

ANNUAL REPORT

2017-18

MINISTRY OF FINANCE

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Chapter - V

Department of Financial Services

1. Work allocation among Sections

1.1 Banking Operation-I (BO-I)

Appointment of Governor/Deputy Governor of RBI, Chairman & MDs of SBI, CMDs and EDs of Nationalised Banks, CMDs of NABARD; appointments of Whole Time Director in IDBI, salary allowances and other terms and conditions of Whole Time Directors of PSBs and NABARD; constitution of Boards of Directors of RBI and PSBs: appointment of Workmen Employee Directors, appointment of Part Time Non Official Directors and Officer Employee Directors of PSBs.

1.2 Banking Operation-II (BO-II)

1.2.1 Deposit Insurance and Credit Guarantee Corporation (DICGC) policy matters and publicity in Public Sector Banks (PSBs), IFSC.

1.2.2 Administration of all Acts/Regulations/Rules related to Financial Systems like the Negotiable Instruments Act, 1881, the Chit Funds Act, 1982, the Price Chits and Money Circulation Schemes (Banning) Act, 1978 and the Payment and Settlement System Act, 2007. International Relations (Banking, Insurance and Pensions Reforms), Financial Action Task Force (FATF); Administration of the Office of Court Liquidator, Kolkata.

1.2.3 International Cooperation in Joint Investment Funds- Oman-India Fund and Indo-Saudi Fund. WTO and Border Banking facilities. Matters relating to operation of bank accounts of shell companies. KYC matters (other than CKYC).

1.3 Banking Operation-III (BO-III)

Customer Service in Banks/FI/Ins. All kinds of complaints/representations received from individual/associations for redressal of their grievances in these institutions such as delay in clearance of cheques, non-payment/non-issue of drafts, non issue/delay in issue of duplicate drafts, misbehaviour/rude behaviour/harassment on the part of staff of these institutions, non settlement/delay in settlement of deceased accounts, non-transfer/delay in transfer of accounts from one office to another, non opening/delay in opening of new accounts, non-compliance with standing instructions of the customers, non-payment of term deposits before maturity, delay in payment to pensioners, including those related to credit cards, ATMs, etc. All kind of complaints received from DARPG/DPG relating to Public/ Private Sector/Foreign Banks/FI/Ins. All kinds of complaints

received from MPs/VIPs /PMO against Private Sector & Foreign Banks. Banking Customer Service Centres; Banking Ombudsman.

1.4 Banking Operation & Accounts (BOA)

1.4.1 Preparation of annual consolidated review on the working of Public Sector Banks (PSBs) and laying it on the Tables of both Houses of Parliament; pattern of accounting and final accounts in Public Sector Banks; study and analysis of the working results of PSU Banks; audit of banks, appointment and fixation of remuneration of auditors of PSBs/FIs; laying of annual reports and audit reports etc., of PSU Banks in Parliament.

1.4.2 Taxation matters of PSBs/FIs; dividend payable to Central Government by PSBs; scrutiny of the annual financial reviews of PSBs conducted by RBI under Section 35 of the Banking Regulation Act, 1949 and follow up action; operation of the schemes of bank guarantee by PSBs and related complaints.

1.4.3 Capital restructuring of PSBs (including restructuring of weak PSBs) and Government's contribution to share capital, public issue of banks; Release of externally aided grants to ICICI Bank under USAID, Citizen's Charter of Public Sector Banks/RBI.

1.4.4 Disputes and arbitration between PSBs and between PSBs and other Govt. Departments/PSEs; appointment of advocates in PSBs, acquisition/ leasing/ renting/ vacation of premises; residuary matters of Portuguese Banks in Goa, Estate Officers under Public Premises Act, 1971; opening and shifting of administrative offices of banks.

1.4.5 All Policy matters related to Banking Operation such as Licensing, amalgamation, reconstruction, moratorium funds, and acquisition of private sector banks; overseas branches of Indian banks; operation of foreign banks in India and functioning of PSBs, Banking Sector Reforms.

1.4.6 Notification regarding exemption from various sections of the Banking Regulation Act, 1949 and appointment of appellate authority to hear appeals under the BR Act and PSBs Act. Administration of all Acts/Regulations/ Rules related to Public Sector Banks, RBI and State Level Banks. Appellate Authority on NBFCs and NBFCs.

1.5 Agriculture Credit (AC)

Credit flow to agriculture and allied sector, Kisan Credit Card Scheme, matters related to NABARD (except service matters), Banking related matters of Co-operative Banks, Secretarial assistance to the designated appellate authority in regard to appeals by Urban Cooperative Banks against cancellation of license by RBI, externally aided projects related to agriculture and allied sectors, relief measures to farmers affected by natural calamities, bank credit to artisans of handloom and handicraft sector.

1.6 Regional Rural Banks (RRB)

Legislative matters relating to RRB Act, 1976 and guidelines framing of rules thereunder; nomination of non-official directors on the Board of RRBs; Appointment of Chairman of RRBs, review of performance of RRBs, wage revision for RRB employees, Staff Service Regulation and Promotion Rules for employees and officers of RRBs. Matters related to Priority Sector Lending, lending to weaker sections including SC/ST, credit to minorities including PM's New 15 point programme for the welfare of Minorities; DRI Scheme.

1.7 Financial Inclusion (FI)

Work relating to financial inclusion, coordination with other sections, offices, institutions etc on Financial inclusion; Branch expansion of banks; Lead Bank Scheme and Service Area Approach; District and State Level Bankers' Committee (SLBC); Regional imbalances of banking network, matters related to Business Correspondents/Business Facilitators, Mobile Banking etc., matters relating to e-Governance in all FIs and e-Payments in banking system and computerisation of PSBs. Matters relating to Payment Regulatory board (PRB) constitution and matters related to PRB.

1.8 Industrial Relations (IR)

Service matters of PSBs including IDBI / RBI; Industrial Disputes Act matters, HR matters relating to PSBs and RBI Unions and Associations in the Banking Industry, Bipartite settlements or policy of transfer, promotion, and HRD in banks; IB reports about political activities of bank employees; Pay and Allowances of bank employees in overseas branches; HR Reforms.

1.9 Coordination (Coord.)

Organisation of FM's meetings with CEOs of PSBs; and regional consultative committee meetings; Presidential address to the Joint Session of Parliament; Staff Meeting of Secretary (FS); monitoring & review of disposal of VIP references, PMO references, coordination

of RBI pending matters; compilation and submission of material for Parliament Questions to other Ministries/ Departments; Parliament Questions regarding VIP references; Monthly DO letter to Cabinet Secretary from Secretary (FS); Appointment of CPIOs, ACPIOs, AAs and Nodal Section for RTI matters of DFS and to deal with CIC for Annual Report etc.; Updation of Induction Material for DFS; Co-ordination of VIP, PMO, President Sectt. etc. references involving more than two Divisions of DFS.

1.10 Establishment (Estt.)

Matters pertaining to the Officers and Staff of DFS including RRs, appointment, ACRs, deputation (including abroad), training, IWSU, SIU, welfare, review of officers under FR 56(J), internal vigilance, staff grievances, pension, etc.; grant of various advances to officers and staff, payment of fees to advocates, settlement of medical claims and CGHS matters, family welfare programme.

1.11 General Administration (GA)

Housekeeping, cleanliness, stores, canteen, R&I, library, Staff Car Drivers, vehicles to the officers of DFS, purchase of Computer Hardware and Maintenance of Computers, Printers and other equipments. Arranging farewell of staff of DFS. Providing of Identity Cards to the Staff of DFS and CMDs/EDs/PROs of Public Sector Banks/Financial Institutions/Insurance companies, etc.

1.12 Parliament

Collection, identification and marking of Parliament Questions, Notices, admitted Questions, and getting the files approved from the Minister. Preparation of facts and replies for pads of Ministers; keeping track and record of pending Assurances, Special Mentions and References under 377 and other matters as mentioned in the Induction Material.

1.13 Hindi

Implementation of Official Language Policy of the Government, translation work relating to Parliament Questions, Standing Committees, Minutes of the Meetings; Hindi Teaching Scheme and other miscellaneous work as mentioned in induction material of DFS.

1.14 Welfare Section (SCT)

Matters relating to recruitment, promotion and welfare measures of SCs/STs/OBCs/ Persons with disabilities and Ex-servicemen in Public Sector Banks/ Financial Institutions and Insurance Companies; matter of policy regarding reservation for these categories in PSBs/FIs, Insurance Companies, reservation matters in RRBs etc.

1.15 Data Analysis (DA)

Reserve Bank of India Credit Policy – Busy Season – Slack Season and selective credit control; financial sector assessment and sectoral credit analysis; Banking Statistics regarding bank deposits and advances; deposits and advances of banks; rates of interest on bank deposits and advances; Dissemination of results and important information relating to RBI, IBA, studies on banking reforms; analysis of other international reports relevant to banking sector in India; Analysis of Reports of committees on Financial Sector Reforms etc. Management Information System – collection, collation of data relating to Banking Industry. Audit Paras.

1.16 Industrial Finance-I (IF-I)

Administration of the “Export-Import Bank (EXIM Bank) Act-1981” and Scheme for financing viable Infrastructure Projects (SIFTI) of IIFCL, Policy and Budgetary matters relating to EXIM Bank, IIFCL and IFCI Ltd.; Winding up of IIBI Ltd. and related matters; Appointment of Whole Time Directors (WTDs), Non-official Directors (NoDs) and Government Nominee Directors in IIFCL, EXIM Bank, IFCI Ltd., IDFC Ltd.; Appointment of Statutory Auditor in EXIM Bank; Issues related to sector specific stressed assets; Laying of annual reports of IIFCL, EXIM Bank, IFCI Ltd. and IIBI Ltd.; Project Monitoring Group (PMG) meeting etc.; Matters relating to IDFC Ltd. & IDFC Bank, Publicity.

1.17 Industrial Finance-II (IF-II)

1.17.1 Matters relating to NHB and Housing Policy, Post winding up of BIFR & AAIFR matters, Small and Medium Enterprises (SMEs), SIDBI, SFCs, Credit Guarantee Fund for Micro and Small Enterprises; MLIs, Credit Guarantee Scheme and other related matters on the subject. Citizens Charter of NHB and SIDBI. Appointment and all personnel matters of Whole Time Director in SIDBI and NHB. Govt. Sponsored Schemes-PMEGP, Education, Employment generation scheme of SJSRY, SGSY and other poverty alleviation programmes and other related matters, VIP references, Audit Paras, CPGRAM, RTI, Parliament Questions, Assurances, Grievances, Budget Announcements, Coordination with RBI and State Govts, Administration of National Housing Bank Act, 1987;

1.17.2 All matters related to Educational Loans, matters related to Micro Finance Institutions and Legislation thereon, Self Help Groups as well as NABARD's Micro Finance, etc.

1.17.3 All matters related to Pradhan Mantri Mudra Yojana. All matters related to Stand Up India.

1.18 Vigilance

1.18.1 Consultation with CVC/CTE; nomination of CVOs for PSBs/FIs; correspondence with CBI; Annual Action Plan on Anti Corruption measures; investigation of cases of frauds by CBI & RBI; matters under Prevention of Corruption Act; preventive vigilance; vigilance systems and procedures in RBI/PSBs/FIs and Insurance Companies; inquiry into complaints against GMs/EDs and CMDs of PSBs/FIs and Vigilance Surveillance over them; major frauds in PSBs (in India and abroad); PMO references on anti corruption measures; bank security; robberies & loss prevention in banks; sanction of prosecution in case of EDs/CMDs; War Book matters; Annual Reports of CVC; Conduct Regulation in PSBs/FIs, employment after retirement regulations in PSBs; CVC/CBI references relating to DRTs/DRATs.

1.18.2 All issues pertaining to continuation of posts, budget matters of the O/o Custodian and Special Court including extension of the Office of Custodian and appointment of Custodian.

1.19 Debts Recovery Tribunals (DRT)

Administration of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (RDBFI Act). Establishment of Debts Recovery Tribunals / Debts Recovery Appellate Tribunals (DRATs) under RDBFI Act; filling up of the posts of Chairpersons, Presiding Officers, Registrars, Assistant Registrars and Recovery officers, and monitoring filling up of other posts in DRTs/DRATs; issuing clarifications / guidelines etc. on administrative matters/review; monitoring progress and disposal of cases by DRT/DRATs; budget provisions, monitoring, etc. relating to DRTs/DRATs. Administration of The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act), all matters relating to registration of ARCs and legal cases thereof, ease of doing business agenda - flowing from recent amendments, appointment of Registrar/MD & CEO, Central Registry of Securitisation Asset Reconstruction and Security Interest (**CERSAI**) and Central Know Your Customer (CKYC) Registry matters.

1.20 Recovery Section

CIBIL; Work relating to monitoring of NPAs and Recovery including compromises and OTS of all PSBs, Parliament matters, VIP/PMO references, Complaints and other matters relating to above works. All matters related to NPA/Stressed Assets (other than Sectoral Stress).

1.21 Insurance-I (Ins.-I)

1.21.1 Life Insurance Corporation of India (LIC) Business - Review of the performance of LIC; Laying of

Reports of LIC in Parliament; Opening / winding up of branches of LIC in India; Appointment of Auditors for LIC; Administration of PP Act in LIC and references relating to Estate matters in LIC; Foreign operations / subsidiaries of LIC; References on Social Security Schemes and other life insurance schemes; Review of performance and making budgetary provisions for various GOI funded schemes such as Janashree Bima Yojana, Shiksha Sahayog Yojana, Varishatha Bima Yojana and Aam Aadmi Bima Yojana; Other Social Security Group Insurance Schemes under LIC; Central Government Employees Group Insurance Scheme; Postal Life Insurance Scheme; Employees' Provident Fund Scheme; All Government sponsored / supported schemes in life insurance; Any other life insurance or social security products / scheme proposals; Others: Appellate Authority constituted under Section 110H of the Insurance Act, 1938.

1.21.2 Coordination work relating to the following Committees - Committee for the Welfare of Women; Committee for the Welfare of SC/ST; Estimates Committee.

1.21.3 Appointments (LIC) - Selection & appointment of Chairman/ MDs, LIC, appointment of Directors on the Board of LIC, appointment of ex-officio members on the subsidiaries of LIC; Permission for foreign deputation of Chairman and MDs of LIC; Permission for commercial employment after retirement for Chairman/ MDs, LIC and other executives of LIC.

1.21.4 **Insurance Regulatory and Development Authority of India (IRDA)** - Appointments of Chairperson and Members of IRDA; Service condition of Chairman, Members and employees of IRDA; Budget and Funds of IRDA; Other matters relating to Brokerage agencies, entry of new companies and regulations of IRDA.

1.21.5 Service Matters - Service matters, rules and regulations in all public sector insurance companies; Representations on service matters by employees of public sector insurance companies; Service matters of Development Officers/ Agents/Intermediaries; Wage Revision/ Bonus/ VRS in LIC / Public Sector General Insurance Cos; Implementation of Pension Scheme/ policy matters on commercial employment. Citizen's Charter of Life Insurance Corporation Ltd.

1.22 Insurance-II (Ins-II)

1.22.1 Grievances - Public grievances against services provided by Public Sector Insurance Companies including Agricultural Insurance Corporation of India Ltd. (AICL) and IRDA other than on service matters; Periodical meetings of Public Grievances Officers of public sector

insurance companies; Functioning of internal public grievances redressal machinery in public sector insurance companies; Functioning of external redressal machinery like Consumer Courts, Ombudsmen, Lok Adalats, MACT and Courts etc; Appellate Authority constituted under Section 110H of the Insurance Act 1938. Citizen's Charter of Non Life Insurance Companies.

1.22.2 Housekeeping - Care taking and maintenance of computers, furniture, photocopiers etc. in Insurance Division. I-card for staff and executives of Insurance Companies.

1.22.3 Insurance Sector Reforms - All matters relating to reforms in insurance sector; Reforms related amendments to Insurance Act, 1938, LIC Act, 1956, GIBNA, 1972, IRDA Act, 1999 and Actuaries Act, 2006; Implementation of Law Commission Reports..

1.22.4 Appointments - Policy issues concerning selection of Chief Executives in the PSU insurance companies including AICL; Appointment on the Boards of public sector non-life companies including AICL; Foreign deputation of Insurance executives; permission for Chief Executives of non-life companies including AICL.

1.22.5 General Insurance - Review of the performance of General Insurance Companies including AICL; Matters relating to Insurance Schemes of Public Sector General Insurance Companies including AICL and audit paras thereon; Computerization of public sector general insurance companies; References relating to Surveyors and Agents of non-life PSICs; Foreign operations of public sector general insurance companies; Reference relating to Re-insurance, Third Party Administrators, Tariff Advisory Committee; Opening/ winding up of branches; Administration of War Risk (Marine Hull) Reinsurance Schemes, 1976; Reference from RBI on permission for release of foreign exchange for insurance policy abroad; Laying down of Annual reports of General Insurance Companies/ GIC/ AICL; Administration of PP Act in non-life insurance companies and references relating to Estate matters in those companies.

1.22.6 Coordination - Work relating to Budgeting, Tax proposals, Budget Announcements relating to insurance, Annual Report, Economic Survey, India Reference Annual, Economic Editors Conference, PMO/ Cabinet References, CII & FICCI, within Insurance Division, matter related to e-payments in Insurance Companies, computerization of Insurance Companies.

1.22.7 Coordination work relating to the following Committees - Standing Committee on Finance; Committee on Subordinate Legislation; Petitions Committee; Committee on Public Undertaking (COPU).

1.22.8 Others - WTO multi-lateral/ bilateral agreements; Inter-Government agreement between India and any other country.

1.23 Pension Reforms (PR)

Coordinating and introducing Pension Reforms; Introduction of New Pension System and extension of its coverage to State Governments and unorganised sector and implementation of the Co-Contributory Atal Pension Yojana (APY); Administrative and legislative matters relating to Pension Fund Regulatory and Development Authority (PFRDA); Swavalamban Scheme; Matters relating to the Investment Pattern for Non-Government Provident Funds, Superannuation Funds and Gratuity Funds, matters relating to New Pension System.

1.24 IT Cell

IT cell in this Department deals with the work related to the website, information technology, digitalization, Digital India initiative, liaison/coordination with NIC, etc.

1.25 GST Cell

Oversee the preparedness of all institutions under DFS to implement GST, to provide inputs to the “Banking, Financial and Insurance” Sectoral Group with reference to GST, other matters related to coordination, rollout and implementation of GST w.r.t institutions under administrative control of DFS etc.

Performance and significant developments.

2. Banking

The Scheduled Commercial Banks (SCBs) in the country comprise the public sector banks, private sector banks, regional rural banks, and foreign banks. Presently, the total business of SCBs, as on 30.9.17 amounts to Rs. 198,86,961 crore (deposits Rs. 112,45,251 crore and advances Rs. 86,41,710 crore). The Public Sector Banks (PSBs), presently numbering 21, have, as on 30.9.17, total business of Rs. 139,31,155 crore, comprising aggregate deposits and advances of Rs. 81,00,858 crore and Rs. 58,30,300 crore respectively. PSBs thus constitute about 70% of the banking industry in India. They are also the principal source of finance for several segments and areas underserved by private banks, financial institutions and financial markets, including segments such as agriculture, MSMEs, housing, education and infrastructure project financing. Therefore, the health of the PSBs is of prime importance to enable the credit-offtake for economic growth.

The Government of India wanting to adequately capitalize all the banks to keep a safe buffer over and

above the minimum norms of Basel III, had, in Aug. 2015, announced the Indradhanush Plan for recapitalizing and revamping PSBs. Government having envisaged capital need of Rs. 1,80,000 crore till 2018-19, had then made a provision of Rs. 70,000 crore to be infused over a period of four years to supplement the projected market-raising of capital to the tune of Rs. 1,10,000 crore by the PSBs. So far capital of Rs. 59,435 crore, including Rs 9,438 crore in 2017-18, has been infused by the Government.

RBI's Asset Quality Review (AQR) findings in Dec. 2015 and consequent classification of large stressed assets, which till then were being treated as non-NPA through flexibility in loan classification and restructuring, revealed high incidence of NPAs requiring manifold increase in provisions to meet expected losses from transparent recognition for clean balance sheets. Thus, Gross NPAs in PSBs rose rapidly from 4.96% of advances in Mar. 2015 to 12.75% in Jun 2017 with provisioning for expected losses too growing substantially – Rs. 3.79 lakh crore provisioning made for the period 2014-15 to 2017-18 being almost double of Rs. 1.97 lakh crore made for the preceding ten years. Thus, the PSBs needed to be recapitalized more.

2.1 Measures taken in 2017-18 - Recapitalisation announcement and framework

The Government thus announced its decision in Oct. 2017 to recapitalize PSBs to essentially supplement the latter's own efforts to adhere to the regulatory capital adequacy norms and to also enable increased credit off-take and catalyse faster economic growth. The announced recapitalization entails mobilization of capital, with maximum allocation in the current year, to the tune of Rs. 2,11,000 crore over the next two years, through budgetary provisions of Rs. 18,139 crore (balance capital infusion under Indradhanush), recapitalization bonds to the tune of Rs. 1,35,000 crore, and the balance through capital raising by banks from the market while diluting government equity (estimated potential Rs. 58,000 crore). A differentiated approach in infusing capital, keeping in view the strength of banks, would be followed. In the Third Supplementary Demand for Grants for FY 2017-18, an amount of Rs. 80,000 crore has already been provided, in addition to Rs. 10,000 crore already provided in the budget of FY 2016-17.

2.2 Other measures

- i. The Banking Regulation Act, 1949 has been amended in 2017, to enable Government of India to authorise RBI to issue directions to banks to initiate the insolvency resolution process (IRP) under Insolvency Bankruptcy Code 2016 (IBC)

for time-bound resolution of stressed assets and cases instituted under it. RBI has, since then, initiated insolvency resolution process under the IBC against twelve major defaulter accounts involving NPAs of Rs. 1,75,000 crore.

- ii. Based on the request of Department of Investment and Public Asset Management (DIPAM), the shares of Banks namely State Bank of India, Bank of Baroda and Indian Bank were transferred to DIPAM's Demat ESCROW account for New Fund Offer (NFO) under the new Exchange Traded Fund (ETF) Bharat-22 ETF amounting to Rs. 1,556.64 crore.

2.3 State Bank of India Merger

State Bank of India (SBI), with the sanction of Government of India and in consultation with Reserve Bank of India, acquired the business including all the assets and liabilities of its associate banks (State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore) and Bharatiya Mahila Bank, in 2017. SBI, due to its enhanced balance sheet size, now figures among the top-50 banks in the world. The merger has benefitted the customers of the associate banks, by offering products not earlier available to them and by enhancing access through a bigger branch network etc. and thus improving the customer services. It has benefitted the business by improving efficiencies of scale through optimal utilisation of the infrastructure network, rationalization of resources, reduction of costs, better profitability, lower cost of funds leading to better rate of interests for public at large, etc. and has benefitted the employees, by increased opportunities and avenues for professional growth.

3. Financial Inclusion

3.1 Introduction

Financial inclusion **at a micro-level** is about convenient and affordable access to formal financial products and services like transaction, payment, saving, credit, insurance, pension etc. for individuals and enterprises. From **a macro-level** perspective, financial inclusion is the basis for an inclusive growth that is broad-based, equitable and sustainably integrated with the mainstream financial systems.

3.2 The context

Inclusive growth has been a paramount and

continuous governance concern in India. While political and social inclusion have always occupied the public and governance discourse prominently, financial inclusion has attained focus recently. The **history of financial inclusion** in India goes back to the 1960s, since then various steps promoting financial inclusion were taken. Basic banking "no frills" accounts (subsequently renamed Basic Savings Bank Deposit (BSBD) accounts) and business correspondent (BC) framework introduced by RBI in 2005/06 provided greater impetus and focus to these efforts.

The need for a comprehensive financial inclusion was **underlined by several important reports**. **Census 2011** estimated that only 58.7% households had access to banking ; within this, rural households at 54.5% had lower access as compared to 67.7% urban households. It was also assessed that **in 2012** only 35% Indian adults had access to a formal bank account, but a much lower only 8% had borrowed from formal financial institutions within a year. **RBI's Annual Report of 2013** showed that only 7% of 5.92 lakh villages had a bank branch. Critical issues remained in the delivery of banking services at the last mile. In the absence of a robust, interoperable payment mechanism, BC network in rural areas was limited not only in terms of access across banks but also across service points of the same bank. Thus, despite significant progress, considerable ground remained to be covered.

At the same time, India was also **on the cusp of a three-pronged revolution**. By 2013, the branchless banking network was expanding, with 2.48 lakh Bank Mitras engaged by banks and significant collective outreach of India Post, PoS, ATM terminals and network of CSCs. A reliable national ID (Aadhaar) system had emerged that had covered 65 crore individuals, and was growing ; and a modern nation-wide telecom network had by then reached 88.6 crore mobile connections and 72% mobile penetration. In short, though the financial exclusion was still significant, elements of JAM were offering a source of hope and opportunity.

3.3 National Mission for Financial Inclusion – Pradhan Mantri Jan Dhan Yojana

For a major push to holistic financial inclusion for unbanked households, Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched as the National Mission for Financial Inclusion (NRFI) in August 2014. PMJDY aimed comprehensive financial inclusion of all the households in the country by providing universal access

to banking facilities, at least one basic bank account to every household, financial literacy, access to credit, and social security cover. Out of the multiple complementary dimensions of PMJDY, six have been defined as its pillars.

The **financial pillars** of the Mission were convenient access to a banking outlet for every habitation in the country; providing every household – since expanded to every eligible adult citizen – a basic savings bank deposit (BSBD) account with overdraft facility and associated RuPay debit card; and creating awareness about financial products and an environment for participation by all in the Mission through financial literacy. The final destination thus is to afford hitherto excluded households micro-credit within the formal financial system, thereby helping them escape the usurious informal money-lending and become financially secure / self-employed.

The **social security pillars** of the Mission aim at extending micro-insurance to the account holders for accident and life risk cover and introducing them to an unorganized sector pension for support during old age. To complement these dimensions of the NMFII, specific social security schemes have also been launched by the Hon'ble Prime Minister in May 2015, for all eligible account holders. Pradhan Mantri Suraksha Bima Yojana (PMSBY) offers insurance of Rs. 2 lakh against accidental death/permanent disability and Rs. 1 lakh for partial disability due to accident, at annual premium of Rs. 12 for savings bank account holders (18-70 years). Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) offers life insurance of Rs. 2 lakh at annual premium of Rs. 330 for bank account holders (18-50

years). Atal Pension Yojana (APY) offers guaranteed minimum monthly pension between Rs. 1000-Rs. 5000 per month after age of 60 years to subscribers (18-40 years) based on their contribution.

4. Flagship Schemes of DFS for Financial Inclusion

4.1 Pradhan Mantri Jan Dhan Yojana (PMJDY)

The launch of the National Mission for Financial Inclusion titled the Pradhan Mantri Jan Dhan Yojana (PMJDY) in August 2014 committed India to an ambitious and comprehensive agenda of financial inclusion in mission mode. Its component dimensions aim at providing universal access to banking facilities with at least one basic bank account to every household, financial literacy, access to credit, and social security cover.

4.1.1 Banking Service Points for universal access to banking

A significant expansion of the effective banking presence in rural areas was an identified target dimension of PMJDY. Preparatory to this, over six lakh villages were mapped into 1.59 lakh Sub Service Areas (SSAs). Each SSA, typically comprising of 1,000 to 1,500 households, has to be covered by a bank branch or by deploying Business Correspondents (BCs) wherever needed.

For meeting the target of universal access set out, the strength of bank branches, ATMs and BCs has been augmented over the years by the Scheduled Commercial Banks (SCBs) as part of their financial inclusion plans. The Table following shows the summary progress in banking service points of the Scheduled Commercial Banks:

Table-1: Number of Branches and ATMs and BCs

	As on 31.3.2014	As on 31.3.2015	As on 31.3.2016	As on 31.3.2017	As on 30.9.2017
I. Number of brick and mortar branches of SCBs					
i. Rural	41,924	45,158	47,457	48,865	49,223
ii. Semi-Urban	32,629	35,003	36,959	38,170	38,581
iii. Urban	20,844	22,363	23,618	24,575	24,922
iv. Metropolitan	22,514	24,032	25,436	26,464	26,742
Total	1,17,911	1,26,556	1,33,470	1,38,074	1,39,468
II. Number of ATMs of SCBs	1,60,055	1,81,398	1,99,099	2,08,354	2,07,375
III. Rural banking outlets- branchless	3,37,678	5,04,142	5,34,477	5,47,233	5,11,383
IV. Urban locations covered by BCs	60,730	96,847	1,02,552	1,02,865	1,23,941

Source: Reserve Bank of India

4.1.2 Bank accounts opened under PMJDY

Basic Saving Bank Deposit (BSBD) accounts were introduced under RBI guidelines in 2005. Since then and till July 2014, the number of such accounts had grown to 25.54 crore. After the launch of PMJDY, the Jan Dhan accounts also being deemed as BSBD in nature, number of BSBD accounts rose rapidly to 53.30 crore by March 2017, of which 28.17 crore were accounts opened under PMJDY, representing more than half of the total. Since

then, another 2.63 crore BSBD accounts have been opened under PMJDY, raising the total to 30.80 crore as on 27.12.2017.

Since the Jan Dhan accounts were introduced specifically for unbanked persons, the growth in these accounts is a key parameter for assessing PMJDY's contribution to enhanced financial inclusion. Following table shows the cumulative number of BSBD accounts during 31.3.2014 to 30.9.2017.

Table-2: Number of BSBD accounts opened since launch of PMJDY (Figures in crore)

	As on 31.3.2014	As on 31.3.2015	As on 31.3.2016	As on 31.3.2017	As on 30.9.2017
i. BSBD accounts through branches	12.6	21.03	23.8	25.4	24.5
ii. BSBD accounts through BCs	11.69	18.78	23.1	28.0	27.8
iii. Total number of BSBD accounts	24.3	39.81	46.9	53.3	52.2

Source: RBI

4.1.3 Gender

Gender sensitization is a core issue in financial inclusion. As of March 2014, women account holders with 33.69 crore accounts constituted about 28% of all savings accounts. As of December 2017, women account holder's share is about 53% (16.25 crore) within the Jan Dhan accounts opened under PMJDY, representing a sizeable and rapid growth in financial inclusion of women.

4.1.4 Use of Bank accounts

Effective financial inclusion should find reflection not only in terms of access to but use of financial services. Following table depicts the use of BSBD accounts in terms of deposit mobilisation.

Table-3: Deposits in BSBD accounts (Figures in crore)

	As on 31.3.2014	As on 31.3.2015	As on 31.3.2016	As on 31.3.2017	As on 30.9.2017
No. of BSBD accounts	24.3	39.81	46.9	53.3	52.2
Total deposit in BSBD accounts	31,230	43,900	63,800	97,700	94,100
Average deposit per BSBD account	1285.19	1102.74	1360.34	1833.02	1802.68

Source: RBI

4.1.5 Transactions at BC outlets

Aadhaar-enabled payments, the principal mode of transactions at BC outlets, have also witnessed a rapid growth, growing from 0.3 crore per month in August 2015 to 2.3 crore in August 2016, 6.8 crore in May 2017 and 8.6 crore in December 2017. As a result of expansion in the network and strengthening of interoperability, the share of transactions performed by customers of one bank at the BC outlet of another bank ("off-us" transactions) has also risen, growing steadily

from less than 1% of all transactions at BC outlets till April 2016 to nearly 20.4% in December 2017. This has happened even as the number of BCs has remained steady.

4.1.6 RuPay debit card

23.23 crore RuPay debit cards have been issued till 27.12.2017 to PMJDY account-holders. Apart from banking convenience, these cards come with an inbuilt accident insurance cover of Rs. 1 lakh. As on 22.12.2017, total 2,254 accidental claims, under this RuPay card linked insurance coverage, have been paid.

4.1.7 Financial literacy under PMJDY

As per advice of the Reserve Bank of India, financial literacy centres (FLCs) and rural branches of banks conduct special camps on financial literacy awareness including digital transactions. FLCs conduct target-specific camps as well for target audience like farmers, small entrepreneurs, Self-Help Groups (SHGs), school students, senior citizens, etc. For the quarter ended September 2017, 29,746 financial literacy camps have been conducted by FLCs and 58,489 by rural bank branches.

4.1.8 Micro-Credit under PMJDY - Overdraft facility for Jan Dhan Accounts

Overdraft facility was introduced in Phase-II of PMJDY since 15 August, 2015. Under this facility, an overdraft of amount up to Rs. 5,000 is made available to one PMJDY account holder (preferably the lady) per household, after 6 months of satisfactory conduct of PMJDY account. Up to 15.12.2017, overdraft amount Rs. 35,387.17 lakh has been availed by 31.04 lakh PMJDY accounts-holders. Post launch of Pradhan Mantri Mudra Yojana (PMMY), overdraft has been included in the 'Shishu' category of credits under PMMY.

4.1.9 Life Insurance cover under Pradhan Mantri Jan Dhan Yojana (PMJDY)

Pradhan Mantri Jan Dhan Yojana was launched on 28.08.2014. Under this scheme Bank accounts were opened and benefits were given to the account holders. One of the benefits is providing the Life Insurance cover of Rs 30,000/- for the Natural Death only through Life Insurance Corporation of India. There is also a benefit of Accident Insurance Cover of Rs 1 lakh, provided by Government through General Insurance Companies. For availing the Life insurance coverage of Rs 30000/- * on death arising out of any cause under this scheme, a Person should be between 18 to 59 years of age and he/she should have been enrolled under PMJDY between 15.08.2014 to 31.01.2015. During the financial year

2017-2018, an amount of Rs 221.70 lakhs has been paid towards total number of 739 claims (Up to Dec 2017).

(* Subject to Govt guidelines and eligibility criteria provided)

4.2 Pradhan Mantri MUDRA Yojana (PMMY)

An important aspect of financial inclusion is enabling the flow of credit to small businesses. In pursuance of the announcement in the Union Budget 2015-16, the Micro Units Development finance Agency (MUDRA) was set-up and the Pradhan Mantri Mudra Yojana (PMMY) launched on 8th April, 2015.

For achieving sustained expansion in the flow of credit to the non-corporate small business sector, loans upto Rs. 10 lakh without collateral at reasonable rates of interest term loans and composite loans are extended to borrowers under PMMY. These loans are extended through partner Member Lending Institutions (MLIs) – such as Scheduled Commercial Banks, Non-Banking Financial Companies (NBFCs) and Micro-Finance Institutions (MFIs). In turn, MUDRA Ltd. offers refinance to MLIs for PMMY loans extended by them.

The loans under PMMY are categorized as Shishu (up to Rs.50,000), Kishor (Rs.50,000 to Rs.5 lakh) and Tarun (Rs.5 lakh to Rs.10 lakh). Activities allied to agriculture and services supporting these (excluding crop loans, land improvement such as canals, irrigation, wells) have also been included under PMMY from April, 2016 onwards.

PMMY credit rose from Rs. 1,37,449 crore in 2015-16 to Rs. 1,80,528 crore in 2016-17. For the current financial year, out of the target of Rs. 2,44,000 crore under PMMY, Rs. 1,34,433.55 crore has already been sanctioned by December 2017. This includes Rs. 61,615.26 crore that has been sanctioned under Shishu, Rs. 42,020.99 crore under Kishor and Rs.30,797.30 crore under Tarun categories. In all, over 2.71 crore loans have been sanctioned during 2017-18 till December 2017, of which 1.94 crore were for women borrowers, 62.80 lakh for new entrepreneurs and 1.57 crore for borrowers belonging to Scheduled Caste/Scheduled Tribe/Other Backward Classes category.

Figure-1

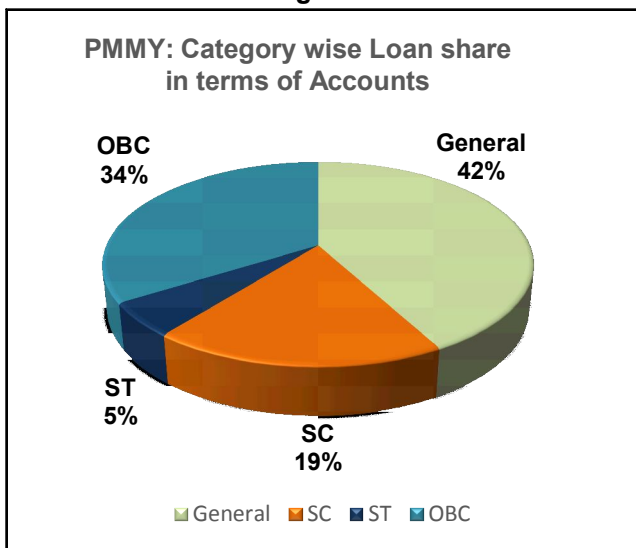


Figure-2

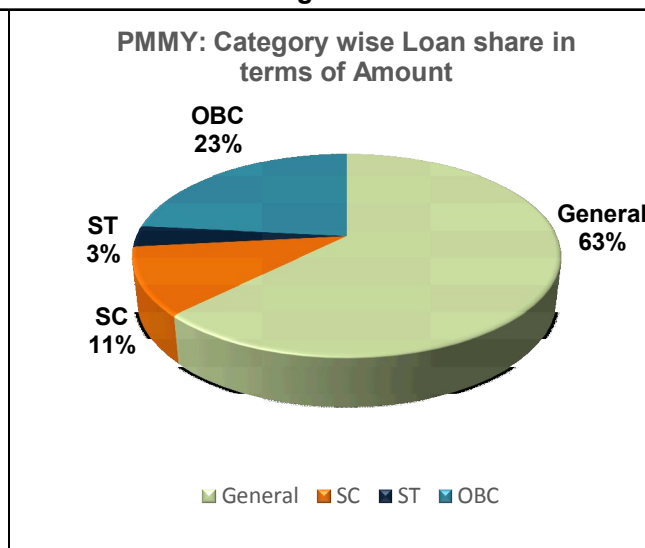


Figure-3

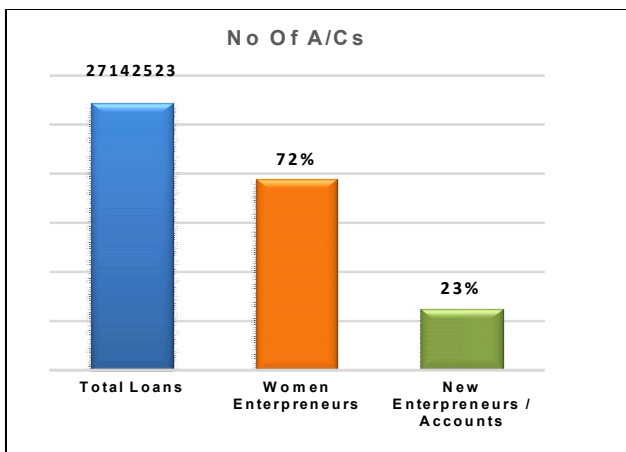
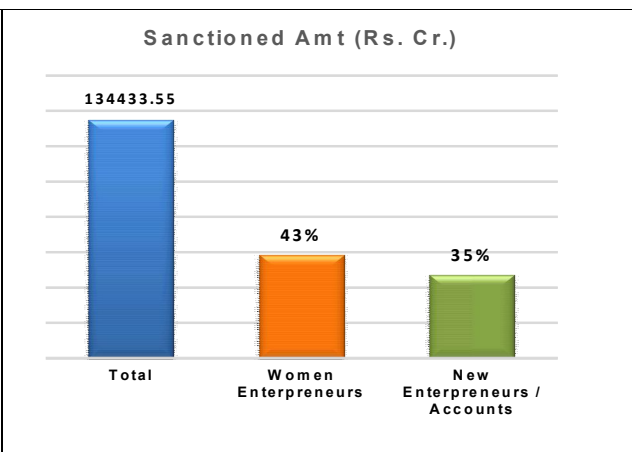


Figure-4



4.3 Stand Up India Scheme

Government of India launched the Stand Up India scheme on 5th April, 2016. Stand Up India scheme caters to promoting entrepreneurship amongst women, SC & ST category i.e those section of the population facing significant hurdles due to lack of advice/mentorship as well as inadequate and delayed credit. The scheme intends to leverage the institutional credit structure to reach out to these underserved sectors of the population in starting greenfield enterprise. It caters to both ready and trainee borrowers. The Scheme facilitates bank loans between Rs.10 lakh and Rs.1 crore to at least one Scheduled Caste/ Scheduled Tribe borrower and at least one Woman borrower per bank branch of Scheduled Commercial Banks for setting up greenfield enterprises in trading, manufacturing and services sector.

To extend collateral free coverage, Government of India has set up the Credit Guarantee Fund for Stand Up India (CGFSI). The scheme is built on the concept of providing handholding support to those borrowers who might have a project in mind but lack the confidence and capability to start up. It also provides for convergence with Central/State Government schemes. Applications under the scheme can also be made online. An online tracking system in the dedicated Stand Up India portal (www.standupmitra.in) is being utilised.

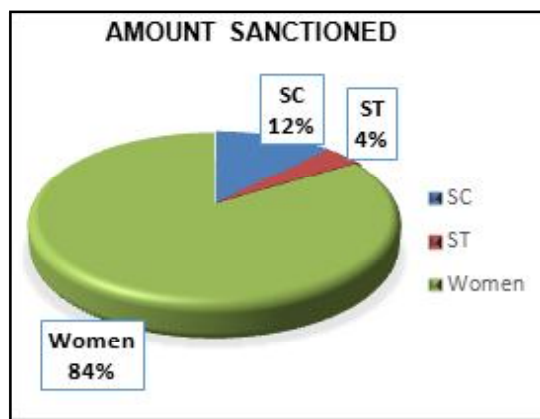
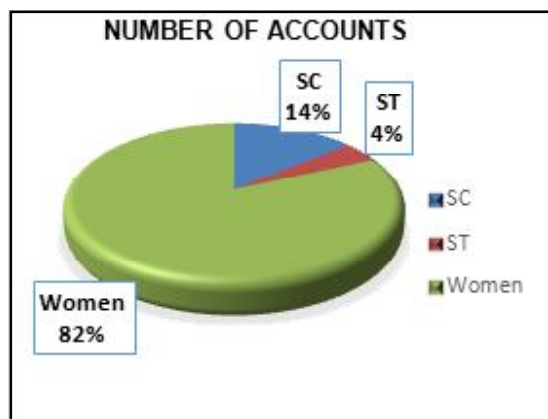
A Credit Guarantee corpus fund of Rs.5000 crores for Stand Up India scheme, operated by National Credit Guarantee Trustee Company Ltd. (NCGTC) has been approved.

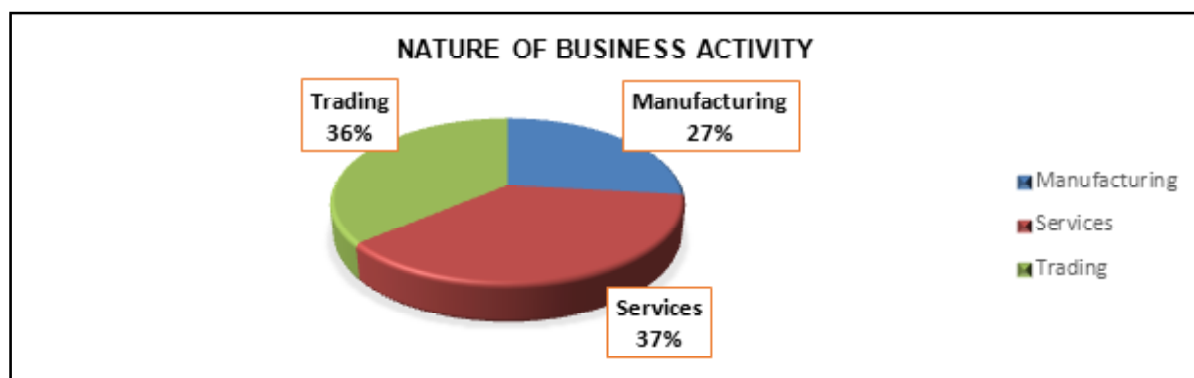
Total number of entrepreneurs benefited under Stand Up India scheme, as on 10.01.2018 is tabulated below:

Table-4: Entrepreneurs benefited under Stand Up India

(Amount in Rs. Crores)							
SC		ST		Women		Total	
Number of accounts	Amount Sanctioned	Number of accounts	Amount Sanctioned	Number of accounts	Amount Sanctioned	Number of accounts	Amount Sanctioned
7086	1344.7	2162	427.79	41639	9214.47	50887	10986.96

Fig - 5 : Stand Up India





4.4 Micro-insurance under PMJDY

In order to move towards creating a universal social security system for all Indians, specially the poor and the under-privileged, three ambitious Jan Suraksha Schemes or Social Security Schemes pertaining to Insurance and Pension Sector were announced by the Government in the Budget for 2015-16.

Eventually, Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) insurance schemes were launched on 9th May, 2015, for providing life and accident risk insurance at a very affordable cost.

4.4.1 Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

PMJJBY offers renewable annual life cover of Rupees two lakh to all subscribing bank account holders in the age group of 18 to 50 years, covering death due to any reason, for a premium of Rs.330/- per annum per subscriber.

The scheme is administered through LIC and 10 other Life Insurance companies offering the product on similar terms at the choice of the Bank / RRB / Cooperative Bank concerned. The initial cover period from 1st June 2015 to 31st May 2016 now stands renewed every year from 1st of June to 31st May the next year.

5.22 crore account-holders have insured themselves for life insurance cover under PMJJBY till December 2017.

4.4.2 Pradhan Mantri Suraksha Bima Yojana (PMSBY)

PMSBY offers a renewable one year accidental death cum disability cover of Rupees two Lakh to all subscribing bank account holders in the age group of 18 to 70 years for a premium of Rs.12/- per annum per subscriber.

The benefits under PMSBY are as follows:

Table 5 : Benefits under PMSBY

	Table of Benefits	Sum Insured
a.	Death	Rs. 2
b.	Total and irrecoverable loss of both eyes or loss of use of both hands or feet or loss of sight of one eye and loss of use of hand or foot	Rs. 2 Lakh
c.	Total and irrecoverable loss of sight of one eye or loss of use of one hand or foot	Rs. 1 Lakh

The scheme is offered / administered through Public Sector General Insurance Companies (PSGICs) and 8 other General Insurance companies offering the product on similar terms. The initial cover period from 1st June 2015 to 31st May 2016 now stands renewed every year from 1st of June to 31st May the next year.

13.25 crore account-holders have insured themselves for personal accident cover under PMSBY till December 2017. Accordingly, the achievements under PMJJBY and PMSBY as on 28th December, 2017 are as follows -

Table- 6: Achievements under PMJJBY and PMSBY

(Enrolment and Amount in crores)

Pradhan Mantri Jeevan Jyoti BimaYojana (PMJJBY)		
Enrolments	No. of Claims Paid	Amount disbursed
5.22	79,312	1586.24
Pradhan Mantri Suraksha BimaYojana (PMSBY)		
Enrolments	No. of Claims Paid	Amount disbursed
13.25	14,292	285.84
TOTAL (PMJJBY + PMSBY)		
Enrolments	No. of Claims Paid	Amount disbursed
18.47	93,604	1872.08

Jan Dhan account holders can also subscribe to PMJJBY and PMSBY, besides the personal accident insurance cover inbuilt with the RuPay debit cards. As up to December 2017, 29.47 lakh Jan Dhan account holders have subscribed to PMJJBY and 1.25 crore Jan Dhan account holders have subscribed to PMSBY. This has been achieved while substantially lowering the premium amount, to make it affordable to large sections of population.

4.4.3 Convergence of life and accident insurance schemes to PMJJBY and PMSBY - In view of decisions taken in the meeting of Committee of Secretaries on Convergence of Insurance Schemes held on 9th May, 2017, all Ministries / Departments except Ministry of Labour and Employment (for Aam Aadmi Bima Yojana (AABY)) have completed convergence of their life and accident insurance schemes to PMJJBY and PMSBY as on 1st June, 2017. For convergence of AABY to PMJJBY / PMSBY, which is under process, Ministry of Labour has held several meetings with the State Governments and LIC.

4.5 Unorganised sector pension

With the aim to provide monthly pension to the persons not covered under any organized pension scheme, unorganized sector pension schemes were launched to protect elderly persons aged 60 and above against a future fall in their income, as also to provide social security during old age.

4.5.1 Atal Pension Yojana

Atal Pension Yojana (APY) was launched by the Hon'ble Prime Minister on 9th May 2015 and is being implemented with effect from 1st June, 2015. This aims to provide monthly pension to eligible subscribers not covered under any organized pension scheme. APY is open to all bank account holders in the age group of 18 to 40 years. Under APY, any subscriber can opt a guaranteed pension of Rs 1000 to Rs 5000 (in multiples of Rs. 1,000) receivable at the age of 60 years. The contributions to be made vary based on pension amount chosen.

The monthly pension is available to the subscriber, and after him/her to his/her spouse and after their death, the pension corpus, as accumulated at age 60 of the subscriber, would be returned to the nominee of the subscriber. In case of death of subscriber before the age of 60 years, spouse of the subscriber has the option to continue contributing to APY account of the subscriber, for the remaining vesting period, till the original subscriber would have attained the age of 60 years.

The Central Government would co-contribute 50% of the total contribution or Rs. 1,000 per annum, whichever is lower, for a period of 5 years for those eligible subscribers who joined the scheme between the period

1st June, 2015 and 31st March, 2016 and who are not members of any statutory social security scheme and who are not income-tax payers. Contributions under APY can be made on monthly/ quarterly/ half yearly basis. APY enjoys tax benefits at par with National Pension System (NPS). As on 30th December, 2017, 79.20 lakh subscribers have been enrolled under APY.

4.5.2 Pradhan Mantri Vaya Vandana Yojana

Government has also launched a scheme namely 'Pradhan Mantri Vaya Vandana Yojana' (PMVVY) to protect elderly persons aged 60 and above against a future fall in their interest income due to the uncertain market condition, as also to provide social security during old age.

The scheme is being implemented through Life Insurance Corporation (LIC) of India. The scheme provides an assured return of 8% per annum payable monthly for 10 years. The differential return i.e. the difference between return generated by LIC and the assured return of 8% per annum would be borne by Government of India as subsidy on annual basis.

As per the scheme, on payment of an initial lump sum amount ranging from a minimum purchase price of Rs. 1,50,000/- for a minimum pension of Rs 1,000/- per month to a maximum purchase price of Rs. 7,50,000/- for maximum pension of Rs. 5,000/- per month, subscribers will get an assured pension based on a guaranteed rate of return of 8% per annum, payable monthly. LIC had conducted soft launch of Pradhan Mantri Vaya Vandana Yojana (PMVVY) on 4th May, 2017. The duration of the scheme will be for a period of ten years and the scheme is open for subscription for a period of one year i.e. from 4th May, 2017 to 3rd May, 2018. As on 15.12.2017, a total of number of 1,96,641 subscribers consisting corpus of Rs.9163.93 crore are being benefited under PMVVY.

5. Aadhaar-based authentication and digital payment as facilitators

5.1 Aadhaar seeding and mobile seeding

Out of 106 crore operative current and savings bank accounts more than 82 crore accounts are seeded with biometric ID and more than 85 crore accounts are seeded with mobile. Also, with 82% operative accounts opened under PMJDY being seeded with Aadhaar number on user consent basis, customers have been enabled for interoperable and immediate Aadhaar-enabled transactions, including those for direct benefit transfer.

5.2 Digital payment infrastructure

A digital revolution is in making with more than 110 crore Indians having digital identity through Aadhaar, enabling them to authenticate and carry out financial

transactions. Using biometric ID, highly cost-effective payments solutions have been created both for banking services and for retail payments.

National Bank for Agriculture and Rural Development (NABARD) has extended supports to banks from the Financial Inclusion Fund for deployment of (i) 2.17 lakh Aadhaar-ready PoS terminals in villages in Tier 5 and Tier 6 centres and (ii) 20 lakh BHIM Aadhaar Pay devices including merchant on-boarding for merchant transactions. The number of card acceptance devices at Point of Sale (POS) has increased from 10.7 lakh in March 2014 to 29 lakh in September 2017.

5.3 Digital payment systems including Aadhaar based payment systems

- **AEPS:** Business Correspondents deployed in rural areas also provide interoperable Aadhaar Enabled Payment System (AePS) banking services. In December 2017, there were nearly 8.61 crore transactions through AEPS.
- **BHIM Aadhaar Pay:** National Payments Corporation of India (NPCI) has launched this mobile application for Aadhaar-based payments through merchants, using the AePS. It allows the customer to make purchases using their Aadhaar number linked with their bank account. The transaction requires only the customer's fingerprint for authentication. Installation has been taken up of 20 lakh biometric enabled BHIM Aadhaar Point of Sale (PoS) terminals with merchants.

- **UPI:** NPCI launched Unified Payment Interface (UPI) to enable customers to transfer funds securely using any one of virtual payment address, bank account number and Indian Financial System Code (IFSC), mobile number or Mobile Money Identifier, Quick Response (QR) Code or Aadhaar number. In financial year 2017-18 (till December 2017), 41.40 crore transactions have taken place on UPI.

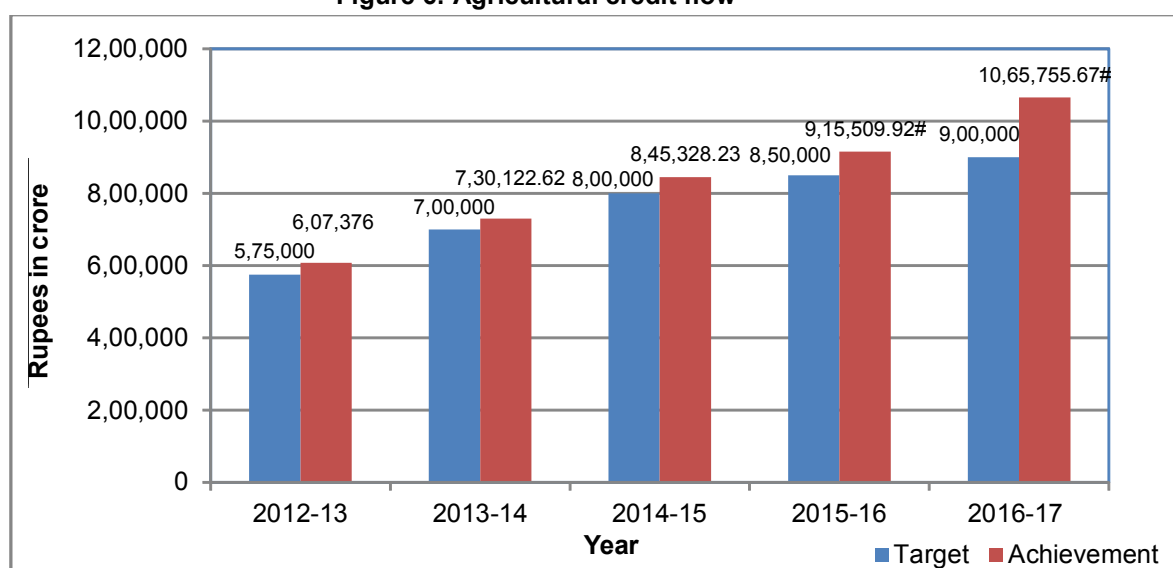
- **USSD :** Further, NPCI has introduced Unstructured Supplementary Service Data (USSD) for service for mobile banking. USSD as an interoperable payment platform which provides basic banking services to account-holders in 12 different languages across the country that works on both smart phones and feature phones, without internet connectivity.

6. Agriculture Credit

In order to boost the agriculture sector with the help of effective and hassle-free agriculture credit, the Government has been fixing annual targets for ground level agriculture credit by Scheduled Commercial Banks, Regional Rural Banks (RRBs) and Cooperative Banks.

Year wise position of target and achievement under agricultural credit flow for the last five years given below indicates the sustained trend of actual disbursement, surpassing the incremental annual targets year after year. As against the annual target of Rs. 9,00,000 crore for 2016-17, agriculture credit was disbursed to the tune of Rs. 10,65,755.67 crore during 2016-17, registering 118.42 % achievement.

Figure 6: Agricultural credit flow



Provisional Source: NABARD

6.1 Increase in the coverage of small & marginal farmers:

To increase the flow of credit to small and marginal farmers a sub-target of 8% for small and marginal farmers (SF/MF) (to be achieved in a phased manner, i.e. 7% by March 31, 2016 and 8% by March 2017) has been set by RBI through its revised guidelines on Priority Sector Lending issued in July, 2016. As against the target of 8% of Adjusted Net Bank Credit (ANBC) to SF/MF, Public Sector Banks (PSBs) have achieved 9.12% as on 31.03.2017, as reported by RBI.

6.2 Kisan Credit Card

The Kisan Credit Card (KCC) scheme was introduced in 1998-99, as an innovative credit delivery system aiming at adequate and timely credit support from the banking system to the farmers for their cultivation needs including purchase of inputs in a flexible, convenient and cost effective manner. The Scheme is being implemented by all Cooperative Banks, Regional Rural Banks (RRBs) and Public Sector Commercial Banks throughout the country. NABARD monitors the scheme in respect of Cooperative Banks and RRBs, whereas RBI monitors the scheme in respect of Commercial Banks. A revised scheme for KCC was circulated by RBI and NABARD in 2012 prescribing the provision for ATM enabled debit card which can be used at ATM/Point of sale (POS) terminal, with inter alia, facilities of one-time documentation and built-in cost escalation in the credit limit, etc.

Hon'ble Prime Minister in his address to the nation on 31.12.2016 announced that 3 crore Kisan Credit Cards (KCCs) would be covered under Rupay Kisan Credit Cards (RKCCs) within next 3 months. As on 31.03.2017, a total number of 3.71 crore KCCs had been converted to RKCCs. Further, keeping with the spirit of 'Digital' India by facilitating digital and cashless transactions by farmers a total of 4.70 crore KCCs have been converted to RKCCs as on 03.01.2018.

6.3 Rural Infrastructure Development Fund (RIDF)

The Rural Infrastructure Development Fund (RIDF) was set up in NABARD during 1995-96, out of Priority Sector Lending Shortfall of Scheduled Commercial Banks, with a view to increase investment in critical infrastructure in rural areas in sectors such as irrigation, rural connectivity, health, education, drinking water etc. RIDF now covers 36 activities which are broadly classified as: (i) agriculture and related sectors, (ii) rural connectivity and (iii) social sector.

The annual allocation of funds has gradually increased from Rs.2000 crore in 1995-96 (RIDF I) to Rs.25,000 crore in 2017-18 (RIDF XXIII). The aggregate allocations till 2017-18 have reached Rs.2,92,500 crore

including Rs. 18,500 crore for the Bharat Nirman component sanctioned to National Rural Roads Development Agency (NRRDA) under RIDF XII-XV.

As against the allocation of Rs. 25,000 crore made for RIDF XXIII tranche during 2017-18, sanctions were accorded to the extent of Rs. 22,059 crore to various State Governments upto 31.12.2017.

6.4 Short Term Cooperative Rural Credit (Refinance) Fund:

The Short Term Cooperative Rural Credit-STCRC (Refinance) Fund came into existence 2008-09 with an initial corpus of Rs. 5,000 crore, to enable NABARD to provide Short Term refinance to assist Cooperatives to meet the production and working capital needs of farmers, thus channelling ground level credit flow towards agriculture and allied activities so as to ensure increased and uninterrupted credit flow to farmers at concessional rate of interest.

An allocation of Rs.45,000 crore was made for the STCRC (Refinance) Fund during 2016-17. In addition to this, in order to meet the increased credit demand of cooperative banks, the Government decided that NABARD would make additional short term borrowings of Rs. 20000 crore at prevailing market rate of interest for on-lending to cooperative banks at 4.5% rate of interest. Out of this NABARD disbursed Rs. 17,880.78 crore to Cooperative Banks at 4.5% rate of interest during 2016-17.

6.5 Financing and supporting Producer Organisations through Producers Organisation Development and Upliftment Corpus (PRODUCE) Fund

Recognizing the various constraints and difficulties faced by farmers such as continued fragmentation of farm holdings, declining profitability of small farm holding and farmers' lack of access to technology, credit and market, the Government of India in, 2014-15, took a novel initiative for setting up of Producers Organisation Development and Upliftment Corpus (PRODUCE) Fund of Rs.200 crore in NABARD to be utilised for promoting 2,000 Farmers' Producers Organizations across the country over the next two years.

Strategies for promoting agriculture growth and sustainability, also include an efficient value-chain approach through farmer producer organisation (FPOs). In this context, NABARD successfully supported promotion of, 2154 FPOs, as on 28.12.2017, under PRODUCE fund.

6.6 Strengthening the Capital Base of NABARD

In view of the increasing commitments of NABARD under various initiatives relating to agriculture and rural development, Parliament has passed a Bill, inter

alia, to enable increase in the authorized capital of NABARD from the existing Rs. 5,000 crore to Rs. 30,000 crore. This could be increased further in consultation with RBI. This will enable NABARD to potentially increase its borrowing in future for funding the large investments being made in rural infrastructure in sectors like irrigation, housing, dairy, fisheries etc.

6.7 Initiatives of NABARD

The Government in the Ministry Water Resources, River Development and Ganga Rejuvenation has taken a major initiative to complete various stalled irrigation projects in the country for which a Long Term Irrigation Fund (LTIF) was set up in NABARD. As on 26.12.2017, against the total estimated amount of Rs. 77,908 crore, sanctions to the tune of Rs.53,456.75 crore have been accorded by NABARD for 99 identified projects under LTIF and Rs. 3,960.90 crore for the Polavaram project.

6.8 Regional Rural Banks

6.8.1 Introduction

Regional Rural Banks (RRBs) were set up with the objective to provide credit and other facilities, especially to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs in rural areas for development of agriculture, trade, commerce, industry and other productive activities. As per Section 6 of RRBs Act, 1976, the RRBs are jointly owned by Government of India, respective State Governments and sponsor banks in the proportion of 50%, 15% & 35% respectively. Presently, there are 56 RRBs functioning in the country.

6.8.2 Revitalizing Regional Rural Banks (RRBs)

With the view to strengthening the RRBs for playing a greater role in agriculture, rural lending and financial inclusion, the following measures were taken during the year 2016-17.

6.8.3 Branch Network of Regional Rural Banks

The number of branches of RRBs has increased from 20920 as on 31st March, 2016 to 21422 as on 31st March, 2017 covering 645 districts. During the year 2016-17, 502 new branches have been opened by RRBs. All branches of RRBs are on Core Banking Solution(CBS) Platform.

6.8.4 Capital Infusion for Improving CRAR

Based on recommendations of the Dr. K.C. Chakrabarty Committee, recapitalization assistance is provided to the RRBs for maintaining minimum requirement of CRAR of 9% prescribed by RBI. The GOI has released an amount of Rs.1107.20 crore as recapitalization support to RRBs upto 31st March 2017.

6.8.5 Amalgamation of RRBs

The structural consolidation of RRBs was initiated by Government in 2005-06 by amalgamating RRBs sponsored by same bank in a State. The process was completed in 2009-10 and the number of RRBs were reduced from 196 to 82.

With a view to minimize overhead expenses and optimize the use of technology in RRBs, amalgamation of geographically contiguous RRBs, sponsored by different banks in State was started in 2011-12. 44 RRBs were amalgamated into 18 entities in 12 states. Thus the number of RRBs has been brought down to 56 from 82.

To bring about higher productivity and robust financial health of RRBs, the proposal for further consolidation of RRBs, is under consideration of the Department.

6.8.6 Systemic Reforms

With a view to making the recruitment process in RRBs more rigorous and transparent and also to align the same with the government policy, wherever applicable, the Government, in consultation with NABARD and the Sponsor Banks, brought in improvements in recruitment process in RRBs by notifying the RRBs (Appointment of Officers and Employees) Rules, 2017. Further, to make the system of appointment of Auditors for RRBs more objective and transparent and to improve the quality of audit, the Government has revised the guidelines for Statutory Audit of RRBs and the remuneration of Auditors.

6.8.7 Financial Performance

During 2016-17, 49 RRBs earned profit of Rs.2650 crore. However, 7 RRBs viz., Ellaquai Dehati Bank, Madhyanchal Gramin Bank, Utkal Gramin Bank, J & K Gramin Bank, Sutlej Gramin Bank, Uttar Bihar Gramin Bank and Nagaland Rural Bank incurred losses during the year aggregating to Rs.387 crore. Therefore, RRBs as an agency earned profit of Rs. 2264 crore as on 31st March, 2017 as against Rs.2018 crore earned in 2015-16. The aggregate reserves of RRBs stood at Rs. 23086 crore as on 31st March, 2017 as against Rs. 20665 crore as on 31st March, 2016, while their 'owned funds' increased from Rs.27149 crore in 2015-16 to Rs. 29472 crore during 2016-17.

6.8.8 Priority Sector Lending (PSL)

RBI has prescribed a higher target of 75% PSL for RRBs as against the target of 40% for Scheduled Commercial Banks (SCBs). During 2016-17 as against the target of 75%, RRBs have extended 89% of their total loans, under Priority Sector Lending.

7. Priority Sector Lending and Lending to Women and Minorities

7.1 Priority Sector Lending (PSL)

As per guidelines issued by Reserve Bank of India (RBI) on Priority Sector Lending, a target of 40 per cent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposure, whichever is higher, has been prescribed to all Scheduled Commercial Banks (excluding Regional Rural Banks) for lending to Priority Sector. Within this, sub-targets of 18 percent, 10 percent and 7.5 percent of ANBC Credit Equivalent amount of Off-Balance Sheet Exposure, whichever is higher have been mandated for lending to agriculture, weaker sections, and micro enterprises, respectively.

The objective of PSL is to ensure that vulnerable sections of society get access to credit and there is adequate flow of resources to those segments of the economy. This includes loans to Small and Marginal Farmers, Micro, Small and Medium Enterprises, weaker

sections, housing for poor, education, social infrastructure and renewable energy.

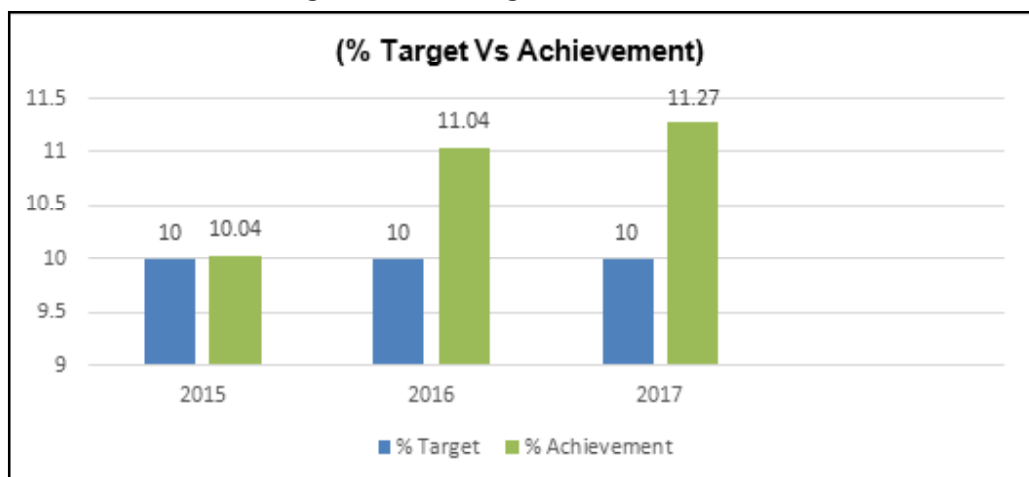
The Priority Sector advances of Public Sector Banks increased from **Rs. 19,85,036** crore as on March 31, 2016 to **Rs. 20,43,475** crore as on March 31, 2017, registering a growth of **2.94** per cent.

7.2 Lending to Weaker Sections and Credit to Minorities

RBI's PSL guidelines include a target of 10 per cent of ANBC or Credit Equivalent amount of Off-Balance Sheet Exposure, whichever is higher, for lending to Weaker sections. To achieve inclusive growth, priority sector loans to distressed persons (other than farmers) not exceeding Rs. 1,00,000 per borrower to prepay their debt to non-institutional lenders and loans to individual women beneficiaries up to Rs. 1,00,000 per borrower are allowed to be categorized under Weaker sections.

The performance of PSBs on lending to Weaker sections as on March 2015, 2016 and 2017 is as under:-

Figure 7 : Lending to Weaker Sections



Further, in order to ensure improved financial services for the welfare of minorities, Reserve Bank of India issued a Consolidated Master Circular dated July 1, 2017 to all scheduled commercial banks advising them to take care to see that minority communities secure, in a fair and adequate measure, the benefits flowing from various Government sponsored special programmes. This Master Circular also envisages creating a separate cell in each bank to ensure smooth flow of credit to minority communities and also covers the role of the lead bank in the 121 districts identified for purpose of earmarking of targets and location of development projects under the Prime Minister's New 15 Point Programme for the welfare of minorities.

Total loans to minority communities as on March 31, 2017 stood at Rs. 3,67,593.12 crores which works

out to 13.91 per cent of total priority sector advances. Total loans to minority communities as on March 31, 2017 in the 121 identified districts stood at Rs. 1,15,226.24 crores which works out to 16.42 per cent of total priority sector advances, in the identified districts (Minority Concentrated Districts).

7.3 Economic Empowerment of Women

To help overcome the hurdles faced by women in accessing bank credit and credit plus services, the Government of India had drawn up a 14-point action plan (now 13-point action plan) in the year 2000 for implementation by PSBs. The PSBs were advised to earmark 5 per cent of their ANBC for lending to women. As on March 31, 2017, credit to women was Rs. 4,28,098 crore, forming 8.04 per cent of ANBC of public sector banks.

7.4 Education Loan

Every meritorious student should have access to bank credit to pursue higher education, if they so desire. Indian Banks' Association (IBA) had prepared the Model Educational Loan Scheme and circulated to banks in the year 2001. The Scheme is for all students including students belonging to the economically weaker sections and those below the poverty line. Indian Nationals who have secured admission to a higher education course in a recognized Institution in India or abroad through an entrance test/merit based selection process are eligible for educational loans under the Scheme. The Scheme has been modified from time to time keeping in view the changing needs of the students. The last revision of the Model Educational Loan Scheme was carried out on 17.08.2015 and circulated to Banks. The main features of revised Model Educational Loan Scheme are as under.

- a) Provision for charging of differential interest rates based on status of collateral, employability and reputation of institutions.
- b) Relaxation in margin and security for loans guaranteed by NCGTC.
- c) Extension of repayment period (after moratorium) upto 15 years for all loans.
- d) Uniform one year moratorium for repayment after completion of studies in all cases.
- e) Provision for moratorium taking into account spells of unemployment/under-employment, say two or three times during the life cycle of the loan. Moratorium may also be provided for the incubation period if the student wants to take up a start-up venture after graduation.

7.4.1 Service Area Norms for Education Loans- RBI guidelines

RBI has advised the banks on November 09, 2012 that Service Area Norms are to be followed only in the case of Government Sponsored Schemes, circulated vide their circular dated December 8, 2004 and are not applicable to sanction of educational loans. Hence, banks have been advised not to reject any educational loan application for reasons that the residence of the borrower does not fall under the bank's service area.

7.4.2 Performance of Education Loans

The total outstanding education loans of Public Sector Banks (PSBs) as on September 30, 2017 stood at Rs. 72,289 crore in 24,28,380 accounts. This reflects increase of Rs. 3590 crore in total outstanding loans over the correspondence period of the last year. In percentage terms it is an increase of 5.51 per cent.

7.4.3 Vidya Lakshmi Portal:

Vidya Lakshmi Portal is a first of its kind portal providing single window for Students to access information and make application for Educational Loans provided by Banks. The Portal has the following features:

- 1) Information about Educational Loan Schemes of Banks;
- 2) Common Educational Loan Application Form for Students;
- 3) Facility to apply to multiple Banks for Educational Loans;
- 4) Facility for Banks to download Students' Loan Applications;
- 5) Facility for Banks to upload loan processing status;
- 6) Facility for Students to email grievances/queries relating to Educational Loans to Banks;
- 7) Dashboard facility for Students to view status of their loan application
- 8) Linkage to National Scholarship Portal for information and application for Government Scholarships.

Banks have been requested to give wide publicity to this Portal so that students wanting education loans can apply for it and indicate their bank of choice.

7.4.4 Interest Subsidy Scheme for Educational Loans

Ministry of Human Resource Development had formulated, in May, 2010, a Central Scheme to provide 'Interest Subsidy' for the period of moratorium on educational loans taken by students of economically weaker sections from scheduled banks under the Educational Loan Scheme of the Indian Banks' Association. The scheme is applicable to the following categories of loans.

- Educational loan disbursed/availed after 1st April, 2009 from Scheduled Banks which follow IBA Model Educational Loan Scheme.
- Students belonging to economically weaker sections, i.e, whose parental income from all sources do not exceed Rs.4.5 lakhs per annum.
- The scheme is applicable starting from academic year 2009-10, disbursement starting on or after 01.04.2009, irrespective of date of sanction.

7.4.5 Skill Loan Scheme

Given a huge thrust on skill development, a need is felt to provide institutional credit to individuals for taking skill development courses aligned to National Occupation Standards and Qualification Packs and leading to a certificate/diploma/degree by the Training Institutes as per National Skill Qualification Framework (NSQF). Ministry of Skill Development and Entrepreneurship, Govt of India has launched a Skill India Mission on 15th July, 2015. The, "Skill Loan Scheme" has been developed to support the national initiatives for skill development.

Skill Loan Scheme aims at providing a loan facility to individuals who intend to take up skill development courses as per the Skilling Loan Eligibility Criteria.

8. Industrial Finance

8.1 India Infrastructure Finance Company Ltd

Conceptualized in the Union Budget 2005-06, IIFCL provides long-term financial assistance to infrastructure projects in India with overriding priority to Public-Private-Partnership (PPP) projects. The sectors eligible for financial assistance from IIFCL are as per the Harmonized list of Infrastructure Sub-Sectors as approved by the Government and as amended from time to time. These broadly include transportation, energy, water, sanitation, communication, social and commercial infrastructure. IIFCL is registered with the Reserve Bank of India as Non-Banking Finance Company – Infrastructure Finance Company (NBFC-IFC). The authorized and paid up capital of the company as on 30th September 2017 stood at Rs 6,000 crore and Rs. 4,102 crore, respectively.

On a standalone basis, till 30th September 2017, IIFCL has made cumulative gross sanctions of Rs 1,09,894 crore under Direct lending, Takeout Finance and Refinance schemes. This includes cumulative gross sanctions of 78,167 crore to 447 projects under Direct Lending. The Company has made cumulative disbursements of Rs 57,417 crore, including disbursements of Rs 6,256 crore under Refinance and Rs 14,899 crore under Takeout Finance till September 2017. The company raises long-term resources both from domestic markets and overseas. IIFCL has also established strong relationships with bilateral and multilateral institutions like Asian Development Bank (ADB), World Bank, KfW & European Investment Bank (EIB) and has committed lines of credit.

IIFCL, through its wholly-owned subsidiary IIFC(UK), has played a crucial role in providing foreign currency loans for financing import of capital equipment by infrastructure projects in India. Till 30th September 2017, IIFC (UK) has made cumulative disbursements of USD 1.97 billion. IIFCL has also set up an Infrastructure

Debt Fund (IDF) subsidiary, IIFCL Asset Management Company Limited (IAMCL) and IIFCL Projects Limited (IPL) to provide advisory services for the development of infrastructure in India.

8.2 Export-Import Bank Of India (Exim Bank)

Exim Bank ("the Bank") has been established as a statutory, apex financial institution in 1982 under an Act of the Parliament, for financing, facilitating and promoting India's international trade, for functioning as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade, and to function as a key policy-input provider to the GOI. EXIM Bank seeks to serve the long-term objective outlined in the Foreign Trade Policy of the GOI, 2015-20, viz. doubling of India's exports to US\$ 900 billion by 2020.

8.2.1 Performance

During April-November 2017, the Bank extended 8 GOI-guaranteed Lines of Credit (LOCs) to 8 countries, with credits aggregating US\$ 5.51 billion. As on November 30, 2017, there are 217 operative GOI LOCs to 59 countries, with credits aggregating US\$ 21.14 billion guaranteed by the Government of India. Besides LOCs, the Bank's other flagship product - Buyer's Credit under the National Export Insurance Account (BC-NEIA), aims at catalysing project exports from India. The Bank has till date sanctioned an aggregate amount of US\$ 2.82 billion for 22 projects, and has a robust pipeline of US\$ 7.70 billion across 64 projects. As regards Overseas Investment Finance, during April-November 2017, the Bank sanctioned funded and non-funded assistance aggregating Rs. 11.76 billion to 14 Indian corporate for part financing their overseas investments in 9 countries. As on November 30 2017, Exim Bank has provided finance to 597 ventures set up by 458 companies in 78 countries. During FY 2016-17, the Bank recorded 4% growth in (net) loans and advances, 4% growth in the overall customer assets portfolio (aggregate of funded and non-funded portfolio) and 3% growth in total business (customer portfolio + borrowings). Net worth of the Bank as on March 31, 2017 stood at Rs. 12,023 crore.

The Exim Bank is the principal agency for medium and long term export credit and needs large amount of capital to fulfil its objective. In the near term, Exim Bank is focused on credit quality, recovery & resolution of NPAs to shore up its balance sheet, in the long term, its capital base will require strengthening. As equity infusion is a necessary imperative, in view of the competing demand and fiscal situation there is possibly a case for exploring alternate mechanisms for financing the ever increasing capital need of Exim Bank.

8.3 Industrial Finance Corporation of India Ltd. (IFCI Ltd).

IFCI Ltd. is a Systemically Important Non-Deposit taking Non-Banking Finance Company (NBFC-ND-SI) registered with Reserve Bank of India (RBI) as per RBI Act, 1949 and a notified Public Financial Institution under Section 2(72) of the Companies Act, 2013.

The Operational and Financial Performance of IFCI for the 2nd Quarter and its 1st half year ended as on 30th September, 2017 for FY 2017-18 are indicated below:

- Made gross sanctions and disbursements of Rs 4,303 crore & Rs. 2,172 crore for the half year ending September, 2017 as against Rs. 3,095 crore and Rs. 1,001 crore, respectively for the half –year ended September, 2016.
- Net profit in Q2 of FY 2017-18 was Rs. 12 crore as against profit of Rs. 15 crore in Q2 of FY 2016-17 and loss of Rs. 277 crore in Q1 of FY 2017-18.
- Business Assets as on 30th September, 2017 were Rs. 26,838 crore;
- Capital Adequacy Ratio as on 30th September, 2017 was 15.02% with Tier 1 capital at 18%.
- Debt Equity Ratio as on 30th September, 2017 was 4.1 times.

8.4 National Housing Bank

8.4.1 Operational Highlights during 2016-17

- Subscribed Equity share capital of NHB stood at Rs. 1,450 crore.
- Outstanding Loans & Advances of NHB stood at Rs. 54,384 crore as on 30-06-2017.

8.4.2 Financing

- Disbursements of Rs. 22,759 crore were made during the year ended 30-06-2017.

8.4.3 Promotion & Development

- NHB has extended Rs. 5.40 crore to the Tamil Nadu Infrastructure Fund Management Corporation Limited (TNIFMC) under equity participation window to facilitate the setting up of “Shelter Fund” by Government of Tamil Nadu (GoT), to provide houses for slum dwellers. This is a new idea conceptualized by NHB, in consultation with GoT.
- NHB has provided draft Habitat & Housing Policy to Govt. of Tamil Nadu.
- It has made available NHB RESIDEX on-line with easy interactive user interface at [https://](https://residex.nhbonline.org.in)

residex.nhbonline.org.in under Digital India Initiative, after transforming to provide housing price indices with wider geographic coverage and automated computation of indices.

- Research study on the ‘Impact of the Land Acquisition Act with special reference to Land Pooling’ was completed by NHB.
- Till 30-06-2017, 174 PLIs have signed MoU under Pradhan Mantri Awas Yojana, Credit Linked Subsidy Scheme (PMAY-CLSS) for EWS/LIG and 174 PLIs have signed MoU under PMAY-CLSS for MIG with NHB as Central Nodal Agency.
- NHB has disbursed interest subsidy of Rs. 624.81 crore to 32,328 households under PMAY-CLSS for EWS/LIG, and Rs. 4.94 crore to 239 households under PMAY-CLSS for MIG till 30-06-2017.

8.5 Small Industries Development Bank of India

Small Industries Development Bank of India (SIDBI) was set up on April 2, 1990 under an Act of Parliament for the promotion, financing and development of industry in the small-scale sector and to co-ordinate the functions of the institutions engaged in the promotion, financing or developing industry in the small-scale sector and for matters connected therewith or incidental thereto.

8.5.1 Performance of SIDBI

The total MSME outstanding credit of SIDBI was Rs. 82,242 crores as at end December 31, 2017 as against outstanding credit of Rs.68,290 crores- as on 31 March 2017, mainly driven by refinance activities.

8.5.2 Addressing Financial Gaps

SIDBI provides financial support by way of (a) indirect finance / refinance to eligible Primary Lending Institutions (PLIs), such as, Banks, Non-Banking finance and Micro finance companies for onward lending and (b) direct assistance with focus on the niche areas like equity, sustainable finance, receivable financing, service sector financing, etc. SIDBI has promoted Receivables Exchange of India Ltd. to address the issues relating to receivable financing and bill discounting.

8.5.3 Addressing Non-Financial / Promotional & Developmental Gaps

SIDBI's promotional and developmental support has cumulatively helped in setting up of about 83,000 enterprises, providing employment to about 1.65 lakh people and benefitting more than 2.5 lakh people in the small-scale sector as on December 31, 2017. SIDBI has partnered with CRISIL to bring out a quarterly MSME Sentiment Index Report known as CriSidEx to provide a sustainable outlook to policy makers and financiers.

SIDBI has also created a loan market place for micro and small enterprises known as www.udyamimitra.in. This universal enterprise portal hosts more than 140 lending institutions. On the portal more than 3200 online sanctions and 2500+ disbursements have been done. The portal provides an opportunity to micro and small borrowers to seek loan without hassles of visiting bank branches etc. The portal also extends handholding services, basket of project profiles and enables convergence with other stakeholders. There is a separate portal www.standupmitra.in for Stand Up India Mission extending credit connect to SC/ST and Women aspirants seeking to set up green field enterprises.

8.5.4 SIDBI as Nodal / Implementing Agency for Government Schemes.

SIDBI is the Nodal Agency for implementation of certain MSME related schemes of the Government of India (GoI) for encouraging implementation of technology up-gradation and modernization in the MSME sector.

SIDBI provides Nodal Agency services for implementation of Credit Linked Capital Subsidy Scheme (CLCSS) and Technology and Quality Up-gradation Programme (TEQUP) (Ministry of MSME), Technology Up-gradation Fund Scheme for Textile Industry (TUF) (Ministry of Textiles), Integrated Development of Leather Sector Scheme (IDLSS) (Ministry of Commerce & Industry) and Scheme of Technology Up-gradation of Food Processing Industries (Ministry of Food Processing Industries).

- Since the launching of the CLCS Scheme in October 2000, a total number of 24,152 capital subsidy claims aggregating Rs.1,459 crore (cumulative) were settled through SIDBI till December 31, 2017.
- Since the launching of the TUF Scheme in April 1999, a total number of 3362 subsidy claims aggregating Rs. 858 Crore (cumulative) were settled through SIDBI till December 31, 2017.
- Since the launching of the IDLSS in November 2005, a total number of 1775 claims aggregating Rs. 296 crore (cumulative) were settled through SIDBI till December 31, 2017.
- Under FPTUFS, subsequent to the decentralization of the scheme from April 2007, 48 claims aggregating Rs. 13 crore till December 31, 2017.
- Regarding TEQUP, towards 152 claims eligible subsidy of Rs.11 crore was disbursed till December 31, 2017.

9. Insurance Sector

9.1 Insurance in India

Insurance, being an integral part of the financial sector, plays a significant role in India's economy. Apart from protecting against mortality, property and casualty risks and providing a safety net for individuals and enterprises in urban and rural areas, the insurance sector encourages savings and provides long-term funds for infrastructure development and other long gestation projects of the Nation. The development of the insurance sector in India is necessary to support its continued economic transformation.

9.2 The Insurance Division of the Department of Financial Services

The Insurance Division deals with policy and legislative matters as well as monitoring of the performance of both life and general insurance segments of the public sector insurance industry. It is also the administrative division for the Insurance Regulatory and Development Authority of India (IRDAI). The name 'Insurance Regulatory and Development Authority' was changed to 'Insurance Regulatory and Development Authority of India' through the Insurance Laws (Amendment) Act, 2015.

9.3 The Public Sector Insurance Companies operating in the sector are as follows:-

- a) Life Insurance Corporation of India
- b) National Insurance Company Limited
- c) Oriental insurance Company Limited
- d) United India Insurance Company Limited
- e) New India Assurance Company Limited
- f) General Insurance Corporation of India – GIC Re (Re-Insurer)
- g) Agriculture Insurance Company of India Limited – Specialised Insurer (Company floated by Public Sector general insurance companies along with NABARD)
- h) Export Credit Guarantee Corporation of India Limited – Specialised Insurer (Government of India enterprise for export credit guarantee)

9.4 Legislative Framework governing the Insurance Sector

The Insurance Division is responsible for policy formulation and administration of the following Acts:

- a) The Insurance Act, 1938
- b) The Life Insurance Corporation Act, 1956

- c) The General Insurance Business (Nationalisation) Act, 1972
- d) The IRDA Act, 1999
- e) The Actuaries Act, 2006
- f) The Securities and Insurance Laws (Amendment and Validation) Act, 2010.

The Government promulgated an Ordinance namely - the Insurance Laws (Amendment) Ordinance, 2014 on 26th December, 2014 to make amendments to the Insurance Act, 1938, the General Insurance Business (Nationalization) Act, 1972 and the Insurance Regulatory and Development Authority Act, 1999 in accordance with the Insurance Laws (Amendment) Bill 2008 as reported by the Select Committee of the Rajya Sabha. The Ordinance was replaced by the Insurance Laws (Amendment) Act, 2015. With the coming into force of the Insurance Laws (Amendment) Act, 2015, the foreign investment cap in an Indian Insurance Company has gone up from 26 to 49% with the safeguard of Indian ownership and control.

9.5 Reforms in the Insurance Sector

The insurance sector was opened up for private participation with the enactment of the Insurance Regulatory and Development Authority Act, 1999. The IRDAI at present consists of the Chairman, 3 full-time members and 3 part-time members. The Authority is functioning from its Head Office at Hyderabad, Telangana. The core functions of the Authority include (i) licensing/registration of insurers and insurance intermediaries; (ii) financial and regulatory supervision; (iii) regulation of premium rates; and (iv) protection of the interests of the policyholders. With a view to facilitating development of the insurance sector, the Authority has issued regulations on protection of the interests of policyholders; obligations towards the rural and social sectors; micro insurance and registration of agents, licensing/registration of corporate agents, brokers and third party administrators. IRDAI has also laid down the regulatory framework for registration of insurance companies, maintenance of solvency margin, investments and financial reporting requirements.

9.6 New entrants in the insurance industry

Since its opening up in 2000 the number of participants in the Insurance industry has gone up from seven insurers (including the Life Insurance Corporation of India [LIC], four public-sector general insurers, one specialized insurer, and the General Insurance Corporation as the national re-insurer) in 2000 to sixty two insurers as on 31st March 2017 operating in the life, general, health and re-insurance segments; of which 24 are life insurers, 23 are general insurers, 6 are health insurers exclusively doing health insurance business and 9 are re-insurers including foreign reinsurance branches

and Lloyd's India. Of the 62 insurers eight are in the public sector and the remaining fifty four are in the private sector. Two specialised insurers, namely Export Credit Guarantee Corporation of India Limited and Agricultural Insurance Company of India Limited, one life insurer namely LIC of India, four in general insurers and one in re-insurance namely GIC are in public sector. Twenty three life insurers, seventeen general insurers, six standalone health insurers and eight reinsurers including foreign reinsurance branches and Lloyd's India are in private sector. During the current financial year (2017-18) as on date, 4 general insurance companies under private sector and 2 foreign reinsurers' branches have been granted certificate of registration.

9.7 Industry Statistics

(a) Life insurance industry

The post liberalization period has been witness to sharp growth in the insurance industry, more particularly in the life segment. The first year premium is a measure of new business procured/underwritten by the life insurers. During 2016-17 this was Rs 1,75,202.68 crore as compared to Rs 1,38,765.99 crore in 2015-16 registering a growth of 26.26% against 22.44% during the previous year. In terms of linked and non-linked business during the year 2016-17, 12.10 percent of the first year premium was underwritten in the linked segment while 87.90 percent of the business was in non-linked segment as against 12.68 per cent and 87.32 per cent in the previous year. The total premium, which includes first year premium and renewal premium during 2016-17, was Rs 4,18,476.62 crore as compared to Rs 3,66,943.23 crore in 2015-16 registering a growth of 14.04 per cent against 11.84 percent in the previous year. Of the new business premium underwritten, LIC accounted for Rs 1,24,583.31 crore (71.11 per cent market share) and the private insurers accounted for Rs 50,619.37 crore (28.89 percent market share). The market share of these insurers was 70.54 per cent and 29.46 per cent respectively during the year 2015-16.

(b) General insurance industry

The general insurers had underwritten gross direct premium of Rs 1,28,128.34 crore in 2016-17, as against Rs 96,379.38 crore in 2015-16 registering a growth of 32.94 per cent. This premium excludes the business done outside India by the public sector insurers. The private sector (including standalone health insurers) had underwritten Rs 59,662.79 crore as against Rs 43,846.75 crore in the previous year achieving a growth rate of 36.07 percent whereas the public sector (including specialized insurers) had underwritten premium of Rs 68,465.56 crore as against Rs 52,532.63 crore in the previous year with a growth rate of 30.33 percent. The market share of the public and private insurers stood at 53.44 and 46.56 percent during the year 2016-17 as

against 54.51 and 45.49 respectively in 2015-16. One of the benefits of opening up of the insurance sector has been the extension of health cover to a wider cross-section of the society. Health premium accounted for 26.95 percent (Rs 34,526.61 crore) of the gross direct premium of the general insurance industry within India (including standalone health insurance companies) in 2016-17 as against 28.49 per cent (Rs 27,457.30 crore) in 2015-16.

9.8 Investments of the Insurance sector

As on 31st March, 2017 the accumulated total investments held by the insurance sector was Rs. 30,76,537 crore. During 2016-17, Assets under Management (AUM) had grown by 14.36 per cent. Life insurers continue to contribute a major share with around 92.77 per cent of the total investments held by the insurance industry. Similarly, public sector insurers continue to contribute a major share of 78.47 per cent in total investments though investments by private sector insurers are growing at a fast pace in recent years.

9.9 Rural and Social Sector Business

All the life insurers including LIC fulfilled their rural sector obligations for the year 2016-17. The life insurers underwrote 60.45 lakh policies in the rural sector, viz., 22.9 percent of the new individual policies underwritten (264.20 lakh policies) by them in 2016-17. LIC underwrote 22.44 percent of the new individual policies and private insurers underwrote 24.3 percent of the new individual policies in the rural sector. All life insurers including LIC were compliant with their social sector obligations in terms of number of lives covered. All the public and private sector general insurance companies including standalone health insurance companies have fulfilled their obligations in the rural and social sector for the year 2016-17.

9.10 Micro insurance

In order to facilitate penetration of insurance to the lower income segments of population, IRDAI had notified the micro insurance regulations, 2005. They provide a platform to distribute insurance products, which are affordable to the rural and urban poor and to enable micro insurance to play its role in financial inclusion. In micro-insurance-life, the individual new business premium for the year 2016-17 was Rs 38.22 crore through 9.56 lakh policies and the group business amounted to Rs 460.43 crore premium for 322.46 lakh lives. Individual death claims paid under micro insurance portfolio for the year 2016-17 amounted to Rs 20.22 crore on 12,714 policies and in the group category Rs 550.04 crore was paid as death claims on 1,79,542 lives. There were 35,200 micro insurance agents operating in the micro insurance sector at the end of 2016-17.

There are around sixty products offered by the registered general insurance companies targeting low

income segment of the population. IRDAI has permitted PMFBY covering non-loanee farmers, to be solicited and marketed by Micro Insurance Agents under IRDAI (Micro Insurance) Regulations, 2015. Further, general insurance policies issued to Micro, Small and Medium Enterprises as classified in MSMED Act, 2006 under various lines of general insurance business upto Rs 10,000 premium per annum per MSM enterprise. Total numbers of general insurance policies issued by Micro Insurance Agents (excluding Micro insurance policies issued by Standalone health insurers) in the year 2016-17 are 35,065.

9.11 Life Insurance Corporation of India (LIC)

LIC of India was incorporated on 1st September, 1956 by amalgamating 243 Companies by the Act of Parliament called Insurance Act, 1956. LIC is governed by the Insurance Act 1938, LIC Act 1956, LIC Regulations 1959 and Insurance Regulatory and Development Authority Act 1999. As on 31st March, 2017, LIC has 8 Zonal Offices, 113 Divisional Offices, 2048 Branch Offices, 73 Customer Zones, 1408 Satellite Offices and 1238 Mini Offices in India. The Corporation also has Branch Offices in Fiji, Mauritius and United Kingdom. It also operates through Joint Venture (JV) Companies in several overseas Insurance Markets. LIC has also formed a Joint Venture Company, Life Insurance Corporation (LIC) of Bangladesh Limited, between Life Insurance Corporation of India, Strategic Equity Management Ltd and Mutual Trust Bank Ltd on 14.12.2015. A Wholly owned subsidiary, Life Insurance Corporation (Singapore) Pte Ltd. has been established on 30.4.2012.

LIC of India procured Rs 1,24,565.00 crore First Year Premium (FYP) under 2,01,03,242 policies thereby registering growth of 27.53% in FYP as at 31st March 2017. The market share of the Corporation in First Year Premium is 71.04 % (Last Year- 70.44%) and 76.09% (Last Year- 76.84%) in Number of Policies. The Total Premium Income of the Corporation for the financial year (FY) ending 31st March, 2017 is Rs 3,00,196.69 crore. Gross investments of the Corporation for FY 2016-17 stand at Rs 3,41,534.59 crore and the total investments as on 31/3/2017 stand at 24,72,388.82 crore. The Conservation Ratio was more than 92% and the Overall Expenses Ratio was 15.17%. In 2016-17, LIC has settled 205.11 lakh Maturity Claims having paid Rs 99,119.27 crore. Similarly 10.47 lakh Death claims have been settled for an amount of Rs 13,581.14 crore. The percentage of claims outstanding to claims payable as on 31/3/2017 stands at 2.87%.

9.12 Public Sector General Insurance Companies

The Public Sector General Insurance Companies provide coverage for insurance other than Life such as, Fire, Marine (Cargo & Hull), Motor, Workmen's Compensation, Personal Accident, Aviation, Engineering, Liability, Health, etc. The Public Sector General Insurance

Companies witnessed a growth rate of 24.51% during 2016-17 collecting a total GDPI (Gross Domestic Premium Income) of Rs.63,058.92 crores against Rs.50,644.29 crores during 2015-16. Motor, Health and Crop Insurance have been the major drivers of growth. The Company-wise details are as follows:

(a) National Insurance Company Limited

Incorporated in 1906 with Headquarters at Kolkata has a Paid-up Share Capital of Rs.100 crore. Gross Direct Premium Income (GDPI) in 2016-17 was Rs.14,282 Crores against GDPI of Rs.12,018.98 Crores in 2015-16 showing a growth of 18.83% against a growth of 6.53% in the previous year. The Incurred Claim Ratio for the year 2016-17 is 97.00% as against 95.28% in 2015-16. Profit After Tax was Rs.46 crores in 2016-17 against Rs.151 crores in 2015-16. It has 1,997 offices including micro offices and 13,900 employees. Foreign Operations: National has foreign operations in Nepal and operations are conducted through 8 offices there.

(b) The New India Assurance Company Limited

Incorporated in 1919, with Headquarters at Mumbai has a Paid-up Share Capital of Rs.200 crore. Gross Direct Premium Income (GDPI) in 2016-17 is Rs.21597.92 crores against GDPI of Rs.17763.31 crores in 2015-16 showing a growth of 21.59 % against a growth of 14.75 % in the previous year. The Incurred claim Ratio for the year 2016-17 is 91.26% as against 87.84% in 2015-16. Profit After Tax is Rs.1007.93 crores in 2016-17 against Rs.828.67 crores in 2015-16. It has 2457 offices and 17,615 employees. Foreign Operations: NIA has a presence in 28 countries. It has taken a license to operate in DIFC, Dubai through a Regional Office and is in the process of Registering with Qatar Financial Services, Doha.

(c) The Oriental Insurance Company Limited

Incorporated in 1947 with headquarters at New Delhi and has a Paid-up Share Capital of Rs.200 crores. Gross Direct Premium Income (GDPI) in 2016-17 was Rs.11,117 Crores against GDPI of Rs.8,612 crores in 2015-16 showing a growth of 29.09% in 2016-17 as against a growth of 13.88% in 2015-16. The Incurred Claim Ratio for the year 2016-17 is 112% against 84% in 2015-16. Profit After Tax was (-) Rs.1,691 crores in 2016-17 as against Rs.300 crores in 2015-16. It has 1955 offices with 13923 employees. Foreign Operations: 'Oriental' has its foreign operations in Nepal, Dubai & Kuwait with "B++"(very good) rating from AM Best & Co.(Europe) and given the highest rating by CRISIL and ICRA also.

(d) United India Insurance Company Limited

Incorporated in 1938 with headquarters at Chennai has a Paid-up Share Capital of Rs.150 crores. Gross Direct Premium Income (GDPI) in 2016-17 was

Rs.16,062 Crores against GDPI of Rs.12,250 crores in 2015-16 showing a growth of 31.12% in 2016-17 against 14.58 % in 2015-16. The Incurred Claim Ratio for the year 2016-17 is 107% against 88% in 2015-16. Profit after Tax was (-) Rs.1,913 crores in 2016-17 as against Rs.221 Crores in 2015-16. 'United India' has 2128 offices with 16,167 employees. Rated "iAAA" by ICRA.

e) General Insurance Corporation of India (GIC Re)

General Insurance Corporation of India (GIC Re) was approved as 'Indian Reinsurer' on 3rd November, 2000. As an Indian Reinsurer, GIC Re has been giving reinsurance support to non-life as well as Life Insurance companies in India. GIC Re also manages Marine Hull Pool, Indian Market Terrorism Risk Insurance Pool and Indian Nuclear Insurance Pool on behalf of Indian Insurance industry apart from FAIR Natural Catastrophe Reinsurance Pool.

During the year 2016-17, Gross premium of GIC Re was Rs 33,585.44 crore as against Rs 18,435.81 crore in the previous year. The Net premium of the GIC Re was Rs 30,174.55 crore as against Rs 16,374.78 crore and net earned premium was Rs 26,714.89 crore as against Rs 15,172.83 crore in the previous year. The net incurred claims were at Rs 21,646.41 crore i.e., 81.03% of net earned premium as against Rs 12,899.86 crore i.e. 85.0% of net earned premium in the previous year. GIC Re's Profit after tax amounted to Rs 3,127.67 crore as on 31st March 2017 compared to Profit after tax of Rs 2,848.39 crore as on 31st March 2016. The total assets and net worth as on 31st March 2017 was Rs 94,948.62 crore and Rs 17,946.63 crore, respectively. The present paid up capital of the Corporation is Rs 430.00 crore.

9.13 Grievance Redressal

Public Sector General Insurance Companies redressed 98.21% Grievances (21,486 out of a total of 21,695) and had only 209 outstanding Grievances in 2016-17. 'National' redressed 99.61% out of a total of 5987 and outstanding grievances were 23. 'New India' redressed 99.15% out of a total of 4,449 Grievances and 38 grievances were outstanding. 'Oriental' redressed 99.64% grievances out of a total of 3,525 and 35 grievances were outstanding. 'United India' redressed 98.54% of grievances out of a total of 7734 and 113 grievances were outstanding.

9.14 Agriculture Insurance Company of India Limited

'Agriculture Insurance Company of India Limited' (AIC) was established exclusively to cater to the insurance needs of the persons engaged in agriculture and allied activities in India under the Companies Act, 1956 on 20th December 2002. It has its Head Office in New Delhi, 18 Regional Offices in various State Capitals and one-man office at District levels. The total number of employees as on 31st March 2017 is 285 all over the country.

The erstwhile crop insurance schemes have recently been reviewed in consultation with various stakeholders including States/UTs. Accordingly, the Company has during the year implemented Pradhan Mantri Fasal Bima Yojana (PMFBY) from Kharif 2016 along with the pilot Unified Package Insurance Scheme (UPIS) and the Restructured Weather Based Crop Insurance Scheme (restructured based on premium structure and administrative lines of PMFBY and available in the Country from Kharif 2016 as RWBCIS). The Coconut Palm Insurance Scheme (CPIS) has also been continued. Apart from the above, the Company continued to market various in-house products, including Rainfall Insurance, Coffee Rainfall Insurance Scheme, Pulp Wood, Bio fuel Insurance and Rubber Plantation Insurance.

Pradhan Mantri Fasal Bima Yojna (PMFBY) is operated on a commercial / actuarial basis with premium subsidy contribution from Union and State Governments. AIC has implemented PMFBY in 14 States during Kharif 2016-17 season and in 13 States and 1 UT during Rabi 2016-17 season. Under the scheme, States are divided into Clusters which are allotted to the empanelled insurance companies by State Governments through bidding process. PMFBY provides the following covers:

- Individual loss assessment claims due to localised calamities viz. Hail Storm, Landslide, and Inundation.
- Post-harvest losses due to cyclone, cyclonic and unseasonal rains. Losses are assessed on individual basis.
- Prevented Sowing/Planting risk due to deficit rainfall or adverse seasonal conditions.
- On-account claims due to mid-season adversity viz. floods, prolonged dry spells, severe drought etc.
- Wide spread calamities claim based on yield data submitted by the State Governments.

During Kharif 2016 and Rabi 2016 seasons about 571 lakh farmers for a sum insured of Rs. 2,02,231 crore have been covered under PMFBY and WBCIS. Further, Unified Package Insurance Scheme (UPIS) has been approved for implementation in selected 45 Districts of the country on pilot basis from Kharif 2016 to provide financial protection and comprehensive risk coverage of crops, assets, life, and student safety to farmers. Pilot includes seven section, viz., crop Insurance (PMFBY/WBCIS), Loss of Life (PMJJBY), Accidental Death and Disability (PMSBY), Student Safety, Household, Agriculture implements & Tractor. Crop Insurance Section is compulsory. However, farmers can choose at least two sections from remaining. Two flagship schemes of the Government viz PMSBY and PMJJBY have been included apart from insurance of assets.

9.15 Other Social Security Schemes

a) Aam Admi Bima Yojana (AABY)

The Scheme provides life insurance protection to the rural & urban persons living below poverty line or marginally above poverty line. Persons between age 18 years and 59 years and who are the members of the identified 48 occupational groups are eligible to be covered under this scheme. The Scheme provides coverage of Rs. 30,000/- on natural death and Rs. 75,000/- on death/ total permanent disability due to accident. The premium for the scheme is Rs. 200/- per member per annum and Scholarship as a free add-on benefit is also provided to a maximum of two children of the beneficiary studying between 9th to 12th standard (including ITI courses) @ Rs.100/- per month for each child payable half yearly on 1st July and 1st January, each year. As on 30th November 2017, about 4.71 crore people have been covered under AABY Scheme and about 45 lakh lives were covered under Social Security Group Schemes (SSGS - closed). During the financial year (2017-18), 33,94,100 scholarships were disbursed to beneficiaries for an amount of Rs. 235.80 crore and an amount of Rs. 257.95 crore has been paid towards total number of 83,699 claims (Up to November 2017). AABY stands transferred to the Ministry of Labour and Employment w.e.f 21st June, 2017.

b) Varishtha Pension Bima Yojana (VPBY)

The Varishtha Pension Bima Yojana (VPBY) 2003 launched on 14th July, 2003 and Varishtha Pension Bima Yojana (VPBY) 2014 launched on 14th August, 2014, are social security schemes for Senior Citizens intended to give an assured minimum pension to them based on an guaranteed minimum return on the subscription amount. The pension is envisaged until death from the date of subscription or upto 15 years whichever is earlier with payback of the subscription amount on death of the subscriber to the nominee or after 15 years to the subscriber on surrender of policy. These Schemes are implemented through Life Insurance Corporation (LIC) of India, which is paid the difference between the actual yield earned by LIC on the funds invested under the Scheme and the assured return of 9% committed by the Government. Both the schemes VPBY 2003 and VPBY 2014 are closed for future subscriptions. However, policies sold during the currency of policy are being serviced as per the commitment of guaranteed 9% return announced by the Government under the schemes. As on 31.03.2017, a total of number of 2,74,885 beneficiaries and 3,11,981 beneficiaries are being benefited under VPBY-2003 and VPBY-2014 respectively.

9.16 New Initiatives- Listing of Public Sector General Insurance Companies

To promote the objective of achieving higher levels of transparency and accountability, government has approved listing of the five Government owned General

Insurance Companies on the stock exchanges, namely; The New India Assurance Company Ltd., United India Insurance Company Ltd., Oriental Insurance Company Ltd., National Insurance Company Ltd. and General Insurance Corporation of India. Out of these five companies, General Insurance Corporation of India and the New India Assurance Company Ltd have already been successfully listed on the stock exchanges.

10 Pension Sector

10.1 National Pension System (NPS)

With a view to providing adequate retirement income on cost effective basis, the National Pension System (NPS) has been introduced by the Government of India. It has been made mandatory for all new recruits to the Government (except armed forces) with effect from 1st January, 2004 and has also been rolled out for all citizens with effect from 1st May, 2009 on a voluntary basis. The features of the NPS design are self-sustainability, portability and scalability. It is envisaged as a low-cost and efficient pension system backed by sound regulation. As a pure “defined contribution” product, returns would be totally market driven. The NPS-all citizen model provides various investment options and choices to individuals to switch over from one option to another or from one fund manager to another, subject to certain regulatory restrictions.

The NPS architecture is transparent and web-enabled. It allows a subscriber to monitor his/her investments and returns. The facility for seamless portability is designed to enable subscribers to maintain a single pension account throughout the saving period.

Pension Fund Regulatory and Development Authority (PFRDA), set up as a regulatory body for the pension sector, is engaged in consolidating the initiatives taken so far regarding the full NPS architecture and expanding the reach of NPS distribution network. The process of making NPS available to all citizens entailed the appointment of NPS intermediaries, including institutional entities as Points of Presence (POPs) that will serve as pension account opening and collection centers, Central Record Keeping Agencies (CRAs) and Pension Fund Managers to manage the pension wealth of the subscribers.

Till 30th December 2017, a total of around 191.7 lakh subscribers (including Atal Pension Yojana) have been enrolled under the NPS. Assets Under Management (AUM) which includes the returns on the corpus, under the NPS have witnessed an increase from Rs. 1,74,561 crore as on 31st March 2017 to Rs. 2,19,046 crore as on 30th December 2017, registering an increase of 25.48 per cent. The APY has a total of about 79.20 lakh subscribers and AUM of Rs. 3,269 crore as on 30th December 2017.

PFRDA as a statutory body has notified regulations for governing the intermediaries under NPS involved in collection and remittance of subscribers’ contribution, record keeping, fund management and other related functions keeping in view the subscribers’ interest. These regulations spell out the eligibility norms for registration, functions, roles and responsibilities of the intermediaries, the provisions for inspection, audit and grievance handling and the process for adjudication.

Following developments have taken place in the recent past to facilitate subscribers interface with the NPS architecture.

- ◆ Atal Pension Yojana–eNPS Channel (APY@eNPS)- With a view to expand the outreach of APY, “APY@eNPS” has been launched which is a complete digital enrolment process without need of a physical application form and visiting a bank branch.
- ◆ Aadhaar seeding - The Subscriber can now link his/her Aadhaar to NPS account using Mobile App. The Subscriber logs into the App with his/her User ID and password and select the option of ‘Add/Update Aadhaar Number’. Once Aadhaar is entered, the details of Subscriber registered under NPS get authenticated with details available in UIDAI database. Post authentication, an OTP is sent to the Subscriber’s mobile number registered with UIDAI. The Subscriber enters the OTP and on submitting the correct OTP, Aadhaar will get seeded for the PRAN.
- ◆ Increase in maximum age of joining NPS from 60 years to 65 years under NPS-Private Sector: With a view to increase the pension coverage in the country, the maximum age of joining NPS has been increased from the existing 60 years to 65 years of age. Any Indian Citizen, resident or non-resident, in the age of 18- 65 years can also join NPS and continue in NPS upto the age of 70 years.
- ◆ Modification in the partial withdrawal from Tier 1 accounts - Now a subscriber is allowed to partially withdraw from her/his NPS account upto 25% of her/his own contribution for certain specified purposes after 3 years of joining the NPS. Further, the requirement of 5 years gap for applying for next partial withdrawal is now dispensed with.
- ◆ NPS Mobile App is now available on Windows platform besides the Android and IOS platforms. Apart from viewing the current holding status on mobile app by logging using PRAN and password, a subscriber can do the following activities through the mobile app: (i) Make contribution (ii) Address Change (iii) Scheme Change (iv) Tier II Withdrawal (v) Grievance lodgment.

11. Legislative

11.1 Proposal to amend the Negotiable Instruments Act, 1881

Government has introduced “the Negotiable Instruments (Amendment) Bill, 2017” in the Parliament on 02.01.2018 to address the issue of undue delay in final resolution of cheque bounce cases by suitably amending the Negotiable Instruments Act, 1881 (“NI Act”). The Bill proposes to insert a new section 143A in the NI Act, giving Courts trying an offence under section 138, the power to direct the drawer of the cheque to pay interim compensation to the complainant, not exceeding 20% of the amount of the cheque. Further, the Bill proposes to insert a new section 148 in the NI Act, giving Appellate Courts the power to order a deposit of a minimum of 20% of the fine or compensation awarded by the Trial Court pending appeal against conviction. The Bill also provides that if the drawer of the cheque is acquitted, the Court shall direct the complainant to repay to the drawer the amount of interim compensation, with interest at the bank rate prevalent at the beginning of the relevant financial year. Similarly, if the appellant is acquitted, the court shall direct the complainant to repay to the appellant the amount so released, with interest at the bank rate prevalent at the beginning of the relevant financial year.

11.2 The Banning of Unregulated Deposit Schemes Bill (“Banning Bill”)

The regulatory framework for deposit taking activity in the country is not seamless. The regulators operate in well-defined areas within the financial sector by regulating particular kinds of entities or activities. For instance, Non-Banking Financial Companies (NBFCs) are under the regulatory and supervisory jurisdiction of the RBI, Chit Funds and Money Circulation including multi-level marketing schemes are under the domain of State Governments, Collective Investment Schemes come under the purview of SEBI, schemes offered by Cooperative Societies are under State Governments, Multi State Cooperative Societies come under Central Registrar, Ministry of Agriculture and deposits taken by non-NBFC Companies are regulated by the Ministry of Corporate Affairs under the Companies Act. Despite such diverse and regulatory framework, schemes and arrangements designed to avoid oversight by these regulators and leading to unauthorized collection of money and deposits fraudulently by inducing public to invest in dubious schemes promising high returns or other benefits, keep coming to notice.

Enactment of laws such as the Prize Chit and Money Circulation Schemes (Banning) Act, 1978 and The Chit Fund Act, 1982 by the Central Government and Protection of Interest of Depositors in Financial Establishment Act by various State Governments has not

been able to completely address the issue of unregulated deposit taking by unscrupulous elements.

In view of the above, Government is in process of bringing a new law “The Banning of Unregulated Deposit Schemes Bill (“Banning Bill”) to ensure a comprehensive ban on unregulated deposit taking activity and consequent enablement of effective enforcement. The “Banning Bill” aims to prevent such unregulated deposit schemes or arrangements at their inception and at the same time make soliciting, inviting or accepting deposits pursuant to an unregulated scheme a punishable offence. The Bill proposes severe punishment and heavy pecuniary fines to act as deterrent.

11.3 Amendments to the Chit Funds Act, 1982.

Chit Funds are indigenous financial institutions in India, which satisfy the financial needs of the low-income households, which may or may not have access to the formal financial system. It is a mechanism which combines credit and savings in a single scheme. In a Chit Fund Scheme, a group of individuals come together for a pre-determined duration and contribute to a common pool (savings) at regular intervals. Every month, up until the end of the tenure of the scheme, the collected pool of money is loaned out internally through a bidding mechanism to the most deserving member. This way, people who are in need of funds and those who want to save are able to meet their requirements simultaneously. With a view to address some of the challenges being faced and to facilitate orderly growth of the Chit Fund industry, it is proposed to carry out certain amendments to the Chit Funds Act, 1982 by introducing the Chit Funds (Amendment) Bill in the Parliament.

12. Miscellaneous

12.1 Debts Recovery Tribunal

The Central Government has established 39 Debts Recovery Tribunals (DRTs) including 6 new DRTs at Bengaluru, Chandigarh, Dehradun, Ernakulam, Hyderabad and Siliguri and 5 Debts Recovery Appellate Tribunals (DRATs) across the country, under the provisions of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993. These tribunals have been set up for expeditious adjudication and speedy recovery of debts due to banks and financial institutions and matters connected therewith.

As per data made available by DRTs, a total number of 19,199 cases (Original Applications) involving Rs. 57,550.48 crore approximately were disposed of by 39 DRTs during the period 01.04.2017 to 30.11.2017.

12.2 Representation of SCs, STs, OBCs and PWDs.

Inspection/examination of Reservation Rosters SCs/STs/OBCs in Public Sector Banks/ Financial Institutions and Insurance Companies has been conducted.

After examining the proposal for establishing the equivalence of posts in Central Public Sector Undertakings (PSUs), Banks, Insurance Institutions with posts in Government for establishing Creamy Layer criteria amongst Other Backward Classes, the Government has approved principles for determining the equivalence in respect of Public Sector Banks (PSBs), Public Sector Financial Institutions (PFIs), Public Sector Insurance Companies (PSICs) as conveyed vide DOP&T O.M. No. 41034/5/2014 Estt. (Res.) Vol. IV-Part dated 6.10.2017 which inter-alia provide as follows:

- i) Junior Management Scale-I of PSBs/PFIs/PSICs will be treated as equivalence to Group A in the Government of India.
- ii) Clerks and Peons in PSBs/PFIs/PSICs will be treated as equivalence to Group C in the Government of India.

An Office Memorandum has been issued to all PSBs/PFIs/PSICs and Regulators in this regard vide this Department's O.M. No. 19/04/2017-Welfare dated 06.12.2017.

The Representation of SCs/STs/OBCs and Persons with Disabilities (PWDs) in Public Sector Banks/ Financial Institutions and Insurance Companies is at **Annexure I & Annexure II** respectively.

12.3 Disposal of Public Grievances

Timely redressal of public grievances relating to banking and insurance sectors is an important step towards upgrading the quality of customer service in this crucial segment of financial sector. Department of Administrative Reforms and Public Grievances (DARPG) has established CPGRAMS (Centralised Public Grievance Redressal and Monitoring System), (an online web-based system), to resolve public grievances.

In the Department of Financial Services, a large number of grievances/complaints concerning Banking and Insurance Sectors are received directly from citizens, both online and by post. The postal grievances are also digitized and processed through CPGRAMS for redressal

within a maximum time limit of 60 days. All organisations under DFS have made efforts to maximise the use of technology for reducing the grievance redressal time to one month from the existing two months. Action taken reports are uploaded on the system and a scanned copy of the reply is provided to the complainant as pdf file that can be viewed by the complainant online. Replies through post are also sent to those complainants who have lodged their grievances physically.

Banks and Insurance Companies have grievance redressal mechanism in place and are also hosted on their respective websites for information and access by the customers. The first level of grievance redressal is Branch Manager in Banks and Insurance Companies followed by Zonal Managers and then General Manager (Customer Care) in Head Office. Grievances concerning private banks and private insurance companies are resolved through Reserve Bank of India (RBI) and Insurance Regulatory and Development Authority (IRDA) respectively. The unresolved grievances are placed before the Customer Service Committee of the Board chaired by CMD/CEO for final settlement of grievances / complaints. The Reserve Bank of India (RBI) has set up 20 Banking Ombudsmen across the country under Banking Ombudsmen Scheme 2006. Similarly, there are 17 Insurance Ombudsmen set up by IRDA.

Grievances received from PMO are also attended promptly and the status is uploaded on portal by concerned Banks/ Insurance companies. Most of the grievances pertain to issues related to ATM, Pension, Loan Applications, Bank transactions, claim payment and fraud cases, which are handled by Bank / Insurance officers. Grievances are monitored regularly and followed by periodical reminders through emails to the concerned Nodal Public Grievance Officers in Banks and Insurance Companies and concerned Sections in the Department.

As per CPGRAMS database the details of receipt, disposal and pending grievances during the period 01.01.2017 to 31.12.2017 in respect of banking and insurance sectors are as follows:

Table 7: Details of Pending Grievances

Sector	Brought Forward	Received	Disposed	Pending as on 31.12.2017	% of Disposal as on 31.12.2017	Less than 60 days old	More than 60 days old
Banking	20420	106299	121162	5557	95.61	5275	282
Insurance	717	11517	11695	539	95.59	511	28
Total	21137	117816	132857	6096	95.61	5786	310

Table 8: Status of Grievances on PG Portal from 01.01.2017 to 31.12.2017

Total Grievances received	Grievances Disposed Off	Balance	% of disposal as on 31/12/2017	Average time of disposal
138953	132857	6096	95.61	40 days

The present status of public grievances for the period 01/01/2017 to 31/12/2017 relating to social security schemes launched by the Government is as under:

Table 9: Grievances relating to Social Security Schemes from 01.01.2017 to 31.12.2017.

Name of the scheme	Total Grievance	Grievance disposed	Grievance pending	% of disposal
Atal Pension Yojna	214	189	25	88.32
Pradhan Mantri Jan Dhan Yojna	671	654	17	97.47
Pradhan Mantri Mudra Yojna	3932	3709	223	94.33
Pradhan Mantri Suraksha Bima Yojna	164	158	06	96.34
Pradhan Mantri Jeevan Jyoti Bima Yojna	143	132	11	92.31

The present status of public grievances received from PMO for the period 01.01.2017 to 31.12.2017 is as under:

Table 10: Stats of Public Grievances received from Prime Minister Office

Name of the Sector	Total Grievances	Grievances disposed	Grievances pending	% of disposal
Banking	73517	70950	2567	96.51
Insurance	5830	5630	200	96.56

12.4 Vigilance

12.4.1 Vigilance Machinery In Department Of Financial Services

Department of Financial Services is the administrative department for Public Sector Banks(PSBs), Financial Institutions (FIs) and Public Sector Insurance Companies(PSICs). An Additional Secretary level officer has been designated as Chief Vigilance Officer of the Department. He is assisted by a Joint Secretary(Vig.), Director(Vig.) and Under Secretary (Vig.) in the discharge of his functions. The Vigilance Section in the DFS deals with, inter alia, the following issues pertaining to PSBs, FIs and PSICs:-

Vigilance Section deals the following matters: -

a) Processing of cases relating to complaints, Vigilance clearance, sanction of prosecution and related matters of

- The Board level appointees of PSBs, FIs, PSICs, PFRDA, IRDA and RBI.
- All officials in the Department of Financial Services, officers of office of Custodian and Government officials in DRTs/ DRATs.

b) Appointment of CVOs in PSBs, FIs and PSICs.

Vigilance Section has the organisations of Special Court and Custodian working under it. Details of cases filed, disposed off for the last four years by Special Court are given below:

Table 11: Cases disposed off by Special Court

Year	Filed	Disposed
2014	149	217
2015	165	167
2016	141	140
2017	88	140

12.4.2 Performance

- The Vigilance Division of the Department monitors the progress on disposal of complaints received from various sources and pendency of disciplinary / vigilance cases regularly and meeting with CVOs is undertaken in this Department at appropriate intervals.
- During the period of 01.01.2017 to 31.12.2017 a total no. of - 7 CVOs have been appointed in PSBs/PSICs/FIs.
- Instructions have been issued from time to time as and when any gap in the system is observed to strengthen the preventive vigilance in these organisations.

12.4.3 The Vigilance Awareness Week was observed from 30th Oct., 2017 to 4th November, 2017. A pledge was administered by the Secretary (Financial Services) on 30.10.2017 to the officers of the Department.

12.5 Audit Paras

A Summary of Audit observations made available by the Office of C&AG pertaining to DFS is at **Annexure-III**.

Group-wise Representation - SCs, STs and OBCs up to 31.12.2017

(Data Source - Public Sector Banks/Public Financial Institutions/Public Sector Insurance Companies)

Sl. No.	Group	Number of Employees (as on 31.12.2016)			Number of appointments/promotions made during the calendar year 2017 (i.e. 01.01.2017 to 31.12.2017)										
		Total	SCs	STs	OBCs	By Direct Recruitment			By Promotions			By Other Methods			
						Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	Group-A	442831	79477	34027	76518	18660	2797	1383	5650	27957	4205	1724	64	3	1
2	Group-B	30078	4318	1898	4227	428	58	34	137	16	3	1	0	0	0
3	Group-C	370495	68121	28231	72382	17101	2974	1588	4503	9587	1968	632	770	210	45
4	Group-D (Excluding Safai Karam chari)	113003	34660	8449	22917	3461	622	228	1046	1075	330	89	214	101	25
5	Group-D (Safai Karamcharies)	34996	18906	2439	7899	2697	761	219	684	34	16	1	99	27	8
	Total	991403	205482	75044	183943	42347	7212	3452	12020	38669	6522	2447	1147	341	79

Annexure-II**Group-wise Representation of Persons with Disabilities upto 31.12.2017****(Data Source - Public Sector Banks/Public Financial Institutions/Public Sector Insurance Companies)**

Sl. No.	Group	Number of Employees (as on 31.12.2016)				Number of appointments/promotions made during the calendar year 2017 (i.e. 01.01.2017 to 31.12.2017)											
		Total	VH	HH	OH	Appointment by Direct Recruitment				Appointment by Promotion							
						No. of vacancies reserved		No. of appointments made		No. of vacancies reserved		No. of appointments made					
			VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	Total	VH	HH	OH	
1	Group-A	341145	1703	658	5897	221	234	221	13448	206	32	206	30	17585	83	41	298
2	Group-B	1889	8	0	57	1	0	1	2	1	0	1	0	0	0	0	0
3	Group-C	266746	1788	1100	5427	235	228	217	10562	229	79	211	140	4346	20	14	83
4	Group-D (Excluding Safai Karamchhari)	100334	187	219	1375	37	34	38	3077	40	27	49	4	646	2	3	18
5	Group-D (Safai Karamcharies)	26907	58	86	468	25	26	25	2500	13	7	45	0	0	0	0	0
	Total	737021	3744	2063	13224	519	522	502	29589	489	145	512	174	22577	105	58	399

Summary of Audit Observations pertaining to DFS

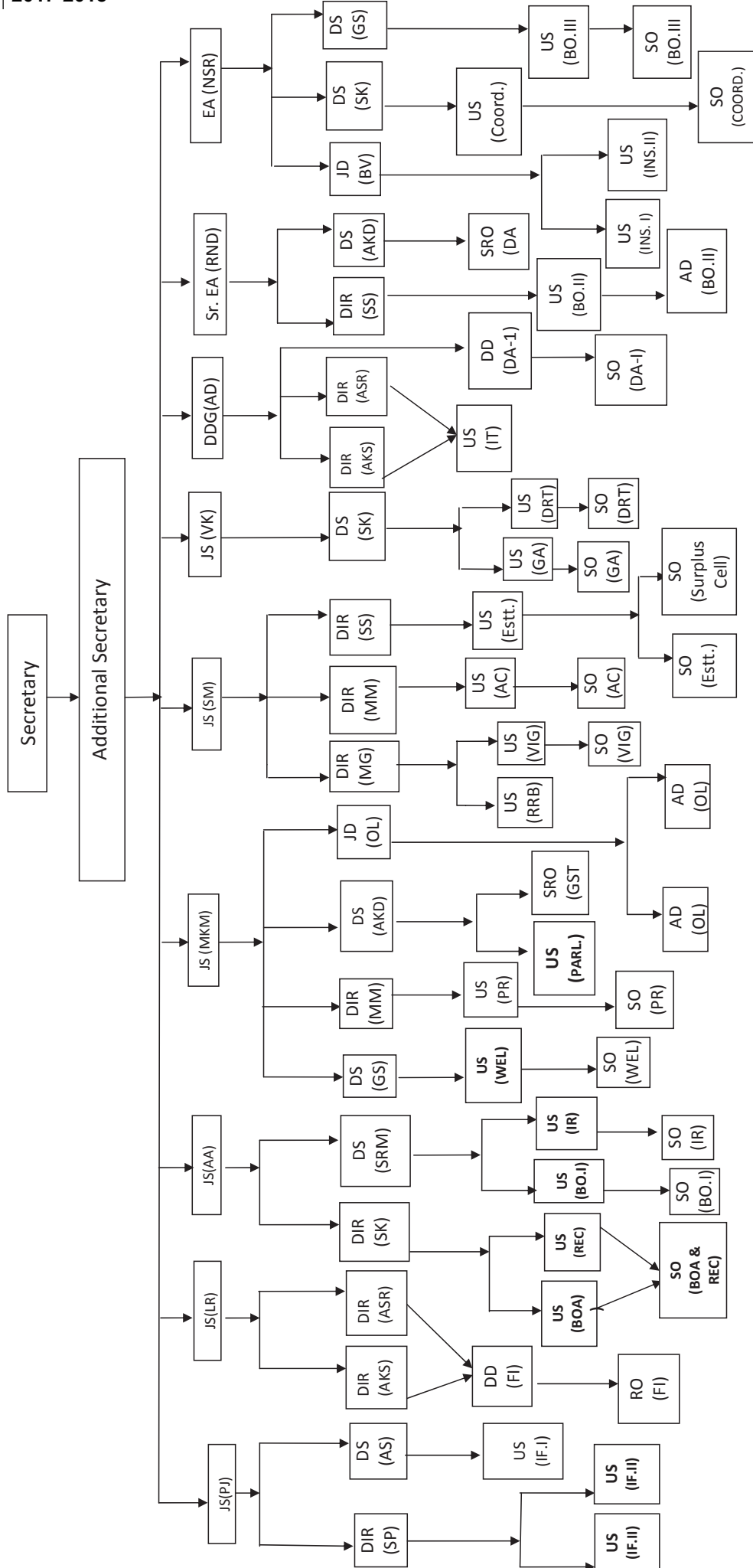
(As on 19.1.2018)

Sl.No.	Year	No. of Paras/PA reports on which ATNs have been submitted to PAC after vetting by Audit	Details of the Para/PA reports on which ATNs are pending		
			No. of ATNs not sent by the Ministry even for the first time	No. of ATNs sent but returned with observations and Audit is awaiting their resubmission by the Ministry	No. of ATNs which have been finally vetted by Audit but have not been submitted by the Ministry to PAC
1.	2017-18	1	22#	Nil	Nil

#13 paras relate to Report No. 44 of 2017 laid on the table of the Parliament on 19.12.2017

Sl.No.	Year	No. of Paras/PA reports on which ATNs have been submitted to PAC after vetting by Audit	Details of the Para/PA reports on which ATNs are pending		
			No. of ATNs not sent by the Ministry even for the first time	No. of ATNs sent but returned with observations and Audit is awaiting their resubmission by the Ministry	No. of ATNs which have been finally vetted by Audit but have not been submitted by the Ministry to PAC
1.	2010-11	1	Nil	Nil	Nil
2.	2011-12	3	Nil	Nil	Nil
3.	2013-14	1	Nil	Nil	Nil
4.	2014-15	4	Nil	Nil	Nil
5.	2015-16	1	Nil	Nil	Nil
6.	2016-17	2	Nil	Nil	Nil

ORGANIZATIONAL CHART IN THE DEPARTMENT OF FINANCIAL SERVICES



For Public Contact Purposes

Ministry of Finance

Department of Economic Affairs

North Block, New Delhi-110001

Phone: 23095120, 23092453

Website: http://www.finmin.nic.in/the_ministry/dept_eco_affairs/index.asp

Department of Expenditure

North Block, New Delhi-110001

Phone : 23095661, 23095613

Website: http://www.finmin.nic.in/the_ministry/dept_expenditure/index.asp

Department of Revenue

North Block, New Delhi-110001

Phone : 23095384, 23095385

Website: http://www.finmin.nic.in/the_ministry/dept_revenue/index.html

Department of Investment and Public Asset Management

Block 11 & 14, CGO Complex, Lodhi Road, New Delhi-110003

Phone : 24368528, 24368523, 24368044

Website: <http://www.divest.nic.in>

Department of Financial Services

Jeevan Deep Building, Parliament Street, New Delhi-110001

Phone : 23748721, 23748734

Website: http://www.finmin.nic.in/the_ministry/dept_fin_services/fin_services.asp