FY 2020-21 under Gold Monetisation scheme, non-requirement of funds towards subscription to International Monetary Fund, decrease of Rs 11000 crore towards inter account transfer for National Investment Fund (NIF) etc. It is further stated that most of the savings were largely due to post budget decisions/non-finalisation of schemes/situations arising due to Covid-19, exchange rate variations etc. which could not be visualized at the time of framing of Budget estimates. The Committee understand and appreciate the challenges faced by the economy during the pandemic and measures undertaken to resurrect it but are of the view that some factors such as 'non-finalisation of schemes' could have been avoided with greater diligence and objectivity while formulating the Budget Estimates. Also, adequate modeling to factor in various exigencies should be done from time to time to be more prepared and soften the sudden jolts to the economy. The Committee would like to point out that drawdowns, from National Investment Fund (NIF) over the years have been quite limited. In this regard the



Committee would like the Government to make gainful use of the corpus fund as mandated i.e. utilization of 75% of the annual income from the fund for financing selected social sector schemes which promotes education, health and employment. The remaining 25% of annual income is for meeting the capital investment requirements of profitable and revivable Public Sector Units.

2. With regard to the allocation of Rs 99549.53 crore for 2021-22, the Committee were informed that the major increase was on account of provision of Rs 44714.64 crore under the Head "Support for Infrastructure Pipeline", which is meant for projects / programmes / Departments that show good progress on Capital Expenditure and are in need of further funds and provision of Rs 29500 crore made for inter account transfer in 'Appropriation to the Contingency Fund of India' for enhancing corpus of CFI from Rs 500 croe to Rs 30,000 crore. The other increased demands are for meeting payments towards interest equalization support to Export Import (EXIM) Bank, increase of Rs 4500 crore for NIIF, loans to IMF under New Arrangements to Borrow (NAB) etc. The Committee would like to emphasize that Department of Economic Affairs should endeavour to be a role model and set impeccable example for other ministries/departments in preparation of realistic estimates and optimal utilization of funds sanctioned. The department carries huge weight of keeping the economy on path of fiscal stability and giving the much needed upward push to the economy and should hence ensure proper utilization of the funds.

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

3. The Committee observe that the revised estimates for the Department of Financial Services for the year 2020-21 rose by Rs 22755.56 crore to Rs 51830.58 crore from the initial budget allocation of Rs 29075.02 crore. The Committee were informed about the reasons for this rise, some of them being the recapitalization of banks, relief to MSMEs through the Emergency Credit Line Guarantee Scheme (ECLGS), liquidity to NBFCs through Partial Credit Guarantee Scheme, relief to borrowers on interest on interest on loan moratorium, capital provision to public sector insurance companies etc. The Committee are of the view that this enhanced RE of Rs 51830.58 crore for the year 2020-21 and the BE 2021-22 of Rs 51510.81 crore will be vital in reviving the economy and making it more resilient to any future volatilities. Further, providing adequate provision for continued support to the vital sector of MSME which can cushion the domestic economy by providing both employment and income generation will be crucial in the coming times. The Committee thus, opine that strengthening or providing more funding to ECLGS will be a step in the right direction as ECLGS worked immensely well to support MSMEs through this difficult period during the pandemic. Moreover, easier access to formal credit and prompt payment of dues to the MSME sector should be ensured.

4. The Committee note that there are several schemes under the ambit of Department of Financial Services wherein there have been savings in the last year and even before that and yet provisions have been made in the current year. The Committee would recommend that even though they are small amounts,



conscious effort should be made by Department of Financial Services to mobilize the implementing agencies for these schemes to ensure sanctioning the budgeted amounts, as schemes such as Pradhan Mantri Mudra Yojana (PMMY) which extends loans upto Rs 10 lakh to eligible micro units; collateral free loans to Self Help Groups (SHGs); overdraft loans under Pradhan Mantri Jan Dhan Yojana (PMJDY); providing Credit Guarantee to facilitate bank loans between Rs 10 lakh to Rs 1 crore to SC/ST and women entrepreneurs for setting up greenfield projects under the Stand-up India scheme etc. hold great importance not only for financial inclusion and giving support to sustainable ideas, but also for empowerment, upliftment and betterment of society.

#### **Interest Payment and Government Borrowings**

5. The Committee observe that the BE on interest payments (on net basis) has risen by Rs. 101498.16 crore from Rs 708203.16 crore BE (2020-21) to Rs 809701.32 crore BE (2021-22) i.e an increase of 14.33%. The Committee was informed that this higher provision has been incorporated due to the increased quantum of borrowings and issuance of government securities in the light of the Covid-19 pandemic. The Committee understand that these have been extraordinary times calling for extra-ordinary measures but would like to emphasize on the need for concrete alternate fiscal measures that need to be undertaken at the earliest to rein in interest payments and keep the economy on the path of fiscal stability and avoid rampant crowding out of private investment.

## **Debt and Fiscal Dynamics.**

6. In this Covid-19 struck world economy, the Committee are of the opinion that a deep and clear understanding of the debt and fiscal dynamics is the need of the hour. Multi-scenario analysis factoring in various variables such as fuel prices, interest rates, commodity prices, inflationary expectations, fiscal expansion etc. can be crucial in escaping the bumps and vulnerabilities in these volatile economic times. The markets are very forward looking and it would be in our economy's interest if we are prepared beforehand with the various possibilities that our economy can be exposed to in the coming times. Hence, the Committee would like to emphasize on the need for understanding the debt and fiscal dynamics through the various modeling techniques available so as to efficiently manage the fiscal situation. Department of Economic Affairs should publish a white paper on the fiscal dynamics and explain how much fiscal space has been created. DEA should also highlight how these fiscal resources should be utilized and the impact on GDP growth.

## **Disinvestment**

7. The Committee take note of the New PSE policy announced in Budget 2021-22 outlining the roadmap for disinvestment in all non-strategic and strategic sectors. They also note the projected disinvestment receipts for the year 2021-22 at Rs 175000 crore, the strategic disinvestment of BPCL, Air India, Shipping Corporation of India, Container Corporation of India, BEML, Pawan Hans and Neelachal Ispat Nigam Limited planned to be completed in the FY 21-22; Initial Public Offering (IPO) of Life Insurance Corporation of India (LIC) and privatization



of 2 Public Sector Banks (PSBs) and one general insurance company and the creation of a Special Purpose Vehicle in the form of a company envisaged for carrying out monetization of surplus land. The Committee are concerned that meeting disinvestment targets is pivotal to the Budget and wavering from the estimates may lead to quantum change in the fiscal dynamics. Now, the Committee are informed that DIPAM deals with disinvestment of non-core assets such as land and disinvestment of core assets are dealt through the respective Ministries. The Committee are of the view that DIPAM should have adequate administrative flexibility during the disinvestment process, particularly for strategic disinvestment, as while making commercial decisions such as selling an asset, substantial administrative flexibility is needed to reach an agreement. The Committee therefore desire that administrative processes are fast-tracked so that the disinvestment targets are fully achieved.

8. The Committee note that disinvestment process usually takes long time with some entities even undergoing fourth iteration. The Committee are of the opinion that proper guidelines should be formulated detailing when to make a liquidation decision and the modalities thereof. The Committee desire that disinvestment should become more credible, purposeful and transparent and thus, feel that a permanent disinvestment policy should be in place clearly specifying the benchmarks and adopting best global disinvestment models.

#### **Bad Bank**

9. The Committee note the step taken for stressed assets resolution with measures to clean up the bank books and setting up of Asset Reconstruction

Company Limited and Asset Management Company to consolidate and take over the existing stressed debt and the management/disposal of the assets to Alternate Investment Funds and other potential investors for eventual value realization. The Committee appreciate the move towards saving time and avoiding delays in the process through consolidated decision making made possible with the setting up of ARC-AMC which will be owned by the banks, both in the private sector as well as in the public sector, with the Asset Reconstruction Company aggregating the debt and the Asset Management Company operating the asset with a set of experienced professionals for some time, resolving it and then selling it to an investor or an AIF. The Committee hope that the consolidated decision making will deliver the highest impact and to further deepen and widen this impact recommend that the stressed asset be transferred at 'book value', as the longer it is left on the bank's balance sheet, the more the prospect of its value eroding from an economic perspective.

10. Further, the Committee are of the opinion that RBI can play an instrumental role in the success of 'Bad Bank' if they issue an order or notification which makes the entire process crystal clear, defining each step of the procedure and thus removing any ambiguity or discretion from the bank's side. The Committee would like to emphasize that a regulatory intervention at this stage will eventually further streamline and add more pace to achieving the objective of resolution of stressed assets. RBI needs to demonstrate why their proposed rules for loss transfer to the ARC-AMC is in fact the best approach. Their rules should reflect



both administrative clarity as well as economic logic. This should be done as soon as possible to unlock assets that are currently trapped as NPAs.

#### **Development Financial Institution (DFI)**

11. The Committee understand that infrastructure financing needs patient capital and is still at a nascent stage and hence the need for a dedicated DFI. The Committee believe that it was prudent to have a sovereign backed institution which will give confidence to investors. Also, having such institution will help in playing the role of a facilitator, be a market maker, widen the investor base and also play an active role in nurturing and deepening the bond market. The Committee are informed that an initial capital of Rs 20,000 crore would be infused which could be leveraged to ten times borrowing i.e. a loan book of Rs 2 lakh crore which in the coming time will be enhanced further. It is further stated that initially it will be owned by the Central Government up to 100 per cent and a provision would be built in the Act to bring down this share to 26 per cent, that is, a licensing framework for private DFI is also being provided. The Committee feel that the sum of Rs 20,000 crore earmarked for DFIs is massive and it is extremely essential that it is implemented successfully as the opportunity cost of this sum is substantial in terms of the support it could have provided to other social and developmental schemes and programmes. Further, the Committee desire that a White Paper detailing the implementation plan taking into account the hindrances faced in the past in India as well as the world over and the action plan to overcome them and make it viable may be submitted to the Committee. In particular, it has been stated that the DFI will be professionally managed. The

Committee would like to understand how and with what safeguards government funds will be provided to a private, professionally managed DFI.

#### **Sovereign Credit Rating**

12. The Committee strongly opine that sovereign credit rating methodology should be made more transparent, less subjective and better attuned to reflect an economy's fundamentals. Credit ratings map the probability of default and thus reflect the willingness and ability of borrower to meet its obligations. India's willingness and ability to pay is well demonstrated through its zero sovereign default history and despite that it has been strangely rated as the lowest rung of the investment grade, which defies economic logic. The Committee urge the Ministry to continue on its efforts to emphasise and highlight the under-assessment of India's fundamentals in the sovereign credit ratings and undertake all measures, so that a robust rating reflecting India's zero sovereign default history is rightly projected and the economy is able to thus gain through positive inflows of equity and FPI.

#### **FDI in Insurance Sector**

13. The Committee note that while life insurance penetration in the country is at 2.82%, that of general insurance is less than 1%, the lowest amongst all BRICS counterparts. The Committee recommend highlighting the need and importance of insurance amongst the masses. With regard to increasing FDI in the sector from 49% to 74%, the Committee understand that this will hopefully enhance insurance penetration and density and fresh capital inflows will be accompanied



with new technologies, innovations, new products, best global practices and customer experience will be enhanced. Further, the Committee suggest that it be ensured that insurance companies, particularly with foreign ownerships adhere to their commitments strictly and proper safeguards and oversight be maintained by Insurance Regulatory and Development Authority of India (IRDAI).

New Delhi;  
10 March, 2020  
19 Phalguna, 1942 (Saka)

SHRI JAYANT SINHA,  
Chairperson  
Standing Committee on Finance

Minutes of the Seventh sitting of the Standing Committee on Finance (2020-21) The Committee sat on Tuesday, the 23<sup>rd</sup> February, 2021 from 1100hrs. to 1700 hrs in Main Committee Room, Parliament House Annexe, New Delhi.

**PRESENT**

**Shri Jayant Sinha – Chairperson**

**LOK SABHA**

2. Shri Subhash Chandra Baheria
3. Shri Manoj Kishorbhai Kotak
4. Shri Pinaki Misra
5. Prof. Saugata Roy
6. Shri Gopal Chinayya Shetty
7. Shri Manish Tewari
8. Shri Parvesh Sahib Singh Verma
9. Shri Rajesh Verma
10. Shri Giridhari Yadav

**RAJYA SABHA**

11. Shri Praful Patel
12. Dr. Amar Patnaik
13. Shri G.V.L Narasimha Rao
14. 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. Ginalal Chung       | - | Under Secretary     |





**PART I**  
**(1100 hrs - 1400 hrs)**

**WITNESSES**

**Department of Economic Affairs**

1. Shri Tarun Bajan, Secretary
2. Shri. K. Rajaraman, Additional Secretary, Investment
3. Shri C.S. Mohapatra, Additional Secretary (BC, ADB & Fund Bank)
4. Shri Rajat Kumar Mishra, Additional Secretary (Budget)
5. Shri A.M. Bajaj, Additional Secretary (FM)
6. Shri Baldeo Purushartha, JS (IPF)

**Department of Expenditure**

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

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

1. Shri Tuhin Kanta Pandey, Secretary
2. Dr. Dheeraj Bhatnagar, Additional Secretary
3. Shri Amit Ray, Economic Adviser

**Department of Financial Services**

1. Shri Debasish Panda, Secretary
2. Shri Pankaj Jain, Additional Secretary
3. Shri Amit Agrawal, Additional Secretary
4. Shri Sanjeev Kaushik, Additional Secretary



5. Shri Madnesh Kumar Mishra, Joint Secretary

2. At the outset, the Chairperson welcomed the Members and the witnesses to the sitting of the Committee. The major issues discussed include impact of the Covid-19 pandemic on the budget allocations, introduction of Bad Bank for stressed assets resolution, increasing FDI in insurance sector, proposal to establish Development Financial Institution for long term funding of infrastructure projects, privatization of banks and insurance company, drawdowns from National Investment Fund, new PSE policy, strategic disinvestment, administrative flexibility while engaging in disinvestment process, non-core asset monetization, increased provisions for interest payments, impact of extensive government borrowings and the need for thorough understanding of fiscal and debt dynamics of the economy. The witnesses responded to the queries raised by the Members and the Chairperson then directed the representatives of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Investment and Public Asset Management) to furnish written replies to the points raised by the Members which could not be readily replied by them during the discussion within a week to the Secretariat.

(The witnesses then withdrew)

3.      XX           XX           XX           PART II           XX           XX           XX  
          XX           XX           XX                           XX           XX           XX.

4.      XX           XX           XX           PART III           XX           XX           XX  
          XX           XX           XX                           XX           XX           XX.

A verbatim record of the proceedings has been kept.

Minutes of the Ninth sitting of the Standing Committee on Finance (2020-21)  
The Committee sat on Wednesday, the 10<sup>th</sup> March, 2021 from 1530hrs. to 1745 hrs.  
in Main Committee Room, Parliament House Annexe, New Delhi.

**PRESENT**

**Shri Jayant Sinha – Chairperson**

**LOK SABHA**

2. Shri S.S. Ahluwalia
3. Shri Subhash Chandra Baheria
4. Dr. Subhash Ramrao Bhamre
5. Smt. Sunita Duggal
6. Smt. Darshana Vikram Jardosh
7. Shri Manoj Kishorbhai Kotak
8. Shri P.V Midhun Reddy
9. Shri Manish Tewari
10. Shri Rajesh Verma

**RAJYA SABHA**

11. Shri A. Navaneethakrishnan
12. Shri Praful Patel
13. Dr. Amar Patnaik
14. Shri Mahesh Poddar
15. Shri Bikash Ranjan
16. Shri G.V.L Narasimha Rao

**SECRETARIAT**

- |                                 |   |                     |
|---------------------------------|---|---------------------|
| 1. Shri Vinod Kumar Tripathi    | - | Joint Secretary     |
| 2. Shri Ramkumar Suryanarayanan | - | Director            |
| 3. Shri Kulmohan Singh Arora    | - | Additional Director |
| 4. Shri Kh. Ginalal Chung       | - | Under Secretary     |



PART I

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

(The witnesses then withdrew)

PART II

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

- (i)    Twenty-Fifth Report on Demands for Grants (2021-22) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Investment & Public Asset Management).
- (ii)    Twenty-Sixth Report on Demands for Grants (2021-22) of the Ministry of Finance (Department of Revenue).
- (iii)    Twenty-Seventh Report on Demands for Grants (2021-22) of the Ministry of Corporate Affairs.
- (iv)    Twenty-Eighth Report on Demands for Grants (2021-22) of the Ministry of Planning.
- (v)    Twenty-Ninth Report on Demands for Grants (2021-22) of the Ministry of Statistics and Programme Implementation.
- (vi)    Thirtieth Report on Action taken by the Government on the recommendations contained in Seventy-First Report (16<sup>th</sup> Lok Sabha) on the subject 'Central Assistance for Disaster Management and Relief'.
- (vii)    Thirty-First Report on Action taken by the Government on the recommendations contained in Seventy-Second Report (16<sup>th</sup> Lok Sabha) on the subject 'Strengthening of the Credit Rating Framework in the Country'.

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

The Committee then adjourned.

A verbatim record of the proceedings has been kept.



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