GS SCORE

An Institute for Civil Services

Target

PT 2019

CONCEPTS in ECONOMIC SURVEY

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Dear Students,

The Economic Survey of 2018 will be released only after the preliminary examination, when full budget will be presented.

Thus for now, we have compiled the major trends and developments in Indian economy with help of number of primary and secondary data sources such as Handbook of Statistics on Indian Economy, other RBI releases, policy papers and data releases by various ministries and departments and other think tanks.

This document not only provides latest data in one place, but also explains major concepts and broader trends in Indian Economy.

Economic Survey summary by GS SCORE has always received great support and feedback from students and we are hopeful that this document will be quite helpful in your preparation.

Best of luck!

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Fiscal Policy & Public Sector

Fiscal Programme for 2019-20 and beyond

- **Fiscal deficit pegged at 3.4% of GDP for 2019-20** In 2019-20 be, total expenditure rises by 13.30% over 2018-19 RE 35.6% increase in allocation for welfare of SCs, 28% for STs **Disinvestment target of Rs. 90,000 Crore set for 2019-20**
- The Interim Budget 2019-20 has pegged the fiscal deficit for the year 2019-20 at 3.4% of GDP. "We would have maintained fiscal deficit at 3.3% for year 2018-19 and taken further steps to consolidate fiscal deficit in year 2019-20. However, considering the need for income support to farmers, we have provided Rs. 20,000 crore in 2018-19 RE and Rs. 75,000 crore in 2019-20 BE. If we exclude this, the fiscal deficit would have been less than 3.3% for 2018-19 and less than 3.1% for year 2019-20.

Fiscal Policy

- Fiscal policy **refers to the policies of the government regarding its expenditure, investment spending and taxation.**
- The **objective is to find a balance between tax rates and public spending** to ensure a healthy economic growth without causing inflation to rise.
- A **fiscal expansion aims to stimulate aggregate demand and growth** through reducing taxes and/or increasing government spending.
- A **contraction in fiscal policy decreases government spending and/or increases taxation** to reduce aggregate demand and output.
- Fiscal policies tend to **impact demand directly and quickly as compared to monetary policies** which have a lagged and uncertain impact.
- As annual budget affects it most; it takes the centre stage in formation of fiscal policy along with finance commission fiscal devolution policy.

Along with RBI's policy that influences a nation's money supply; it is used to direct a country's economic goals. It should be ideally in line with the monetary policy but since it is created by lawmakers, people's interest over growth often takes centre stage.

- **The Macro-Economic Framework Statement** says that the **Revenue deficit** in 2018-19 was budgeted at Rs. 4,16,034 crore, **2.2 % of GDP.** On the other hand, the **Current Account Deficit** widened to 2.7 % of GDP in first half of 2018-19 from 1.9 % of GDP in 2017-18, mainly on account of higher trade deficit arising from higher petroleum, oil and lubricants imports. Despite the marginal increase, the fiscal deficit to GDP ratio is well on track to achieve its target level of 3% of GDP.
- The main focus of the ensuing year will be to improve the expenditure efficiency and improve tax collections to ensure that the economy moves back to the fiscal deficit path as mentioned in the Fiscal Responsibility & Budget Management (FRBM) Act, says **the Medium Term Fiscal Policy cum Fiscal Policy Strategy Statement.**
- Further, the above document says that the **Gross Tax Revenue** of the Central Government is budgeted at Rs. 25,52,131 crore in BE 2019-20. This reflects a growth of Rs. 3,03,956 crore (13.5 %) over RE 2018-

19. **Direct taxes** are expected to reach Rs. 13,80,000 crore in BE 2019-20 compared to Rs. 12,00,000 crore in RE 2018-19 indicating an increase of 15 % over RE. It is expected that direct taxes would be 6.6 % of GDP at the end of 2019-20. **Indirect taxes** are budgeted at Rs. 11,66,188 crore in BE 2019-20 showing an increase of 11.8 % over RE estimates (Rs. 10,42,833 crore). The **increase is mainly on account of improvement in GST collections anticipated in 2019-20**.

- **Non-tax revenue** collections in 2019-20 is budgeted at Rs. 2,72,647 crore as compared to Rs.2,45,276 crore in RE 2018-19. This shows an increase of Rs.27,371 crore over RE 2018- 19, as per the **Medium Term Fiscal Policy cum Fiscal Policy Strategy Statement.**

- The Finance Minister, in his Budget Speech, said that the **total expenditure** has reflected a high increase considering low inflation. It has risen by Rs. 3,26,965 crore or approximately 13.30%, from Rs. 24,57,235 crore in 2018-19 RE to Rs. 27,84,200 crore in 2019-20 BE. Further, 2018-19 RE figures have shown an increase over BE 2018-19 figures by Rs. 15,022 crore. The Capital Expenditure for 2019-20 BE is estimated to be Rs. 3,36,292 crore. The increase in total expenditure is on account of increased support to agricultural sector, interest payments and internal security, as per the 'Budget at a Glance' document.

- In BE 2019-20, **Centrally Sponsored Schemes (CSS)** are proposed to be allocated Rs. 3,27,679 crore as against Rs. 3,04,849 crore in 2018-19 RE. Detailing further, FM said in his Speech that allocation for National Education Mission is being increased from Rs. 32,334 crore in RE 2018-19 to Rs. 38,572 crore in BE 2019-20. Also, allocation for Integrated Child Development Scheme (ICDS) is being increased from Rs. 23,357 crore in RE 2018-19 to Rs. 27,584 crore in BE 2019-20.

- "A substantial increase is proposed in the allocation for **welfare of the Scheduled Castes and Scheduled Tribes**", said FM. The allocation of Rs. 56,619 crore made in BE of 2018-19 for Scheduled Caste, further increased to Rs. 62,474 crore in RE is proposed to be enhanced to Rs. 76,801 crore in BE for 2019-20, an increase of 35.6% over BE of 2018-19. For the Scheduled Tribes also, proposed allocation in 2019-20 BE is Rs. 50,086 crore as against Rs. 39,135 crore in BE 2018-19, an increase of 28%.

- Regarding **Disinvestment proceeds**, the Government is confident of crossing the target of Rs. 80,000 crore this year and have kept a target of Rs. 90,000 crore in BE 2019-20, as per the 'Budget at a Glance' document.

- **As per the Medium Term Fiscal Policy cum Fiscal Policy Strategy Statement, Non-Debt capital receipts on capital side** are expected to be Rs.1,02,508 crore in BE 2019-20 indicating an increase of Rs. 9,353 crore over RE 2018-19. Increase in non-debt capital receipts is mostly on account of **disinvestment** which is budgeted at Rs.90,000 crore (RE 2018-19 – Rs. 80,000 crore). **Total net borrowings** in 2019-20 are projected at Rs.7,03,999 crore as compared to Rs.6,34,398 crore in RE 2018-19. This reflects an increase of 11 % over RE.

- While giving a **vision for fiscal consolidation,** FM said in his Speech, "We have maintained the glide path towards our target of 3% of fiscal deficit to be achieved by 2020-21". The Government will now focus on Debt consolidation along with completion of the fiscal deficit consolidation programme. India's Debt to GDP ratio was 46.5% in year 2017-18. The FRBM Act prescribes that the Debt to GDP ratio of the Government of India should be brought down to 40% by 2024-25, the Minister added.

- The table below provides the estimates of fiscal performance against specified fiscal indicators during RE 2018-19 and BE 2019-20 and projections for 2020- 21 and 2021-22.

Fiscal Indicators – Rolling Targets as a Percentage of GDP

		Revised Estimates	Budget Estimates	(Projections)	
		2018-19	2019-20	2020-21	2021-22
1.	**Fiscal Deficit**	3.4	3.4	3.0	3.0
2.	**Revenue Deficit**	2.2	2.2	1.7	1.5
3.	**Primary Deficit**	0.2	0.2	0.0	0.0
4.	**Gross Tax Revenue**				

5.	Non-tax Revenue	1.3	1.3	1.3	1.3
6.	Central Government Debt	48.9	47.3	45.4	43.4

IMPORTANT CONCEPTS

Off-budget financing

- **What is Off-Budget Financing?**

  This refers to expenditure that's not funded through the budget. For example, the government sets up a special purpose vehicle (SPV) to construct a bridge. The SPV will likely borrow money to build the bridge on the strength of a government guarantee. If it's not a toll bridge, the SPV will need government support to meet interest obligations. So, even though the borrowing and spending is outside the budget, it has implications for the budget and budget and for all practical reasons should be included in that document. Since it's not, this doesn't reflect on the fiscal deficit number as well. Governments across the world use this to escape budget controls.

- **Why is Off-Budget Financing important? What are its implications?**

  - Off-budget financing by its nature isn't taken into account when calculating fiscal indicators. But the cost is borne by the budget through some mechanism or the other. Such financing tends to hide the actual extent of government spending, borrowings and debt and increase the interest burden.
  - In the above example, the borrowing by the SPV should ideally be included in the government's debt. To the extent that this spending is backed by a government guarantee, it entails a fiscal risk. Parliamentary control on such spending is also reduced as its remains outside the budget.

  Examples of off-budget funding

  - Deferred fertilizer arrears/bills through special banking arrangements
  - Food subsidy bills/arrears of Food Corp. of India through borrowings
  - Accelerated Irrigation Benefit Program through National Bank for Agriculture and Rural Development borrowing

- **What has CAG suggested?**

  A policy framework for off-budget financing that should include disclosures to parliament about the amount, rationle and objective of such funding.

Fiscal consolidation

- **What is fiscal consolidation?**

  A conscious policy effort is needed by the government to live within its means and thereby bring down the fiscal deficit and public debt. It includes, among other things, efforts to raise revenues and bring down wasteful expenditure such as subsidies . As a larger mandate, it also involves the participation by state governments in the process. But the whole initiative is planned as a long-term exercise by the government through a road map for fiscal reform rather than through a single Budget announcement. This is particularly true for a country like India where the government's expenditure is way beyond its revenues, forcing it to borrow.

- **Why do rating agencies often express their concern about it?**

  Just as a borrower's creditworthiness depends on her indebtedness, a country's rating is often linked to its fiscal deficit. Fiscal consolidation efforts are looked at positively by sovereign-rating agencies. This is because it gives them an indication of a country's financial strength and hence, its ability and capacity to service the debt it raises. Many a time, even though an economy has grown well or its other indicators, such as external sector strength, are buoyant, it does not get a good rating only on the ground of poor efforts at fiscal consolidation.

- **Types of Deficits**

  Different Types of Deficits are:

  - Budget deficit = total expenditure – total receipts
  - Revenue deficit = revenue expenditure – revenue receipts
  - Fiscal Deficit = total expenditure – total receipts except borrowings (it tells amount of borrowing required)
  - Primary Deficit = Fiscal deficit- interest payments
  - Effective revenue Deficit = Revenue Deficit - grants for the creation of capital assets
  - Monetized Fiscal Deficit = that part of the fiscal deficit covered by borrowing from the RBI.

Other terms

- **Disinvestment Receipts**

  The term refers to the money raised by the Government through disinvestment, or the sale of its equity stake in companies it owns.

- **Fiscal Responsibility and Budget Management Act**

  The Act is an attempt to make the Government adhere to a phased plan to reduce fiscal deficit, which denotes an excess of expenditure over revenue.

- **Dividend Distribution Tax**

- This is a tax levied on companies that pay out dividends to its shareholders, i.e. share a portion of earnings with them.

- **Venture Capital Funds**

  These are funds that invest in startups, a financially riskier proposition than investing in established companies.

- **Securities Transaction Tax**

  It is a tax on all transactions done over the stock exchanges involving securities such as shares, derivatives, and equity-linked mutual funds.

- **Wholesale Price Index (WPI)**

  It is a measure of inflation, or price change, arrived at after regularly measuring the prices of a slew of wholesale goods.

- **Consumer Price Index (CPI)**

  It is a measure of inflation, or price change, arrived at after regularly measuring the prices of a slew of household goods and services.

- **Capital Gains Tax**

  It is a tax on the gains that ensue when an asset is sold for a price higher than what it was bought for.

- **Ad Valorem Tax**

  This is charged as a percentage of the value of a good or service, not at a specific rate per unit.

- **Advance Pricing Agreement (APA)**

  - It is an agreement between a taxpaying entity and the taxman that indicates how the former will price transactions with its associates.

- **Direct Tax**

  - A tax such as the income-tax, which has to be borne by the person it or entity it is imposed on.

- **Indirect Tax**

  A tax on goods and services, typically, levied on an entity but paid by another.

- **Goods and Services Tax (GST)**

  - Proposed to be rolled out in India from April 1, 2016, the GST seeks to make the indirect tax structure simpler and efficient by replacing a slew of levies such as octroi, central sales tax, State sales tax, entry tax and so on.

- **External Commercial Borrowing (ECB)**

  ECBs refer to commercial loans with a minimum three-year maturity that can be raised from lenders from overseas where interest rates are lower than in India.

  - **Macro-Economic Framework Statement:** It comprises an assessment of the overall growth prospects of the economy with specific underlying assumptions.
  - **Medium Term Fiscal Policy Statement (MTFP):** It is a statement that is presented in the Parliament under Section 3(2) of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003.
  - **Medium Term Expenditure Framework Statement:** This document sets forth a three-year rolling target for the expenditure indicators with specification of underlying assumptions and risks involved.
  - **Memorandum Explaining the Provisions in the Finance Bill:** It deals with information to facilitate understanding of the taxation proposals in the Finance Bill.
  - **Annual Financial Statement (AFS):** Under Article 112 of the Constitution, the government requires to present a statement of estimated receipts and expenditure in respect of every financial year in the Parliament.
  - **Appropriation Bill:** It is a document that empowers the government to withdraw funds from the Consolidated Fund for meeting its yearly expenses.

The major highlights of the performance of Central Public Sector Enterprises (CPSEs) are:

- Total paid up capital in 339 CPSEs as on 31.3.2018 stood at Rs.2,49,988 crore as compared to Rs.2,32,161 crore as on 31.3.2017 (331 CPSEs), showing a growth of 7.68%.
- Total investment (financial) in all CPSEs was at Rs. 13,73,412 crore as on 31.3.2018 compared to Rs 12,45,819 crore as on 31.3.2017, recording a growth of 10.24%.
- Capital Employed in all CPSEs stood at Rs. 23,15,707 crore on 31.3.2018 compared to Rs.21,66,801 crore in the previous year showing a growth of 6.87 %.
- Total Gross Revenue from operation of all CPSEs during 2017-18 stood at Rs. 21,55,948 crore compared to Rs. 19,55,675 crore in the last financial year showing a growth of 10.24 %. Total Income of all CPSEs during 2017-18 was at Rs. 20,33,732 crore compared to Rs. 18, 22,184 crore in 2016-17, showing a growth of 11.61%.
- Profit of profit making CPSEs (184 CPSEs) stood at Rs. 1,59,635 crore during 2017-18 compared to Rs. 1,52,978 crore in 2016-17 showing a growth in profit by 4.35%. Loss of loss incurring CPSEs (71 CPSEs) stood at Rs.31,261 crore in 2017-18 as against Rs.27,480 crore in 2016-17 showing increase in loss by 13.76 %
- Overall net profit of all 257 CPSEs stood at Rs.1,28,374 crore compared to Rs. 1,25,498 crore showing

a growth in overall profit of 2.29%. Reserves and surplus of all CPSEs stood at Rs. 9,42,295 crore as on 31.3.2018 compared to Rs.9,20,981 as on 31.3.2017, registering an increase by 2.31 %. Net worth of all CPSEs went up from Rs.10,83,942 crore to Rs.11,26,782 crore showing an increase of 3.95%. Contribution of CPSEs to Central Exchequer decreased from Rs. 3,60,815 crore to Rs. 3,50,052 crore showing a decrease of 2.98%. Foreign exchange earnings through exports of goods and services stood at Rs. 86,980 crore in 2017-18 as against Rs. 87,768 crore in 2016-17, showing decrease of 0.90%.

Performance of Central Public Sector Enterprises during the FY 2017-18

2017-18	2016-17
⊙ Overall net profit of 257 Operating CPSEs is Rs. 1,28,374 crore for FY 2017-18	⊙ Overall net profit of 257 operating CPSEs is Rs. 1,25,498 crore for FY 2016-17
⊙ 184 Operating CPSEs posted net profit of Rs.1,59,635 crore for FY 2017-18	⊙ 175 Operating CPSEs posted net profit of Rs.1,52,978 crore for FY 2016-17
⊙ 71 Operating CPSEs posted net loss of Rs. 31,261 crore for FY 2017-18	⊙ 81 Operating CPSEs posted net loss of Rs. 27,480 crore for FY 2016-17
⊙ Total Investment in all CPSEs (339) stood at Rs.13,73,412 crore as on 31.03.2018	⊙ Total Investment in all CPSEs (331) stood at Rs.12,45,819 crore as on 31.03.2017
⊙ Dividend declared/paid by CPSEs during the FY 2017-18 is Rs.76,578 crore	⊙ Dividend declared/paid by CPSEs during the FY 2016-17 is Rs.78,129 crore

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Monetary Policy, RBI & Banking

Twin Balance Sheet (TBS) challenge

- Twin Balance Sheet Problem (TBS) deals with **two balance sheet problems**. **One with Indian companies and the other with Indian Banks**. Thus, TBS is two two-fold problem for Indian economy which deals with:
- **Overleveraged companies –** Debt accumulation on companies is very high and thus they are unable to pay interest payments on loans.
- **Bad-loan-encumbered-banks –** Non Performing Assets (NPA) of the banks is 9% for the total banking system of India. It is as high as 12.1% for Public Sector Banks. As companies fail to pay back principal or interest, banks are also in trouble.

Open Market Operations (OMO)

- An open market operation is **the sale and purchase of government securities and treasury bills by RBI** or the central bank of the country.
- The objective of OMO is **to regulate the money supply in the economy**.
- When the RBI wants to increase the money supply in the economy, it purchases the government securities from the market and it sells government securities to suck out liquidity from the system.
- RBI carries out the OMO **through commercial banks** and does not directly deal with the public.
- OMO is one of the **tools that RBI uses to smoothen the liquidity conditions** through the year and **minimise its impact on the interest rate and inflation rate levels**.

National Small Savings Fund (NSSF)

- National Small Savings Fund (NSSF) was **established in 1999** within the Public Account of India for pooling the **money from different small saving schemes (SSSs).**
- Collections from all small savings schemes are credited to the NSSF. Similarly, withdrawals under small savings schemes by the depositors are made out of this Fund
- The **money in the account is used by the centre and states to finance their fiscal deficit**. The balance in the Fund is invested in Central and State Government Securities.
- Pattern of utilization of the fund among the centre and states is decided from time to time by the Government of India.

Price-Earnings Ratio

- The PE ratio is **the market price per share divided by the earnings per share**. The market price per share is simply the stock price.
- The price-earnings ratio is is an important stock market ratio, which **compares the current market price of a share in relation to the earnings per share.**
- The P/E ratio is calculated as follows: P/E ratio = Market value of share / EPS
- **A high P/E ratio** indicates the stock market expects **a strong performance from the company in the future, and that its earnings will keep increasing.**
- A low P/E ratio may indicate the market is nervous about a company's future prospects.

Equity Risk Premium

- Equity risk premium refers to **the excess return that investing in the stock market provides over a risk-free rate.** This excess return compensates investors for taking on the relatively higher risk of equity investing.
- The size of the premium varies depending on the level of risk in a particular portfolio and also changes over time as market risk fluctuates.
- As a rule, high-risk investments are compensated with a higher premium.

Learning poverty headcount (LPC)

- On math and reading, **India's absolute LPC is between 40 and 50 percent**: in other words, roughly 40-50 percent of children in rural India **in grades 3 to 8 cannot meet the fairly basic learning standard.**
- Discouragingly, this poverty count score rises over time, substantially in the case of math. There is some consolation that since 2014 has the trend started to show some improvement; and also consolation that at least there are no significant differences in the LPC for boys and girls.

Liquidity Adjustment Facility

- Reserve Bank of India's liquidity adjustment facility of LAF **helps banks to adjust their daily liquidity mismatches.**
- LAF has two components -- **repo (repurchase agreement) and reverse repo**. When banks need liquidity to meet its daily requirement, they borrow from RBI through repo.
- The rate at which they borrow fund is called the repo rate.
- When banks are flush with fund, they park with RBI through the reverse repo mechanism at reverse repo rate.

Repos

- REPO denotes Re Purchase Option **– the rate by which RBI gives loans to other banks**. In other words, it is the rate at which banks buy back the securities they keep with the RBI at a later period. Bank gives loan to the public at a higher rate, often 1% higher than REPO rate, at a rate known as Bank Rate.
- RBI at times borrows from banks at a rate lower than REPO rate, and that rate is known as Reverse REPO rate.

Policy rate

- **Repo rate is considered as the policy rate as repo is the widely used instrument between banks and RBI.** Earlier bank rate was considered as the benchmark but it has lost its relevance as banks seldom take refinance from RBI at bank rate. Any change in repo rate signals RBI's interest rate stance.

Bank Rate

- Bank Rate refers to the **official interest rate at which RBI will provide loans to the banking system** which includes commercial / cooperative banks, development banks etc. Such loans are given out either by direct lending or by rediscounting (buying back) the bills of commercial banks and treasury bills. Thus, bank rate is also known as discount rate.
- Bank rate is used as a signal by the RBI to the commercial banks on RBI's thinking of what the interest rates should be.

Difference between Bank Rate and Repo Rate

- Bank Rate and Repo Rate seem to be similar terms because in both of them RBI lends to the banks. However, Repo Rate is a short-term measure and it refers to short-term loans and used for controlling the amount of money in the market.
- On the other hand, Bank Rate is a long-term measure and is governed by the long-term monetary policies of the RBI.
- In broader term, bank rate is the rate of interest which a central bank charges on the loans and advances that it extends to commercial banks and other financial intermediaries. RBI uses this tool to control the money supply.

Marginal Standing Facility

- Marginal standing facility is a **window for banks to borrow from Reserve Bank of India in emergency situation when inter-bank liquidity dries up completely**.
- Banks borrow from the central bank by pledging government securities at a rate higher than the repo rate under liquidity adjustment facility or LAF in short.

Market Stabilization scheme (MSS)

- Market Stabilization scheme (MSS) is a monetary policy intervention by the RBI **to withdraw excess liquidity (or money supply) by selling government securities in the economy**.
- The MSS was introduced in April 2004. Main thing about MSS is that it is used to withdraw excess liquidity or money from the system by selling government bonds.

Non-Performing Asset (NPA)

- The assets of the banks which don't perform (that is - don't bring any return) are called Non Performing Assets (NPA) or bad loans. Bank's assets are the loans and advances given to customers. **If customers don't pay either interest or part of principal or both, the loan turns into bad loan**.
- According to RBI, terms loans on which **interest or instalment of principal remain overdue for a period of more than 90 days** from the end of a particular quarter is called a Non-performing Asset.

- However, in terms of Agriculture / Farm Loans; the NPA is defined as under-For short duration crop agriculture loans such as paddy, Jowar, Bajra etc. if the loan (installment / interest) is not paid for 2 crop seasons, it would be termed as a NPA. For Long Duration Crops, the above would be 1 Crop season from the due date.

Written off Assets

- Written off assets are those t**he bank or lender doesn't count the money borrower owes to it.** The financial statement of the bank will indicate that the written off loans are compensated through some other way. There is no meaning that the borrower is pardoned or got exempted from payment.
- The ratio of stressed assets to gross advances of the Indian banking system is increasing from 2013 onwards.
- Public Sector Banks have the highest stressed asset ratio 13.5 per cent of total advances as of March 2015, compared to 4.6 per cent in the case of private sector banks.

Restructured loan

- Restructured asset or loan are that assets **which got an extended repayment period, reduced interest rate, converting a part of the loan into equity, providing additional financing, or some combination of these measures.** Hence, under restructuring a bad loan is modified as a new loan.
- A restructured loan also indicates bad asset quality of banks. This is because a restructured loan was a past NPA or it has been modified into a new loan.
- Whether the borrower will repay it in future remains a risky element. Corporate Debt Restructuring Mechanism (CDM) allows restructuring of loans.

Insolvency and Bankruptcy Code (Amendment) Bill, 2017

The Insolvency and Bankruptcy Code (Amendment) Bill, 2017, was passed by the Lok Sabha on December 29, 2017, and by the Rajya Sabha on January 2, 2018. It replaces the IBC (Amendment) Bill, 2017, which was promulgated on November 23, 2017.

Key Features of Bill

- **Resolution applicant:** The bill redefines resolution applicant mentioned in code as a person who submits a resolution plan after receiving an invite by the insolvency professional to do so.
- **Eligibility for resolution applicants:** It amends provision related to eligibility in IBC to state that insolvency professional will only invite those resolution applicants to submit a plan, who fulfil certain criteria laid down by him with approval of committee of creditors and other conditions which may be specified by Insolvency and Bankruptcy Board.
- **Ineligibility to be a resolution applicant:** It prohibits certain persons from submitting resolution plan in case of defaults. These include: (i) wilful defaulters, (ii) promoters or management of the company if it has outstanding non-performing debt for over year and (iii) disqualified directors, among others.
- **Liquidation:** The bill bars the sale of property of a defaulter to such persons who is ineligible to be a resolution applicant during liquidation.
- **Penalties:** The Bill inserts provision to specify that person contravening any provisions of IBC, for which no penalty has been specified, will be punishable with fine ranging between Rs. 1 lakh to Rs. 2 crore.

Producer Price Index

- The Producer Price Index (PPI) **measures the average change in the prices of goods and services,** either as they leave the place of production called Output PPI or as they enter the production process called Input PPI.

- Thus, the output indices measure the average change in prices that producers receive for their outputs while the input indices measure the average change in prices that producers pay for their inputs.
- PPI contrasts with other measures such as the Consumer Price Index (CPI) which measures changes in prices from buyers or consumers perspective.
- The Government had set up a Working Group under the Chairmanship of Professor B. N. Goldar on 21st August, 2014 to suggest the methodology for introducing Producer Price Index (PPI) in India.

Housing Price Index

- The Housing Price Indices (HPIs) are a broad measure of movement of residential property prices observed within a geographic boundary.
- The first official housing price index for the country named 'NHB RESIDEX' was launched in July, 2007 by the National Housing Bank (NHB).
- Overtime, the base year has been revised to FY 2012-13 to ensure capturing the latest information and accurately reflect the current economic situation in the country.
- Currently, National Housing Bank is publishing NHB RESIDEX for 50 cities on quarterly basis with FY 2012-13 as base year. Among 50 cities covered are 18 State/UT capitals and 37 Smart Cities.

National Payments Corporation of India (NPCI)

- It is an umbrella organisation for operating retail payments and settlement systems in India, is an initiative of Reserve Bank of India (RBI) and Indian Banks' Association (IBA) under the provisions of the Payment and Settlement Systems Act, 2007, for creating a robust Payment & Settlement Infrastructure in India.
- Considering the utility nature of the objects of NPCI, it has been incorporated as a **"Not for Profit" Company** under the provisions of Section 25 of Companies Act 1956 (now Section 8 of Companies Act 2013), with an intention to provide infrastructure to the entire Banking system in India for physical as well as electronic payment and settlement systems.
- The Company is focused on bringing innovations in the retail payment systems through the use of technology for achieving greater efficiency in operations and widening the reach of payment systems.

Helicopter Drop (Helicopter Money)

- A helicopter drop, or helicopter money, is a hypothetical, unconventional tool of monetary policy that involves printing large sums of money and distributing it to the public in order to stimulate the economy.
- Helicopter drop is largely a metaphor for unconventional measures to jumpstart the economy during deflationary periods.

Cash-to-GDP Ratio

- Cash-to-GDP Ratio or Currency in Circulation (CIC) to GDP Ratio or simply currency-to-GDP ratio shows the value of cash in circulation as a ratio of GDP.
- India's Cash-to-GDP Ratio:

- For over a century, coins, currency notes and cheques have been the prominent form of payment in India. With the intervention of information technology, the use of paper cheques as well as cash has undergone a dramatic transformation yet the use of cash as a mean to settle transactions and making payments continues to be very high.
- Despite of huge increase in usage of plastic cards and digital transactions in recent years, the currency in circulation as a proportion of GDP is highest in India among the emerging economies. In March 2016, the cash-to-GDP ratio of India stood at 10.6%, which was highest in 16 years. This was also highest cash-GDP ratio among BRICS countries.
- China's currency-to-GDP Ratio stood at 14.6% in 2000 and was at 9.1% at end of 2015. Similarly, for Russia it is high at 9% whole for Brazil it is 3% and South Africa it is 2.5% {lowest among BRICS}.
- The currency-GDP Ratio for developed countries such as US, UK and Japan has been much higher.

Ratan P. Watal committee

- It was 11-member committee notified in August 2016 by the Finance Ministry. It was tasked to review existing payment systems in the country and recommend appropriate measures for encouraging Digital Payments.

Recommendations:

- The Committee has recommended medium term strategy for accelerating growth of Digital Payments in India.
- The strategy must be backed with regulatory regime which is conducive to bridging the Digital divide by promoting competition, interoperability and open access in payments.
- It also recommends inclusion of financially and socially excluded groups and assimilation of emerging technologies in the market.
- It calls for need of safeguarding security of Digital Transactions and providing level playing to all stakeholders and new players who will enter this new transaction space.
- It has suggested inter-operability of payments system between banks and non-banks, up-gradation of digital payment infrastructure and institutions.
- It also recommends a framework to reward innovations for leading efforts in enabling digital payments.
- Greater use of Aadhaar and mobile numbers for making digital payments as easy as cash.
- Called for inter-operable payments between bank and non-banks as well as within non-banks.
- Proposed to make regulation of payments independent from the function of central banking to give the entire digital payments boost.
- Give Board for Regulation and Supervision of Payment and Settlement Systems (BPSS) independent statutory status within overall structure of RBI.
- Called for amendments to the Payments and Settlement Systems Act, 2007 to provide BPSS explicit mandate for competition and innovation, consumer protection, open access and interoperability, regulations on systemic risks and data protection.
- Operations of payment systems like National Electronic Fund Transafer (NEFT) and Real Time Gross Settlement (RTGS) can be outsourced after a cost benefit analysis.

Public Sector Asset Rehabilitation Agency (PARA)

- The Public Sector Asset Rehabilitation Agency (PARA) colloquially called "Bad Bank" is a proposed agency to assume the Non-Performing Assets (NPA) of public sector banks in India and to deal with the recovery of the bad loans.
- This agency has been proposed in Economic Survey 2016-17.

How would a PARA actually work?

- It could solve the coordination problem since debts would be centralised in one agency.
- It could be set up with proper incentives by giving it an explicit mandate to maximise recoveries within a defined time.
- It would separate the loan resolution process from concerns about bank capital.
- It would purchase specified loans from banks and then work them out, depending on professional assessments of the value-maximising strategy.
- Once the loans are off the books of the public sector banks, the government would recapitalise them, thereby restoring them to financial health.
- Similarly, once the financial viability of the over-indebted enterprises is restored, they will be able to focus on their operations, rather than their finances.

Public Sector Asset Rehabilitation Agency (PARA)

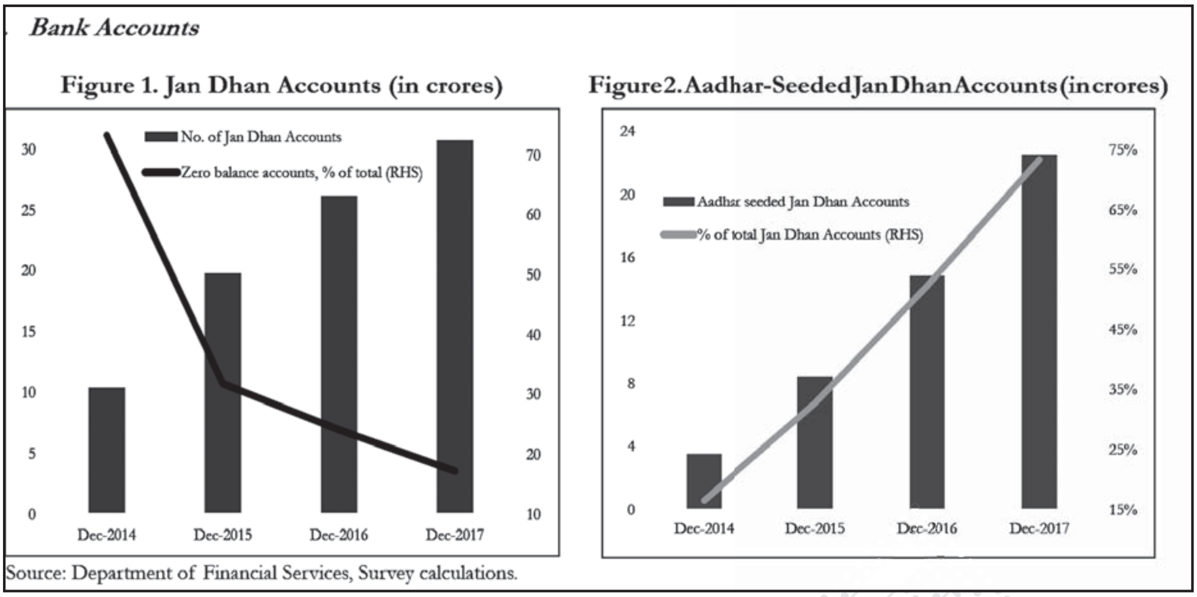
Trends in Savings

Saving, Investment rate (per cent)

	2011-12	2012-13	2013-14	2014-15	2015-16
Investment rate	39.0	38.7	33.8	34.4	33.3
Saving rate	31.6	33.9	32.1	33.1	32.3
Saving Investment gap	-4.3	-4.8	-1.7	-1.3	-1.0
Source: Based on date from CSO					

- Savings in an economy originate from households, private corporate sector and public sector (including general government). In line with overall savings of the economy, the savings of household sector as a ratio of GDP have declined from 23.6 per cent in 2011-12 to 19.2 per cent in 2015-16, while that of private corporate sector have increased .
- With the general government savings showing an improvement, (although it continued to be in negative territory), the reduction in the public savings up to 2014-15 can be ascribed to lower level of savings of public sector undertakings.

Jan Dhan Statistics



Pradhan Mantri Jan-Dhan Yojana statistics in March 2019 (All figures in crores)

Bank Type	Number of Accounts				Balance in Accounts	Number of Ru Pay Cards
	Rural	Urban	Total	**Female**		
Public Sector Banks	15.09	12.80	27.89	14.68	₹ 75,028.71	22.83
Regional Rural Banks	4.94	0.94	5.88	3.26	₹ 16,055.81	3.75
Private Banks	0.63	0.47	1.10	0.59	₹ 2,482.67	1.02
Total	**20.66**	**14.22**	**34.87**	**18.53**	**₹93,567.18 cr (US$13 billion)**	27.60

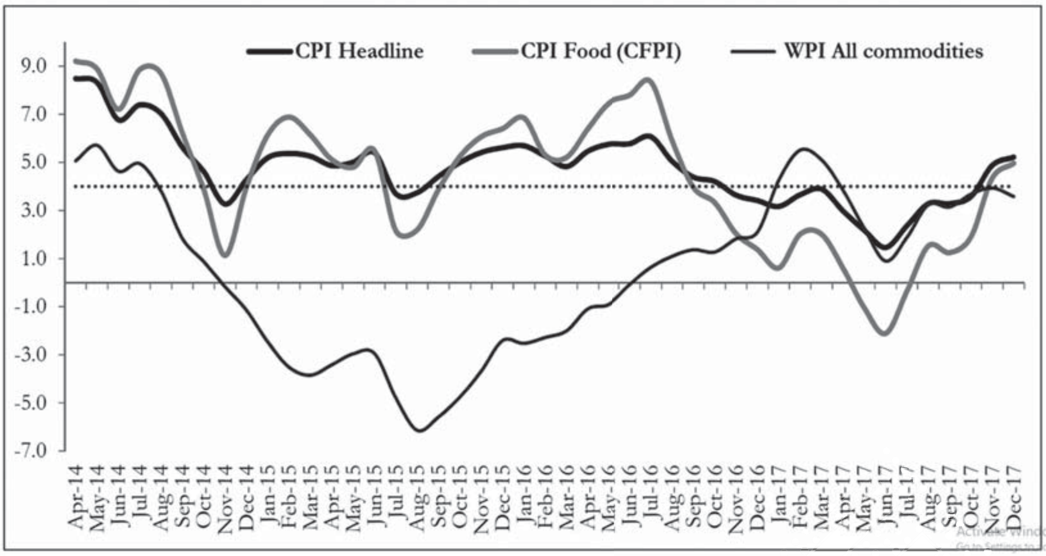
Trends in Inflation

General inflation based on different price indices (per cent)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (Apr-Dec)*
WPI	6.9	5.2	1.2	-3.7	1.7	2.9 (P)
CPI (combined)	10.2	9.5	5.9	4.9	4.5	3.3 (P)
CPI (IW)	10.4	9.7	6.3	5.6	4.1	2.3#
CPL (AL)	10.0	11.6	6.6	4.4	4.2	2.0#
CPI (RL)	10.2	11.5	6.9	4.6	4.2	2.1#

Source: Department of Industirial Policy and Promotion (DIPP) for WPI, Central Statistics Office (CSO) for CPI (combined) and Labour Bureau for CPI (IW), CPI (AL) and CPI (RL)
Notes: CPI (combined) inflation for 2012-2013 and 2013-14 is based on old series 2010=100;
P-Provisional;
#-For period 2017 (April-November);
IW stands for Industrial Workers, AL stands for Agricultural Labourers and RL stands for Rural Labourers;
*-Inflation during April to December (Apr-Dec) 2017 ispercentage change in average of monthly index for nine months from April to December 2017 over average of monthly index for nine months from April to December 2016.

Figure 1 : Inflation based on WPI and CPI (per cent)



Black vs. White money

Table: Dual Dimensions of Cash

Origin/nature		
	White	Black
Transactions	Company pays employee salary in cash; payment and receipt are declared to tak authorities	Small enterprise pays for input in cash; neither declares the transaction to tax authorities
Store of value	Household kekeps saving in cash for emergencies	Business hords undeclared cash, with a view to distributing it to his candidate during elections

Trends in Non Performance Asset

Figure 6a. Restructured Loan Ratio (Per cent of Gross Loans)

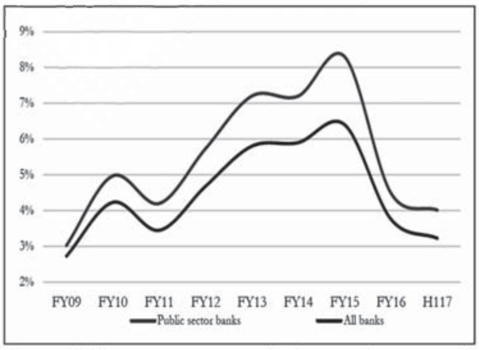
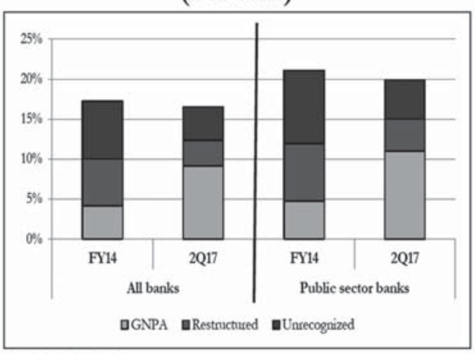


Figure 6b. Total Stress (Per cent)



Source: RBI, except unrecognized stressed assets estimated by Credit Suisse.

[2] The reduction in restructured assets after 2014-15 occurred largely because many companies fell out of compliance with the restructuring agreements, leading banks to classify many of the loans as non-performing.

Estimated Non-Performing Loans

	India	China	India	China
	1998-99	2002	2016@	2015
Total ($ billion)	14.0	209.1	191.1	1300
Percent of total loans	14.7	23.4	16.6^	15.5
Percent of GDP	3.0	14.4	8.4	12.0
Memo Item				
Bank Credit to GDP (%)	20.5	108#	53.4*	137.5**

Source: IMF, RBI, Credit Suisse estimates.

@: As per latest data available till September 2016. ^: Total stressed loans, which includes NPAs restructured loans and unrecognised stressed loans; *Using outstanding credit to industry data from RBI as on March 2016; #: People's Bank of China as reported in "Money & Credit; China Social Financing", Yardeni Research, Inc., November 2016. ** PRC 2016 Apricle IV consultation, IMF.

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3

Financial Sector & SEBI

G Sec

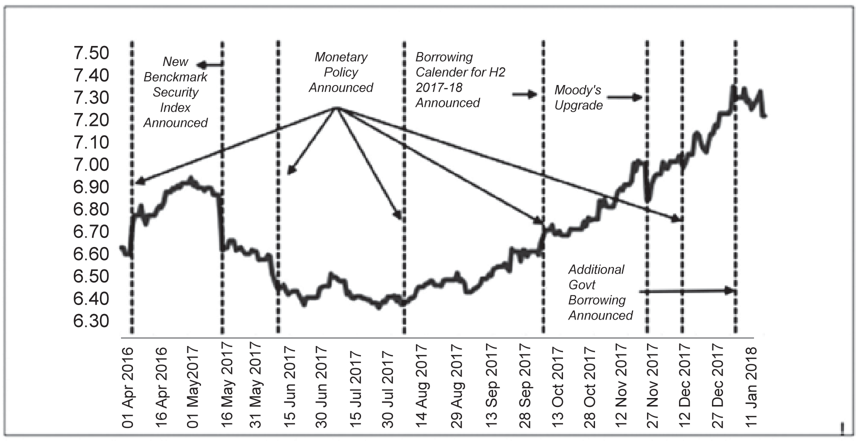
- A government security (G-Sec) is a **debt obligation of the Indian government to fund their fiscal deficit.**
- These instruments are tradable and are issued either by the central or the state government.
- These securities are offered for short term as well as long term.
- Short-term instruments with a maturity of less than one year are typically called treasury bills (T-Bills) whereas long-term instruments are called government bonds or dated securities with a maturity of one year or more.
- However in India, the central government issues T-Bills as well as bonds or dated securities while the state government issues only the bonds or dated securities called State Development Loans (SDL).

Types of G-Sec

- **Treasury Bills (T-bills)** - T-bills are money market short term debt instruments which are issued by the central government in three tenures mainly 91-day, 182-day and 364-day. These instruments are zero coupon bonds which pay no interest but are actually issued at a discount and redeemed at the face value at maturity.
- **Cash Management Bills (CMBs)** - CMBs are a new short-term instrument having common characteristic of T-Bills but with a maturity of less than 91-days. These instruments are issued to meet the temporary disparity in the cash flow of the government. CMBs too are issued at a discount and redeemed at face value on maturity.
- **Dated Government Securities** - These instruments are long-term securities which carry a fixed or floating coupon (interest) rate paid on the face value, which is payable at fixed time periods generally half-yearly. The maximum tenure of these securities is 30 years.

Economic Survey - The 10 year G-sec yield, meanwhile, has hardened since September 2017.

10 Year D-Sec Yield (Per cent)



Source: Bloomberg.

Treasury bills

- Treasury bills; generally shortened as T-bills, **have a maximum maturity of 364 days**. Hence, they are categorized as **money market instruments** (money market deals with funds with a maturity of less than one year).
- Treasury bills are presently issued in **three maturities, namely, 91 day, 182 day and 364 day**.
- Treasury bills are zero coupon securities and pay no interest. Rather, they are issued at a discount (at a reduced amount) and redeemed (given back money) at the face value at maturity.
- For example, a 91 day Treasury bill of Rs.100/- (face value) may be issued at say Rs. 98.20, that is, at a discount of say, Rs.1.80 and would be redeemed at the face value of Rs.100/-. This means that you can get a hundred-rupee treasury bill at a lower price and can get Rupees hundred at maturity.
- The return to the investors is the difference between the maturity value or the face value (that is Rs.100) and the issue price. The Reserve Bank of India conducts auctions usually every Wednesday to issue T-bills. The rational is that since their maturity is lower, it is more convenient to avoid intra period interest payments.
- Treasury bills are usually held by financial institutions including banks. They have a very important role in the financial market beyond investment instruments. Banks give treasury bills to the RBI to get money under repo. Similarly, they can keep it as part of SLR.

Bonds

- **Bonds provide safety of principal and periodic interest income**.
- They tend to **be less volatile** and therefore **provide stability**.
- These are Fixed Income Products under less risk category and are issued by corporate and governments.
- Bonds offer liquidity as the bond market is huge and active
- By investing in bonds and holding them till redemption, one can earn maximum returns in the form of regular interest plus the face value amount on maturity.
- All debentures are bonds, but not all bonds are debentures. Whenever a bond is unsecured, it can be referred to as a debenture.

Economic Survey - Resource mobilisation through issuance of corporate bonds (public issuance and private placement) rose rapidly during 2017-18 (April - November) as compared to the corresponding period in the previous year, with an amount of `4.23 lakh crores raised. Private placements continued to dominate the corporate bond market

Equity

- **Companies sell a portion of ownership to public in order to raise capital for further expansion**.
- This portion of ownership is commonly known as shares, stocks and equity.
- Trading on equity occurs when the equity of companies are sold or bought in the stock exchange
- Initial Public Offer is the process by which a company sells its shares to the public and thereby raises money for growth and expansion.
- It allows investors to buy the shares in primary market.
- Once the stock gets listed on the exchange, shares can be bought through secondary market.
- The growth of the company will surely lead to increase in the price of the shares bought by the investors

Total Resources Mobilized by Corporate Sector (Rs. Crore)

Year		Equity Issues			Debt Issues		Total Resource Mobilization (4+7)
	Public & Rights	Private Placements	Equity Total	Public	Private Placements	Debt Total	
1	2	3	4	5	6	7	8
April 2016-Nov 2016	24,429	31,319	55,748	23,901	4,19,387	4,43,288	4,99,036
April 2017-Nov 2017	66,424	78,344	1,44,767	3,897	4,18,952	4,22,848	5,67,615

Source: SEBI.

Notes: *1. Private place of equity includes, amount raised through preferential allotments, QIP and IPP mechanism.*

2. Public equity issues include both IPOs and EPOs.

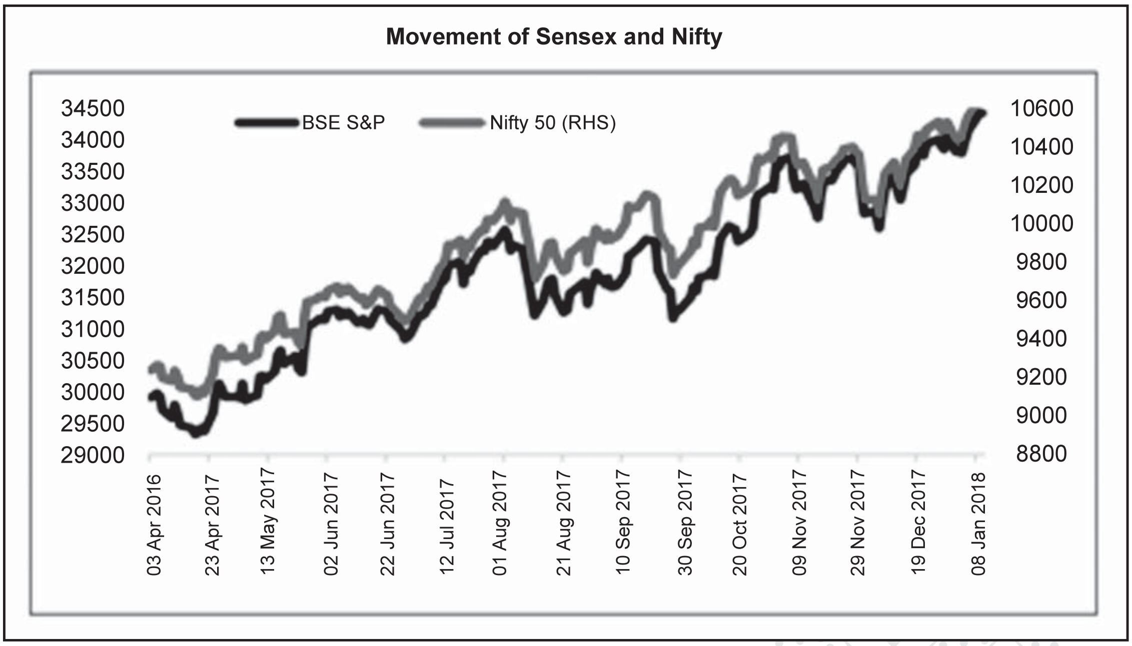
Non-Convertible Debentures (NCDs)

- Non convertible debentures are **issued by the company so as to raise money from public**.
- It is **for a specific tenure** where the company pays **a fixed interest on the investment**.
- NCDs **cannot be converted into shares**. On maturity, principal amount along with interest will be paid.
- Agencies such as CRISIL, ICRA, CARE and Fitch Ratings give ratings to the company that raise money through NCD.
- NCD can be secured or unsecured. Secured NCDs are backed by the issuer company's assets to fulfill the debt obligation.
- TDS is not applied on interest earned on NCDs
- NCDs offer better risk adjusted returns compared to other debt investment options.

Economic Survey - Borrowings through Non-Convertible Debentures (NCDs) witnessed a growth of 3.1 per cent as on end-September 2017 against a 19.8 percent growth during 2016-17 while bank borrowings increased by 5.4 per cent during the first half of the year (March 2017 to September 2017) against a negative growth of 7.0 per cent during 2016-17.

Bombay Stock Exchange

- The Bombay Stock Exchange (BSE) is the first and largest securities market in India and was established in 1875 as the Native Share and Stock Brokers' Association.
- Based in Mumbai, India, the BSE lists close to 6,000 companies and is one of the largest exchanges in the world,
- The BSE's overall performance is measured by the Sensex, an index of 30 of the BSE's largest stocks covering 12 sectors.



Sources: BSE & NSE.

National Stock Exchange

- The National Stock Exchange of India Limited (NSE) is India's largest financial market.
- Incorporated in 1992, the NSE has developed into a sophisticated, electronic market, which ranked fourth in the world by equity trading volume in 2015.
- Trading commenced in 1994 with the launch of the wholesale debt market and a cash market segment shortly thereafter.
- One of the more popular offerings is the NIFTY 50 Index, which tracks the largest assets in the Indian equity market.

SENSEX

- Sensex, otherwise known as the S&P BSE Sensex index, is the benchmark index of the Bombay Stock Exchange (BSE) in India.
- Sensex is composed of 30 of the largest and most actively-traded stocks on the BSE, providing an accurate gauge of India's economy.

NIFTY 50

- The NIFTY 50 is the flagship index on the National Stock Exchange of India Ltd. (NSE).
- The Index tracks the behavior of a portfolio of blue chip companies, the largest and most liquid Indian securities.
- It includes 50 of the approximately 1600 companies listed on the NSE, captures approximately 65% of its float-adjusted market capitalization and is a true reflection of the Indian stock market.
- The NIFTY 50 covers major sectors of the Indian economy and offers investment managers exposure to the Indian market in one efficient portfolio. The Index has been trading since April 1996 and is well suited for benchmarking, index funds and index-based derivatives.
- The NIFTY 50 is owned and managed by India Index Services and Products Ltd. (IISL). IISL is India's first specialized company focused on an index as a core product

Demat Account

- A demat account is one of the basic requirements to trade online and to convert physical shares into the dematerialized format.
- It facilitates in document free trade and transfer transactions.
- It essentially works on similar lines of a bank account.
- It holds the financial statements and certificates of the holder's purchases of shares, bonds, government securities, mutual funds, and exchange-traded funds (ETFs)

Mutual Funds

- Mutual Funds a sort of financial intermediary, pools money from several investors to invest the collected funds in other financial instruments.
- These instruments are objectively researched by funds manager and declared to investors in form of offer documents.
- It is easy to enter or exit mutual funds, based on it types.
- When a fund is introduced in the market for the first time, it is known as New Fund Offer (NFO).

Market Resource Mobilisation by Mutual Funds (Rs. Crore)

Financial Year	No. of Folios	Gross Mobilization	Redemption	Net Inflow	Assets at the end of period
2016-17	5,53,99,631	1,76,15,549	1,72,72,500	3,43,049	17,54,619
2017-18#	6,31,65,739	1,18,83,698	1,16,30,549	2,53,149	**21,41,346**
					Source: SEBI.

- The Indian mutual fund industry also registered a robust growth during April 2016 – October 2017.

Commodity Trading

- Commodity trading is an essential part of the financial market that **provides investors the opportunity to rule out market volatility and make profits.**
- Indian market offers a wide variety of commodities for trading, which are classified as precious metal, base metal, energy and agro-based commodities.
- More often online commodity trading is traded in futures, where future contracts are traded and not commodities itself.

Futures Contract:

- Futures are standardized contracts that happen over exchange.
- Both the buyer and the seller have the obligation to fulfill the contract.
- As future prices change every day, the difference in prices is settled on daily basis through a process called marking to market.
- Future contracts are the best hedging tools and are used to limit the risk exposure faced by an investor

Return on Assets (RoA)

- Return on assets (ROA) is an indicator of **how profitable a company is relative to its total assets.**
- ROA gives a manager, investor, or analyst an idea as to how efficient a company's management is at using its assets to generate earnings. Return on assets is displayed as a percentage.
- RoA = Net Income divided by Total Assets

Return on Equity (RoE)

- Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity.
- Because shareholders' equity is equal to a company's assets minus its debt, ROE could be thought of as the return on net assets.
- ROE is considered a measure of how effectively management is using a company's assets to create profits
- RoE = Net Income divided by Average Shareholder's Equity
- Net income is the amount of income, net of expenses, and taxes that a company generates for a given period.
- Average shareholder equity is calculated by adding equity at the beginning of the period to equity at the end of the period and dividing by two.

Primary Market

- The primary market is where securities are created.
- It's in this market that firms sell (float) new stocks and bonds to the public for the first time.
- An initial public offering, or IPO, is an example of a primary market.

Secondary Market

- The secondary market is where investors buy and sell securities they already own.
- It is what most people typically think of as the "stock market," though stocks are also sold on the primary market when they are first issued.
- The national exchanges, such as the National Stock Exchange (NSE) and the Bombay Stock Exchange are secondary markets.

Underwriter

- An underwriter is any party that evaluates and assumes another party's risk for a fee.
- The fee is often a commission, premium, spread, or interest.
- Underwriters are critical to the financial world including the mortgage industry, insurance industry, equity markets, and common types of debt security trading.

Rights Issue

- A rights offering is a group of rights offered to existing shareholders to purchase additional stock shares, known as subscription warrants, in proportion to their existing holdings.

- In a rights offering, the subscription price at which each share may be purchased is generally discounted relative to the current market price.
- Rights are often transferable, allowing the holder to sell them in the open market.

Primary Market Resource Mobilisation through Public and Rights Issues (Rs. Crore)

Issue Type	2016-17#		2017-18#	
	No. of Issues	Amount	No. of Issues	Amount
Public issues (Equuity)	65	23,134	118	62,745
Right Issue (Equity)	5	1,297	12	3,675
Total Equity	70	24,431	130	66,420
Public Issue (Debt)	10	23,893	4	3,896
Total	80	48,325	134	70,316

Source: SEBI
Note: # indicates April-November of the respective financial year.

Private Placement

- A private placement involves the sale of securities to a relatively small number of select investors.
- Investors targeted include wealthy accredited investors, large banks, mutual funds, insurance companies and pension funds.
- A private placement is different from a public issue in which securities are made available for sale on the open market to any type of investor.
- A private placement is far less expensive and faster than other means of raising capital.
- Investors in private placement offerings often expect higher returns for taking greater risks.
- **Economic Survey** - Private placements continued to dominate the corporate bond market.

Initial Public Offering

- The process of offering shares in a private corporation to the public for the first time is called an initial public offering (IPO).
- Growing companies that need capital will frequently use IPOs to raise money, while more established firms may use an IPO to allow the owners to exit some or all their ownership by selling shares to the public.
- In an initial public offering, the issuer, or company raising capital, brings in underwriting firms or investment banks to help determine the best type of security to issue, offering price, amount of shares and time frame for the market offering

Total Resources Mobilized by Corporate Sector (Rs. Crore)

Year	Equity Issues			Debt Issues			Total Resource Mobilization (4+7)
	Public & Rights	Private Placements	Equity Total	Public	Private Placements	Debt Total	
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Source: SEBI.

Notes:

- *Private place of equity includes, amount raised through preferential allotments, QIP and IPP mechanism.*
- *Public equity issues include both IPOs and EPOs.*

Follow On Public Offer

- A follow-on public offer (FPO) is the issuance of shares to investors by a public company that is currently listed on a stock market exchange.
- An FPO is a stock issue of additional shares made by a company that is already publicly listed and has gone through the IPO process.
- FPOs are popular methods for companies to raise additional equity capital in capital markets through an issue of stock.

Qualified Institutional Placement (QIP)

- A qualified institutional placement (QIP) is, at its core, a way for listed companies to raise capital, without having to submit legal paperwork to market regulators.
- It is common in India and other southeast Asian countries.
- The Securities and Exchange Board of India (SEBI) created the rule to avoid the dependence of companies on foreign capital resources.
- QIPs are helpful for a couple of reasons. Their use saves time as the issuance of QIPs and the access to capital is far quicker than through an FPO.
- The speed is because QIPs have far fewer legal rules and regulations to follow, making them much more cost-efficient.
- Further, there are fewer legal fees, and there is no cost of listing overseas.

Institutional Placement Program (IPP)

- IPP is one of the methods available to Indian listed companies for the purpose of complying with minimum public shareholding requirements under the Securities Contracts Regulation (Rules), 1957 (SCRR).
- The IPP enables private companies to comply with the mandatory listing requirement of 25% public shareholding.
- The IPP allows promoters to either issue fresh equity or sell their holding by up to 10% of the total equity through an auction, albeit 'only for the purpose of complying with minimum public shareholding requirements'.

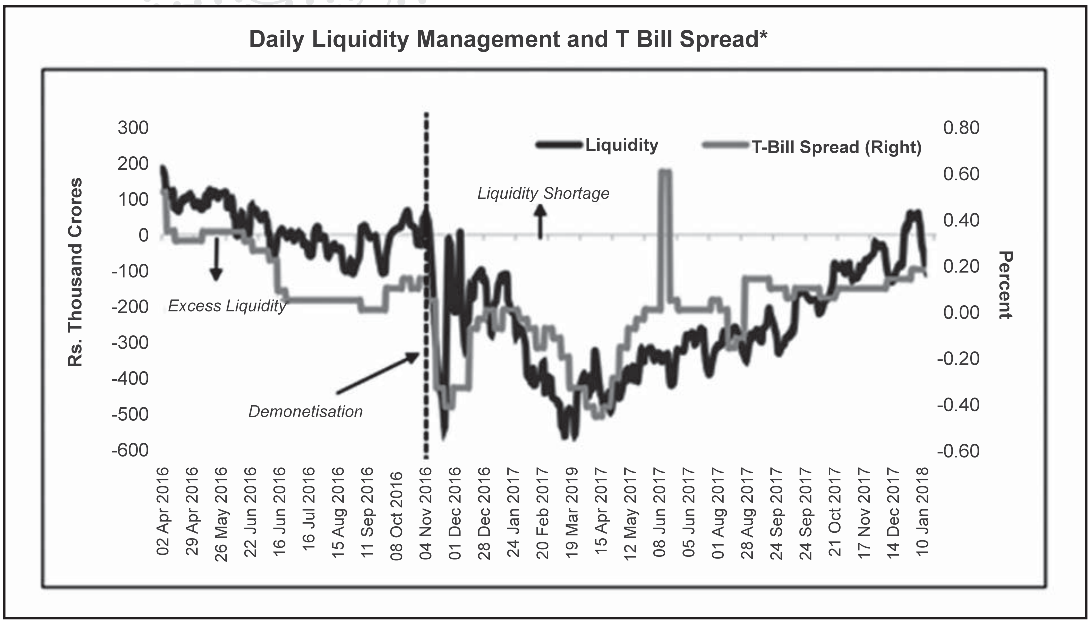
- Apart from this, it makes easier for government to sell up to 10% of its stake in listed public sector companies.
- The Government faced a huge shortfall vis-à-vis its disinvestment target of Rs. 40,000 crore for 2011 and IPP route was just like a shot in the arm.
- The Institutional Placement Program (IPP) was approved by Securities and Exchange Board of India (SEBI) at its board meeting held on 3 January 2012.

Securities and Exchange Board of India

- The Securities and Exchange Board of India (SEBI) is the most important regulatory body of the securities market in the Republic of India.
- The Securities and Exchange Board of India was established as a non-statutory regulatory body in the year 1988, but it was not given statutory powers until January 30, 1992, when the Securities and Exchange Board of India Act was passed by the Parliament of India.
- Its headquarters is at the business district at the BandraKurla Complex in Mumbai, but it also possesses Northern, Eastern, Southern and Western regional branch offices in the cities of New Delhi, Kolkata, Chennai and Ahmedabad, respectively.
- The Securities and Exchange Board of India (SEBI) supplanted the Controller of Capital Issues, which hitherto had regulated the securities market in India, as per the Capital Issues (Control) Act of 1947, one of the first acts passed by the Parliament of India following its independence from the British Empire.
- It is run by its own members, which consist of the Chairman, who is elected by the Parliament of India, two officers from the Union Finance Ministry, one member from the Reserve Bank of India and five members who are elected by the Parliament with the Chairman.
- SEBI in India is similar to the Securities and Exchange Commission (SEC) in the U.S.
- The Securities and Exchange Board of India's stated objective is "to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto."

Treasury Bills

- When the government is going to the financial market to raise money, it can do it by issuing two types of debt instruments – treasury bills and government bonds.



- Treasury bills are issued when the government need money for a shorter period while bonds are issued when it need debt for more than say five years.
- Treasury bills are presently issued in three maturities, namely, 91 day, 182 day and 364 day.
- Treasury bills are zero coupon securities and pay no interest. Rather, they are issued at a discount (at a reduced amount) and redeemed (given back money) at the face value at maturity.
- The Reserve Bank of India conducts auctions usually every Wednesday to issue T-bills.
- Individuals, Firms, Trusts, Institutions and banks can purchase T-Bills.

Sovereign Gold Bonds

- These are issued by RBI on behalf of the Government of India in rupees and denominated in grams of gold and restricted for sale to the resident Indian entities only both in demat and paper form.
- The minimum and maximum investment limits are two grams and 500 grams of gold per person per fiscal year respectively.
- The rate of interest for the year 2015-16 is 2.75 per cent per annum, payable on a half yearly basis.
- The tenor of the Bond is for a period of 8 years with exit option from 5th year onwards

Gold Monetisation Scheme

- Bureau of Indian Standards (BIS) certified Collection, Purity Testing Centres (CPTC) collect the gold from the customer on behalf of the banks.
- The minimum quantity of gold (bullion or jewellery) which can be deposited is 30 grams and there is no limit for maximum deposit.
- Gold Saving Account can be opened with any of the designated bank and denomination in grams of gold for short-term period of 1-3 years, a medium-term period of 5-7 years and a long-term period of 12-15 years
- The banks will have a tripartite / Bipartite Legal Agreement with refiners and CPTCs. For the year 2015-16 interest rates has been fixed as 2.25 percent and 2.5 percent for the medium and long term respectively. Redemption is made in cash/gold for short term and in cash for medium and long term deposits.
- The difference between the current borrowing cost for the Government and the interest rate paid by the Government under the medium/long term deposit shall be credited to the Gold Reserve Fund

Insurance Sector

- The insurance industry of India consists of 57 insurance companies of which 24 are in life insurance business and 33 are non-life insurers.
- Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company.
- Apart from that, among the non-life insurers there are six public sector insurers.
- In addition to these, there is sole national re-insurer, namely, General Insurance Corporation of India (GIC Re)
- The potential and performance of the insurance sector should be assessed on the basis of two parameters, viz., Insurance Penetration and Insurance Density. Insurance penetration is defined as the ratio of premium underwritten in a given year to the gross domestic product (GDP). Insurance density is defined as the ratio of premium underwritten in a given year to the total population.

Foreign Direct Investment (FDI)

- Foreign direct investment (FDI) is an investment made by a firm or individual in one country into business interests located in another country.

- Generally, FDI takes place when an investor establishes foreign business operations or acquires foreign business assets, including establishing ownership or controlling interest in a foreign company.
- Foreign direct investments are distinguished from portfolio investments in which an investor merely purchases equities of foreign-based companies.

Foreign Portfolio Investment (FPI)

- Foreign portfolio investment (FPI) consists of securities and other financial assets passively held by foreign investors.
- It does not provide the investor with direct ownership of financial assets and is relatively liquid depending on the volatility of the market.
- Foreign portfolio investment differs from foreign direct investment (FDI), in which a domestic company runs a foreign firm, because although FDI allows a company to maintain better control over the firm held abroad, it may face more difficulty selling the firm at a premium price in the future.

Foreign Institutional Investor (FII)

- A foreign institutional investor (FII) is an investor or investment fund registered in a country outside of the one in which it is investing.
- Institutional investors most notably include hedge funds, insurance companies, pension funds and mutual funds.
- The term is used most commonly in India and refers to outside companies investing in the financial markets of India.

Financial Stability and Development Council

- The Financial Stability and Development Council (FSDC) was constituted in December, 2010. The FSDC was set up to strengthen and institutionalize the mechanism for maintaining financial stability, enhancing inter-regulatory coordination and promoting financial sector development.
- An apex-level FSDC is **not a statutory body**.
- The Council is chaired by the **Union Finance Minister** and its members are Governor, Reserve Bank of India; Finance Secretary and/or Secretary, Department of Economic Affairs; Secretary, Department of Financial Services; Chief Economic Adviser, Ministry of Finance; Chairman, Securities and Exchange Board of India; Chairman, Insurance Regulatory and Development Authority and Chairman, Pension Fund Regulatory and Development Authority. It also includes the chairman of the Insolvency and Bankruptcy Board (IBBI).

National Pension System (NPS)

- The National Pension System (NPS) is a defined contribution-based pension scheme launched by the Government of India with the objectives of providing old age income,market-based returns over the long run and extending old age income security coverage to all citizens.
- The efforts of the government are to widen the reach of the scheme beyond employees who are within the government fold.

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4

Agriculture

Price Control

- The fluctuating prices for key crops such as tomato, potato and onion (TOP) has resulted in the government announcing Rs. 500 crores for initiating Operation Green. It aims to stabilize the demand-supply situation for most sought perishable crops and promote initiatives to control disparity.
- Main aim of government is to stabilize prices of these crops to counter headline inflation.

Digital Agriculture Economy

- The agricultural sector has witnessed the infusion of digital intervention. It can transform the entire input supply chain, crop management cycle, storage and market access. There is massive sector looking at modernizing agriculture by bringing in applications in precision agriculture/ traceability/ climate smart agriculture, creation of digital platforms and natural resource management.
- Promotion of agriculture through Kisan TV , provision for subsidy and enrollment under PM-KISAN at Common Service Centre comes under it.

Climate Smart Agriculture

- Climate-smart agriculture (CSA) is an approach that helps to guide actions needed to transform and reorient agricultural systems to effectively support development and ensure food security in a changing climate.
- CSA aims to tackle three main objectives: sustainably increasing agricultural productivity and incomes; adapting and building resilience to climate change; and reducing and/or removing greenhouse gas emissions, where possible.
- India had declared 2018 as International Year of Millet to promote this concept.

Enabling Farmer Community

- This has been done through promotion of FPOs (farmer Producer Organization) , PM-KISAN e.t.c
- Currently there are over 900 FPO's (both registered and under process) supported by Small Farmer Agribusiness Consortium (SFAC) which have mobilised approximately 9 lakh farmers across India.

Current Growth Rate in Agriculture Sector

- Gross Value Added (GVA) at basic prices for 2018-19 from agriculture, forestry and fishing sector is ***estimated to grow by 2.7 per cent*** as compared to growth of 5.0 per cent in 2017-18.
- Growth rate in agriculture has declined as compared to previous year.

Crop Production estimation (2018-2019)

- **Kharif:** As per analysis of ***National Bulk Handling Corporation (NBHC)*** the total Kharif Cereals production is likely to ***decline marginally by 1.71 per cent.***
- **Rabi:** According to the first estimate of rabi production in 2018-19, National Bulk Handling Corporation (NBHC), ***rabi cereals production is expected to decline by 9.91%.***

Irrigation

- Only ***34.5% of total cropped area*** is irrigated in India.

Innovative Farming Practices

- Under R & D, government has focused on promotion of innovative farming practices such as Zero Budget Natural Farming, Natural Farming, Rishi Farming, Vedic Farming, Cow Farming, Homa Farming e.t.c by bringing them under the umbrella of Pramparagat Krishi Vikash Yojna.

Agriculture credit and marketing Initiatives

- Credit is a critical input in achieving high productivity and overall production in the agricultural sector.
- The Government provides interest subvention of 3% on short-term crop loans up to Rs.3.00 lakh.
- Presently, loan is available to farmers at an interest rate of 7% per annum, which gets reduced to 4% on prompt repayment.
- Further, under ***Interest Subvention Scheme***, in order to provide relief to the farmers on occurrence of natural calamities, the interest subvention of 2% shall continue to be available to banks for the first year on the restructured amount.
- In order to discourage distress sale by farmers and to encourage them to store their produce in warehouses against warehouse receipts, the benefit of interest subvention will be available to small and marginal farmers having ***Kisan Credit Card*** for a further period of up to six months postharvest on the same rate as available to crop loan.
- ***PM KISAN*** has further strengthened farmer's finances and provision of transferring more funds during sowing season is a good step.
- Passing of the ***National Bank for Agriculture and Rural Development (Amendment) Bill, 2017*** is a good step to strengthen agricultural credit.
- There has been upsurge in rural credit growth. According to Reserve Bank of India's (RBI's) data, ***rural credit by scheduled commercial banks had gone up by 13.2 per cent as on December 2018 as against 11.5 per cent*** in the same period last year.

Agriculture Research and Development

- It is the main source of innovation, which is needed to sustain agricultural productivity growth in the long-term.
- There has been an increasing allocation of funds for R & D, which is dedicated for development of a total 209 new varieties/hybrids for Cereals, Pulses, Oilseeds, Commercial and ***Forage crops*** (***crops grown specifically to be grazed by livestock or conserved as hay or silage***), tolerant to various biotic and abiotic stresses with enhanced quality.

Agriculture Export Policy, 2018

- To make domestic agricultural commodities competitive in international market, government framed this policy.
- It aims to double agricultural exports and diversify agricultural export basket.

Dairy Sector

- India has the largest bovine population in the world.
- It is also largest producer of milk in the world.
- Hence, there is a large prospect to diversify dairy sector in India.
- India's dairy industry is expected to maintain 15 per cent compounded annual growth (CAGR) over 2016-20, and attain value of Rs 9.4 trillion.
- India accounts for 18.5 per cent of global milk production.

Dairy, Milk, Fluid Production by Country in 1000 MT

Switch to: Growth Rate Map

Rank	Country	Production (1000 MT)
1.	India	174,000
2.	EU-27	160,860
3.	United States	100,063
4.	Russian Federation	31,876
5.	China	31,100

Development of Dairy Sector

- Government has established ***Dairy Development and Infrastructure Development Fund*** with a total investment outlay of Rs. 10,881 crore for development of this sector.
- Apart from it has established ***Rashtriya Kamdhenu Ayog*** to conserve and protect bovines.
- It has also increased allocation for ***Rashtriya Gokul Mission*** up to 750 crore.

Fisheries Sector

- India is the second largest fish producing nation in the world accounting for 6.3% of global production.
- Government has proposed to create Department of Fisheries which will be beneficial for development of this sector.
- Apart from it, fisheries sector have been covered under PM-SAMPADA for forward linkages which has further benefitted the sector.

Conclusion

- The structural changes that are being witnessed by the agriculture sector in India necessitates ***re-orientation in policies towards this sector in terms of strengthening the agricultural value chain*** by focusing on allied activities like dairying and livestock development along with gender-specific interventions.
- Government has taken measures according ***Ashok Dalwai Committee*** with an aim of ***doubling the farmer's income by 2022.***
- Strengthening of ***Agro-export policy*** will help farmers to fetch better prices in international market for their produce.

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5

Industry & Labour

A strong and a robust industrial and manufacturing sector helps in promoting domestic production, exports and employment, all of which can be catalysts for higher growth in the economy.

Index of Industrial Production (IIP)

- The Index of Industrial Production (IIP) is measure of industrial performance, released by Central Statistics Office (CSO).
- CSO revised the base year of IIP in May, 2017 from 2004-05 to 2011-12.
- **Eight Core Industries-**
- The Index of Eight Core Industries measures the performance of eight core industries i.e. Coal, Crude Oil, Natural Gas, Petroleum Refinery Products, Fertilizers, Steel, Cement and Electricity.
- In line with the base year change in IIP, Department of Industrial Policy and Promotion, revised the base year of Index of Eight Core Industries from 2004-05 to 2011-12. The industries included in the eight core industries comprise about 40 per cent weight in the IIP.

Growth in the production of Eight Core Industries (per cent)

Sector	Weight	2015-16	2016-17	April-November 2017-18
Coal	10.3	4.8	3.2	1.5
Crude Oil	9.0	-1.4	-2.5	-0.2
Natural Gas	6.9	-4.7	-1.0	4.4
Refinery Products	28.0	4.9	4.9	3.6
Fertilizers	2.6	7	0.2	-1.1
Steel	17.9	-1.3	10.7	7.2
Cement	5.4	4.6	-1.2	0.6
Electricity	19.9	5.7	5.8	4.9
Overall Index	100	3.0	4.8	3.9

Source: Department of Industrial Policy and Promotion

SECTOR WISE ISSUES AND INITIATIVES

Steel Sector

- In the backdrop of a slowing world economy and over capacity in production of steel, India witnessed rising imports of cheap steel from countries like China, South Korea and Ukraine into Indian markets at low prices since early 2014-15.
- This dumping of cheaper steel imports adversely affected domestic producers.
- In order to address this, apart from raising customs duty and imposition of anti-dumping duty, Minimum Import Price (MIP) on a number of items was introduced with a sunset clause of one year.

MSME Sector

- The share of MSME Sector in the country's Gross Value Added (GVA) is approximately 32 per cent.
- MSMEs in India play a crucial role in providing large scale employment opportunities at comparatively lower capital cost than large industries and also in industrialization of rural & backward areas.
- As per the National Sample Survey (NSS) 73rd round, for the period 2015-16, there are 633.8 lakh unincorporated non-agriculture MSMEs in the country engaged in different economic activities providing employment to 11.10 crore workers.

Clothing and Textiles Sector

- The Apparel sector is a highly employment intensive industry especially for women.
- The sector witnesses a historic opportunity with China losing market share in clothing exports due to rising labour costs.
- However, India has not been able to leverage this opportunity due to India's competitors i.e. Bangladesh, Vietnam, Ethiopia having duty free access to markets of EU and USA; high domestic taxes on manmade fabrics vis a vis cotton fabrics; stringent labour laws; and high logistics cost.

Leather and Footwear Sector

- Just like the clothing sector, the leather and footwear sector is a highly employment intensive sector with lower capital requirements.
- However, the global demand for footwear is moving towards non leather footwear, while Indian tax policies favour leather footwear production.
- India faces high tariffs in partner country markets in exports of leather goods and non-leather footwear.

Implementation of GST and its impact on Industry

- GST facilitated the creation of one common market in the country by removing tax barriers; eliminated cascading of taxes thereby reducing cost of production of manufacturing goods; and enhance ease of doing business by cutting down transaction costs associated with the complex tax regime.

LABOUR LAWS/SCHEME REFORMS

Draft Code On Wages Bill 2017

- As part of labour law reforms, the Government has undertaken the exercise of rationalisation of the 38 Labour Acts by framing 4 labour codes viz Code on Wages, Code on Industrial Relations, Code on Social Security and Code on occupational safety, health and working conditions.
- The Code on Wages Bill 2017 has been introduced in Lok Sabha on 10.08.2017 and it subsumes 4 existing Laws, viz. the Minimum Wages Act, 1948; the Payment of Wages Act, 1936; the Payment of Bonus Act, 1965; and the Equal Remuneration Act, 1976.
- After the enactment of the Code on Wages, all these four Acts will get repealed. The Codification of the Labour Laws will remove the multiplicity of definitions and authorities leading to ease of compliance without compromising wage security and social security to the workers.
- At present, the provisions of the Minimum Wages Act and the Payment of Wages Act do not cover substantial number of workers, as the applicability of both these Acts is restricted to the Scheduled Employments / Establishments. However, the new Code on Wages will ensure minimum wages to one and all and timely payment of wages to all employees irrespective of the sector of employment without any wage ceiling.
- A concept of statutory National Minimum Wage for different geographical areas has been introduced. It will ensure that no State Government fixes the minimum wage below the National Minimum Wages for that particular area as notified by the Central Government.
- The proposed payment of wages through cheque or digital/ electronic mode would not only promote digitization but also extend wage and social security to the worker. Provision of an Appellate Authority has been made between the Claim Authority and the Judicial Forum which will lead to speedy, cheaper and efficient redressal of grievances and settlement of claims
- Penalties for different types of violations under this Code have been rationalized with the amount of fines varying as per the gravity of violations and repeat of the offences. Provision of compounding of offences has been made for those which are not punishable by a penalty of imprisonment.
- Further, the Code on Wages Bill 2017, in the clause 9 (3), clearly states that the Central Government, before fixing the national minimum wage, may obtain the advice of the Central Advisory Board, having representatives from employers and employees. Therefore the Code provide for a consultative mechanism before determining the national minimum wage.

Universal Account Number

- The Universal Account Number (UAN) is a 12 digit number which is provided to each member of the Employees' Provided Fund Organisation (EPFO) through which he can manage his PF accounts. This number is issued by the Ministry of Employment and Labour under the Government of India. It helps the person to get all Provided Fund (PF) information in one place irrespective of the organization he works for.
- Earlier, when an individual joined a new organization, he was assigned a new PF account number. Thus, it was very difficult to get a proper estimate of the PF of members. And in case of any payout issues, it was difficult to keep a track of activities. In order to reduce this problem, the UAN came into existence. It is a universal number which helps the member to assemble all his PF accounts associated with multiple ids of different organizations at one place. With the help of UAN, the employee can easily withdraw and transfer funds.

Benefits of Universal Account Number (UAN)

- The UAN helps the EPFO in tracking the change in the job of the employee.

- When the employee changes his job, he has to link the new PF account to the UAN and hence the EPFO will update the same in its records.
- UAN facilities can be accessed online making withdrawals and transfers easy when one changes his job.
- UAN also ensures that all PF accounts of the employee are genuine.

Employee's State Insurance (ESI)

- The promulgation of Employees' State Insurance Act, 1948(ESI Act), by the Parliament was the first major legislation on social Security for workers in independent India.
- The legislation on creation and development of a fool proof multi-dimensional Social Security system, when the country's economy was in a very fledgling state was a remarkable gesture towards the socio economic amelioration of a workface though limited in number and geographic distribution.
- India, notwithstanding, thus, took the lead in providing organized social protection to the working class through statutory provisions.
- The ESI Act 1948 encompasses certain health related eventualities that the workers are generally exposed to; such as sickness, maternity, temporary or permanent disablement, Occupational disease or death due to employment injury, resulting in loss of wages or earning capacity-total or partial.
- Social security provision made in the Act to counterbalance or negate the resulting physical or financial distress in such contingencies, are thus, aimed at upholding human dignity in times of crises through protection from deprivation, destitution and social degradation while enabling the society the retention and continuity of a socially useful and productive manpower.

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6

Infrastructure

Current Trends and State of Infrastructure in Indian Economy

- In order to ensure high and sustainable growth, there has been a substantial step up of investment in infrastructure mostly on transportation, energy, communication, housing & sanitation and urban infrastructure sector.
- Enhanced investment on infrastructure sector will certainly help in creating jobs both directly and indirectly.
- In period of 2018-2019 India has registered significant growth in infrastructure sector.
- India ranked 44th out of 167 countries in World Bank's Logistics Performance Index (LPI) 2018.
- Nine core infrastructure sector in India:
  - Power,
  - Oil And Gas,
  - Ports and Shipping,
  - Telecommunication,
  - Railways,
  - Urban Infrastructure,
  - Mining,
  - Aviation, and
  - Roads and Highways.

Roads and Highways

- India has the one of largest road network across the world, spanning over a total of ***5.5 million km***. This road network transports ***64.5 per cent of all goods in the country and 90 per cent of India's total passenger traffic*** uses road network to commute.
- Initiatives such as ***Bharatmala Pariyojana***, ***Pradhan Mantri Grameen Sadak Yojna,*** Expressways Such as Yamuna Express Way, Lucknow Express way and Delhi Merrut Express way has boosted up growth in this sector.
- Development of works in roadways such as development of ***BhoomiRashi portal*** has expedited the process of notification for land acquisition.
- The ***portal BIMS and BhoomiRashi portals*** have further been linked with Public Financial Management System(PFMS) to facilitate real time payment to beneficiaries.
- The year 2018-19 was declared by the Ministry of Road Transport & Highways as the ***YEAR OF CONSTRUCTION.***

- In FY 2018-19, ***5,759 km of Highways have been constructed till 30.11.18*** as against 4,942 kms during the corresponding period last year.
- under ***Setu Bhartam Project*** construction railways over bridges are being done.
- Other important projects under this sector are:
  - Chardham Mahamarg Vikas Pariyojna
  - Eastern Peripheral Expressway– Western Peripheral Expressway
  - Delhi-Meerut Expressway
  - Vadodara-Mumbai Expressway
  - Delhi – Mumbai Expressway
  - Bangalore-Chennai Expressway
  - Delhi-Amritsar-Katra Expressway
  - Delhi-Amritsar-Katra Expressway e.t.c

Railways

- The Indian Railways is among the world's largest rail networks. The Indian Railways route length network is spread over ***115,000 km, with 12,617 passenger trains and 7,421 freight trains each day from 7,349 stations*** plying 23 million travelers and 3 million tonnes (MT) of freight daily.
- India's railway network is recognised as ***one of the largest railway systems in the world under single management.***
- Foreign Direct Investment (FDI) inflows into Railways Related Components from April 2000 to June 2018 stood ***at US$ 920.21 million.***
- ***There is huge Foreign Direct Investment flowing across India in Metro railway sector.***

Government initiatives:

- India is considering a ***High Speed Rail Corridor project*** between Mumbai and Nagpur.
- It has also envisaged to develop three ***Regional Rapid Transit System*** from Delhi to Panipat, Meerut and Alwar respectively.
- Indian Railways is planning to come out with a new ***export policy for railways.***
- The Government of India is going to come up with a ***'National Rail Plan'*** which will enable the country to integrate its rail network with other modes of transport and develop ***a multi-modal transportation network***.
- The Government of India has signed an agreement with the Government of Japan under which Japan will help India in the implementation of the ***Mumbai-Ahmedabad high speed rail corridor*** along with a financial assistance that would cover 81 per cent of the total project cost.

Aviation

- The civil aviation industry in India has emerged as one of the fastest growing industries in the country during the last three years. India is currently considered the third largest domestic civil aviation market in the world.
- India's passenger* traffic ***grew at 16.52 per cent*** year on year to reach 308.75 million in FY18. It grew at a CAGR of 12.72 per cent during FY06-FY18.
- ***Domestic passenger traffic grew by 18.28 per cent*** to reach 243 million in FY18.
- The government has ***100 per cent FDI under automatic route*** in scheduled air transport service, regional air transport service and domestic scheduled passenger airline. However, ***FDI over 49 per cent would require government approval.***

- The government owned Airports Authority of India (AAI) operates 126 airports and civil enclaves out of a total of 449 airports and airstrips located throughout India. Between 95 to 100 airports/ aerodromes receive regular commercial flights.
- Initiatives such as ***UDAN (Ude Desh Ka Aam Nagrik)*** which is a regional connectivity scheme ***has boosted domestic passenger traffic*** in India.

Ports and Shipping

- According to the Ministry of Shipping***, around 95 per cent of India's trading by volume and 70 per cent by value is done through maritime transport***.
- India has ***12 major and 200 notified minor and intermediate ports***.
- Under the National Perspective Plan for ***Sagarmala, six new mega ports*** will be developed in the country.
- India is the ***sixteenth largest maritime country*** in the world, with a coastline of about ***7,517 km***.
- Connection of major ports of country through ***Bharatmala*** road linkage project has provided ports logistics support which they needed.
- Government has allowed Foreign Direct Investment (FDI) of ***up to 100 per cent under the automatic route for port and harbour construction and maintenance projects.***
- It has also facilitated a ***10-year tax holiday to enterprises that develop, maintain and operate ports***, inland waterways and inland ports.
- The government has taken several measures to improve operational efficiency through mechanization, deepening the draft and speedy evacuations such as :
  - Passing of The Major Port Authorities Bill, 2016
  - Effective functioning of Dredging corporation of India e.t.c

Power

- The utility electricity sector in India has one National Grid with an installed capacity of ***350.162 GW till February 2019.***
- Renewable power plants constituted 33.60% of total installed capacity.
- The gross electricity generated by utilities in India was ***1,303.49 TWh*** and the total electricity generation (utilities and non-utilities) in the country was ***1,486.5 TWh***, during 2017-2018.
- The gross electricity consumption was 1,149 kWh per capita in the year 2017-18.
- This had made India world's ***third largest producer and third largest consumer of electricity.***
- Between April 2000 and June 2018***, the industry attracted US$ 14.18 billion*** in Foreign Direct Investment (FDI), accounting for 3.64 per cent of total FDI inflows in India.
- India has aimed to achieve India will add 227 GW of renewable energy capacity by March 2022, which was revised from previously 175 GW.

Initiatives in Power sector:

- Initiatives such as ***Ujwal DISCOM Assurance Yojana*** aiming to financial turnaround and revival package for electricity distribution companies of India, ***UJALA LED distribution program*** and ***Pradhan Mantri Sahaj Bijli Har Ghar Yojana –"Saubhagya"*** has given boost to power sector in India.
- Steps like the ***National Solar Mission*** (which aims to promote solar energy), ***Kisan Urja Suraksha evam Utthaan Mahabhiyan (KUSUM)*** and distribution of solar pump sets at subsidized price has promoted sustainable development in this sector.

Oil & Gas

Petroleum

- The oil and gas sector is ***among the eight core industries*** in India and plays a major role in influencing decision making for all the other important sections of the economy.
- India's economic growth is closely related to energy demand; therefore the need for oil and gas is projected to grow more, thereby making the sector quite conducive for investment.
- The government has allowed ***100 per cent Foreign Direct Investment (FDI) in many segments of the sector***, including natural gas, petroleum products, and refineries, among others.
- Oil imports ***rose sharply to US$ 87.37 billion in 2017-18 from US$ 70.72 billion in 2016-17.***
- India retained its spot as ***the third largest consumer of oil in the world*** in 2017 with consumption of 4.69 mbpd of oil in 2017, compared to 4.56 mbpd in 2016.
- India's push to maintain ***Strategic Petroleum reserves (SPRs)*** has brought a lot of foreign direct investment from countries such as UAE and Saudi Arabia.

Natural Gas

- India was ***the fourth-largest Liquefied Natural Gas (LNG) importer in 2017*** after Japan, South Korea and China. LNG imports increased to 26.11 bcm in 2017-18 from 24.48 bcm in 2016-17.
- Gas pipeline infrastructure in the country has stood at ***16,771 km*** till September 2018.
- Initiatives such as ***Urja Ganga Project*** (which aims distribute LNG through pipelines) has increased demand of natural gas. Hence, this sector will grow with greater pace in coming year.

Telecommunication

- India is currently the ***world's second-largest telecommunications market with a subscriber base of 1.17 billion*** and has registered strong growth in the past decade and half.
- The Indian mobile economy is growing rapidly and will contribute substantially to India's Gross Domestic Product (GDP), according to report prepared by ***GSM Association (GSMA) in collaboration with the Boston Consulting Group (BCG).***
- App downloads in the country grew approximately 215 per cent between 2015 and 2017.
- The government has enabled easy market access to telecom equipment and a fair and proactive regulatory framework that has ensured availability of telecom services to consumer at affordable prices.
- The deregulation of Foreign Direct Investment (FDI) norms has made the sector one of the ***fastest growing and a top five employment opportunity generator in the country.***

Key trends:

- India ranks as ***the world's second largest market in terms of total internet users*** with 512.26 million internet subscribers, as of June 2018.
- India is also the ***world's second largest telecommunications market with 1,191.40 million subscribers,*** as of September 2018.
- It is also world's second largest country in terms of application downloads.
- ***TRAI (Telecom Regulator Authority of India)*** has applied strict regulations to ensure transparency and competitiveness in this sector.

Urban Infrastructure

- Nearly ***31% of India's current population lives in urban areas*** contributing to 63% of India's GDP (Census 2011) and with increasing urbanization, urban areas are expected to house 40% of India's population and contribute to 75% of India's GDP by 2030.

- Government initiatives has regularly supported Urban Infrastructure by implementing different schemes in this sector such as ***Smart Cities Mission,*** Passing of ***Solid Waste Management Act, 2016*** and development of sanitation facilities under ***Swacch Bharat Misson.***
- The ambitious projects such as ***Atal Mission For Rejuvenation And Urban Transformation (AMRUT)*** will ensure better infrastructural support to urba dwellers.
- ***Pradhan Mantri Awas Yojana- Housing For All (URBAN)*** has ensured to transform urban slum clusters into well-established housing colonies.
- Establishment of ***National Investment and Infrastructure fund*** is another milestone for development of urban infrastructure in India.

Mining

- India produces 95 minerals– 4 fuel-related minerals, 10 metallic minerals, 23 non-metallic minerals, 3 atomic minerals and 55 minor minerals (including building and other minerals).
- Rise in infrastructure development and ***automotive production*** are driving growth in the sector.
- Power and cement industries are also aiding growth in the metals and mining sector. Demand for iron and steel is set to continue, given the strong growth expectations for the residential and commercial building industry.
- Currently, India is the 3rd largest producer of coal, 4th in terms of iron ore production and third largest crude steel producer in the world.
- Under the Mines and Minerals (Development and Regulation) Act of 1957, ***FDI upto 100% under Automatic route is allowed*** for the mining and exploration of metal and non- metal ores including diamond, gold, silver and precious ores, while FDI upto 100% under Government route is allowed in for mining and mineral separation of titanium bearing minerals and its ores.
- Initiatives of government such as ***‘Khan Prahari’ and Coal Mine Surveillance & Management System (CMSMS)*** and banning of ***Rat Hole Mining*** by NGT (National Green tribunal) has given boost to this sector.

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7

International Trade & Exchange Rate

Trade for the year 2018-19

India's overall exports (Merchandise and Services combined) in April-December 2018-19* are estimated to be USD 396.73Billion, exhibiting a positive growth of 13.79per cent over the same period last year. Overall imports in April-December2018-19* are estimated to be USD 479.46 Billion, exhibiting a positive growth of 14.63per cent over the same period last year.

Merchandise April-December 2018-19	Services April-December 2018-19* (Estimated)	Overall Trade = Merchandise+Services April-December 2018-19* (Estimated)
Exports USD 245.44 Billion 10.18%	Exports USD 151.29 Billion 20.18%	Exports USD 396.73 Billion 13.79%
Imports USD 386.65 Billion 12.61%	Imports USD 92.818 Billion 23.84%	Imports USD 479.46 Billion 14.63%
Trade Deficit USD 141.20 Billion	Net of Services USD 58.48 Billion	Trade Deficit USD 82.72 Billion

*Note: Services data pertains to April-November 2018-19 as November 2018 is the latest data available as per RBI's Press Release dated 15th January 2019.

MERCHANDISE TRADE

- India's total exports during April-January 2018-19 were estimated at US$ 439.98 billion, a growth of 9.07% yoy.
- Imports had reached US$ 530.55 billion, exhibiting a growth of 10.74% yoy, taking the trade deficit to US$ 90.58 billion.

Highlights

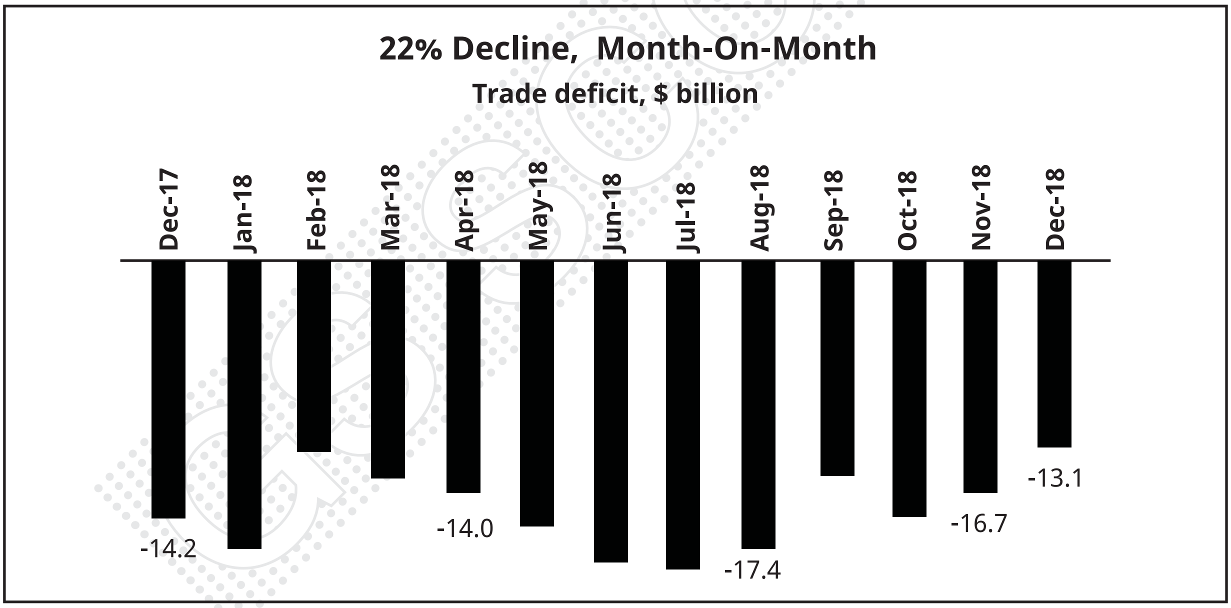
- India's exports are projected to reach an all-time high of US$ 325-330 billion in 2018-19.
- During April-January 2018-19, electronic goods, petroleum products and plastic & linoleum have shown the highest growth.
- India's export performance is significant in light of the challenges presented by growing protectionism to global trade.
- The Department of Commerce is taking several measures to improve India's trade balance, including diversifying India's export basket.

- **OVERALL TRADE BALANCE:** Taking merchandise and services together, overall trade deficit for April-December 2018-19* is estimated at US $ 82.72Billion as compared to US $ 69.63Billion in April-December 2017-18.

ANALYSIS OF TRADE WITH TRENDS

Trade Deficit

- India's trade deficit—the gap between imports and exports—narrowed to its lowest in 10 months at $13 billion in December. But that doesn't capture the volatility seen in the trade gap on account of fluctuations in oil prices and currency. Even the government had to step in to impose curbs on certain imports to rein in the current account deficit, which is linked to the trade gap.



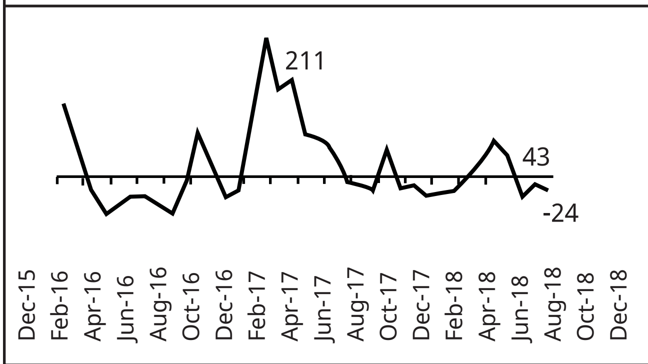
- Export Vs Import Growth India's trade deficit swelled to a five-year high at $18 billion in July. Since then, it has contracted and ended the year at $13 billion. That was largely because imports entered the negative territory due to lower oil prices.

Components of trade

- Oil continued to be the biggest burden on India's import bill. Imports of electronic items were the second-highest by value. Outbound shipments of gems & jewellery, drugs & pharmaceuticals, chemicals and engineering goods—that make up more than half of India's exports—grew in 2018.

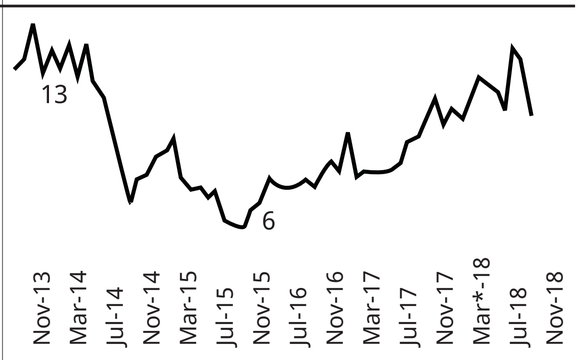
Gold Import Growth, Stll Negative

Gold import growth, Dec'18, %



Gold Import Growth, Stll Negative

Gold import growth, Dec'18, %

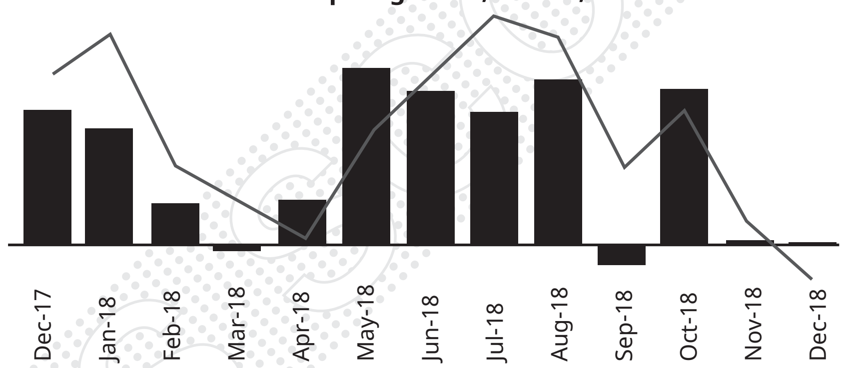


Major Imports: Gold and Oil

- From a 93 percent rise in August, gold imports contracted 16 percent in November and 24 percent in December. That has contributed significantly to the overall leaner trade deficit. Oil imports, too, had ended lower than where they were at the start of 2018.

Gold Import Growth, Stll Negative

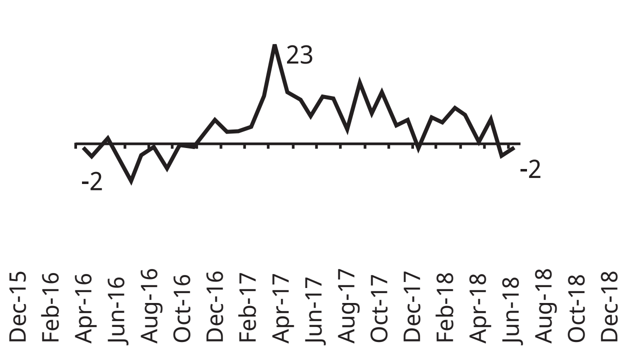
Gold import growth, Dec'18, %



- Non-Oil, Non-Gold Imports, excluding oil and gold, have also been on the decline since November. However, before that since May 2018, their growth had been in the positive territory.

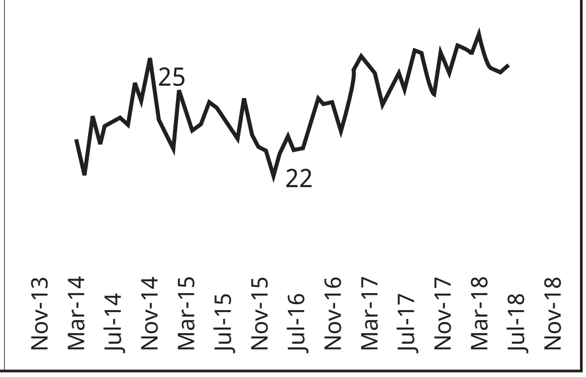
Non-Oil, Non-Gold Imports Decline

Non-Oil non-gold import growth, Dec'18, %



Voltatile, Falls Sequentially Due to Gold

Non-oil import growth, Dec'18, %



- **EXPORTS (including re-exports)**
- Cumulative value of exports for the period April-December 2018-19 was US $ 245.44 Billion (Rs.17,11,905.60 Crore) as against US $ 222.77 Billion (Rs.14,36,614.25 Crore) during the period April-December 2017-18, registering a positive growth of 10.18 per cent in Dollar terms (19.16 per cent in Rupee terms).
- Among the top 10 commodities of exports (80% share), electronic goods (38.66%), petroleum products (34.16%) and plastic & linoleum (30.45%) have exhibited the highest yoy growth during April-January, 2018-19 (source: DGCIS).
- Non-petroleum and Non Gems and Jewellery exports in December 2018 were US $ 21.11 Billion, as compared to US $ 20.88 Billion in December 2017, exhibiting a positive growth of 1.08 per cent. Non-petroleum and Non Gems and Jewellery exports in April-December 2018-19 were US $ 177.66 Billion, as compared to US $ 164.66 Billion for the corresponding period in 2017-18, an increase of 7.90 per cent.

Major policies to boost trade

- The Ministry of Commerce & Industry is working on an action plan to with the objective of making India a US$ 5 trillion economy by 2025. The Department of Commerce has targeted doubling of India's exports by that year.
- Among the major policy measures to boost exports, the Ministry has earmarked 12 champion sectors, to be given special attention to enhance their competitiveness, create more jobs and increase exports. These include:
  - IT/ITeS,
  - Tourism and Hospitality
  - Services,
  - Medical Value Travel,
  - Transport and Logistics Services,
  - Accounting and Finance Services,
  - Audio Visual Services,
  - Legal Services,
  - Communication Services,
  - Construction and Related Engineering Services,
  - Environmental Services,
  - Financial Services and Education Services.
- India's services sector's share in global services exports stood at 3.3% in 2015, and the target is to increase it to 4.2% by 2022.
- The Ministry has also announced India's first ever Agri-Export policy, which aims to enhance India's exports to US$ 60 billion by 2022. Policy measures aim to integrate India's agricultural products with global value chains and double its share in world agriculture, thereby boosting farmer incomes.
- Other major policy measures by the government to boost exports include easing credit flow to the exports sector, enhancing ease of doing business, greater digitization and assistance for setting up and up-gradation of infrastructure projects with overwhelming export linkages through Trade Infrastructure for Export Scheme (TIES).
- Notably, the Department of Commerce is also making efforts to diversify India's export basket by products and countries. India has signed free trade agreements (FTAs) with a number of countries.

Protectionism – threatening to derail global trade

- A major challenge could be looming for Indian exporters in the form of deteriorating trade relations with the US, which is India's largest export market (one-sixth of exports by value). The Donald Trump administration has been critical of India's trade policies, with the President himself accusing India of not assuring 'equitable and reasonable access' for US exports to its markets. In fact, Trump has also referred to India as the 'tariff king', often taking the example of high import duties on Harley Davidson motorcycles. In line with his larger objectives to rebalance US' trade relations (starting with China), Trump is now attempting to reduce US trade deficit with India, which stood at US$ 27.3 billion in 2017.
- Other key concerns of the US vis-à-vis its trade relations with India include India's 'protectionist' policies in agriculture, IP regime and tariff hikes on a number of manufactured products including mobile phones & auto parts. The revised e-commerce policy and data localisation laws are also expected to hurt US companies. On the other hand, India's concerns largely centre on H1B visa restrictions by the US as well as the announced duty hikes on some steel and aluminium products in 2018.
- Trump recently announced withdrawal of preferential trade status to India and Turkey under the Generalised System of Preferences (GSP). India's exports to US under GSP stood at around US$ 5.6 billion with duty benefit at around US$ 190 million annually.

Agriculture Export Policy, 2018

- The Commerce Ministry has formulated India's first ever Agricultural Export Policy with a focused plan to boost India's agricultural exports to USD 60 billion by 2022 thereby assisting the Agriculture Ministry in achieving its target of USD 100 billion and to integrate Indian farmers and the high quality agricultural products with global value chains and to double India's share in world agriculture.
- The vision of the Agriculture Export Policy is to harness the export potential of Indian agriculture through suitable policy instruments and to make India a global power in agriculture and raise farmers' income.

PROMOTION OF TRADE

- Commerce Ministry is working closely with the Finance Ministry to ease credit flow to the export sector, especially small exporters to ensure adequate availability of funds to them.
- The Commerce Minister has identified 15 strategic overseas locations where the Trade Promotion Organisations (TPOs) are proposed to be created. India has great potential to generate greater volumes of export with these countries but at present trade with them stands as single digit numbers. The locations where TPOs are proposed: Astana (Kazakhstan), Beijing (China) Cape town (South Africa), Dubai (UAE), Frankfurt (Germany), Ho Chi Minh City (Vietnam), Jakarta (Indonesia) Lima (Peru), London (U.K.), Melbourne (Austrialia), Mexico City (Mexico), Moscow (Russia), New York (USA), Sao Paulo (Brazil) and Tokyo (Japan).

Ease of doing business for exporters - steps taken by DGFT:

- Director General of Foreign Trade (DGFT) has taken several measures to strengthen the IT platform and create ease of doing business for exporters:
  - DGFT has upgraded the existing IT-hardware this year.
  - An online grievance redressal service was launched on DGFT website in September 2017. It's single point contact for all foreign trade related issues of the exporters and importers. In the last year, over 60,000 grievances have been received on this platform, 97% of the grievances have been addressed.

- DGFT's EDI system provides facility for online application by exporters-importers for most of it's schemes and authorisations – IEC, Advance Authorization Scheme, Annual Advance Authorization Scheme, DFIA, EPCG Scheme, Annual EPCG Scheme, MEIS, SEIS, a FPS, FMS, MLFPS, VKGUY, SFIS, SHIS, Incremental Export Incentivisation Scheme, Authorization for import and export of restricted items. The interface with other agencies (Customs and RBI) is also through EDI system.
- An online view of Shipping Bill data, electronically received form Customs, has been created for all Shipping Bills issued since 1.4.2016 for regional offices. Now, the exporters will not require to file physical copy of shipping bill for redemption of EODC. DGFT regional Offices can use electronically transmitted SB data from Customs for various other purposes also.
- Exporters can self-generate Importer Exporter Code (IEC) on online platform.
- Online auto approval of MEIS benefit has been introduced since September 2018 for 97% of product lines under MEIS. Now, MEIS applications are system approved and scrips are released within 3 days of the approval.
- Call centre has been strengthened and now all telephone calls received on the help desk are closely monitored. An IVRS system has also been deployed.

Improvement in India's rank in global indices that matters for Trade

- India has made a leap of 23 ranks in the World Bank's Ease of Doing Business Ranking this year to be ranked at 77. Upward move of 53 ranks in the last two years is the highest improvement in 2 years by any large country since 2011. India now ranks first in Ease of Doing Business Report among South Asian countries compared to 6th in 2014.
- India has improved its rank in 6 out of 10 indicators and has moved closer to international best practices (Distance to Frontier score) on 7 out of the 10 indicators. The most dramatic improvements have been registered in the indicators related to construction permits and trading across borders. In grant of construction permits, India's rank improved from 181 in 2017 to 52 in 2018, an improvement of 129 ranks in a single year. In trading across borders, India's rank improved by 66 positions, moving from 146 in 2017 to 80 in 2018.

S. No.	Indicator	2017	2018	Change
1	Construction Permits	181	52	+129
2	Trading Across Borders	146	80	+66
3	Starting a Business	156	137	+19
4	Getting Credit	29	22	+7
5	Getting Electricity	29	24	+5
6	Enforcing Contracts	164	163	+1
Overall rank		**100**	**77**	**+23**

Performance in other related indicators

- India has jumped 15 places on the Global Innovation Index (2015-16) (Source: World intellectual Property Organization).
- 19 places ahead on the Logistics Performance Index (2015-16) (Source: World Bank).
- In the Global Competitiveness Index (2014-16) India has jumped 32 places (Source: World Economic Forum).
- Long term trend in India's Trade

India's Foreign Trade - US Dollar (US $ million)									
Year	Exports			Imports			Trade Balance		
	Oil	Non-Oil	Total	Oil	Non-Oil	Total	Oil	Non-Oil	Total
1	2	3	4	5	6	7	8	9	10
2012-13	60865.1	239535.5	300400.6	164040.6	326696.1	490736.6	-103175.5	-87160.6	-190336.1
2013-14	63179.4	251236.4	314415.7	164770.3	285443.3	450213.6	-101591.0	-34206.9	-135797.9
2014-15	56794.1	253557.9	310352.0	138325.5	309707.9	448033.4	-81531.4	-56150.0	-137681.4
2015-16	30582.6	231708.4	262291.1	82944.5	298063.3	381007.8	-52361.8	-66354.8	-118716.7
2016-17	31545.3	244307.2	275852.4	86963.8	297393.2	384357.0	-55418.6	-53086.0	-108504.6
2017-18	37456.6	265919.6	303376.2	108658.6	356919.7	465578.3	-71202.0	-91000.1	-162202.1

Institutional Framework for Trade Promotion and Research

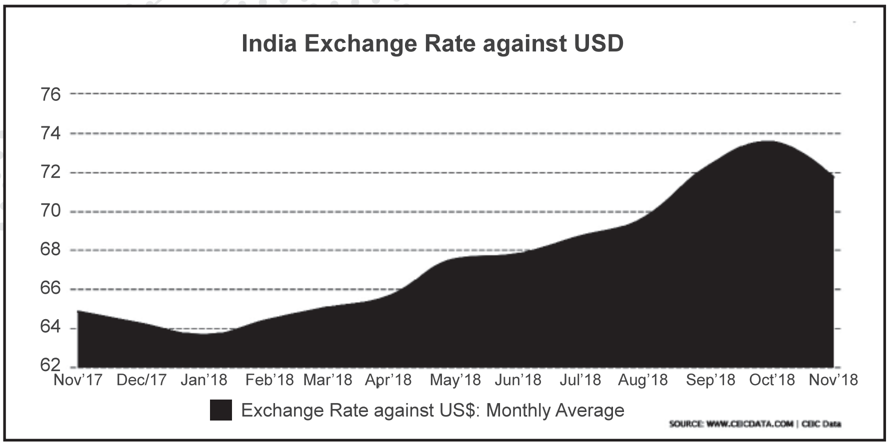
- **High Level Advisory Group (HLAG)**:
  - A HLAG has been set up DoC to make recommendations on pursuing opportunities addressing challenges and finding a way forward amidst emergent issues in the contemporary global trade scenario.
  - The HLAG will consider ways for boosting India's share and importance in global merchandise and services trade, managing pressing bilateral trade relations and mainstreaming new age policy making.
- **Indian Institute of Foreign Trade (IIFT):**
  - IIFT is an autonomous public business school under the Ministry of Commerce and Industry to help professionalize the country's foreign trade management and increase exports by developing human resources, generating, analysing and disseminating data and conducting research.
- **Centre for WTO Studies:**
  - The Centre for WTO Studies was set up in the year 1999 to be a permanent repository of WTO negotiations-related knowledge and documentation. It was also envisaged that the Centre would evolve into a research unit with interest in trade in general and WTO in particular to finally develop into an independent think tank in the area.
  - Over the years, the Centre has conducted a robust research programme with a series of papers in all spheres of interest at the WTO. It has also created a specialized e-repository of important WTO documents, especially related to India, in its Trade Resource Centre.
- **Centre for Regional Trade (CRT):**
  - CRT is an autonomous Think-Tank established by the Department of Commerce under the Centre for Research on International Trade (CRIT) at the Indian Institute of Foreign Trade.
  - It undertakes research in economics with a focus on trade and investment related issues relevant to international cooperation of India with specific regions and countries, including Latin America, Africa, South Asia, ASEAN, China, EU, Japan, Korea and USA.
- **The Centre for Trade and Investment Law (CTIL):**
  - Established in the year 2016 by the Ministry of Commerce and Industry, at the Indian Institute of Foreign Trade (IIFT)its primary objective is to provide sound and rigorous analysis of legal issues pertaining to international trade and investment law to the Government of India and other governmental agencies. The Centre aims to create a dedicated pool of legal experts that who could provide technical inputs for enhancing India's participation in international trade and investment

negotiations and dispute settlement. The Centre also aims to be a thought leader in the various domains of international economic law such as WTO law, international investment law and legal issues relating to economic integration.

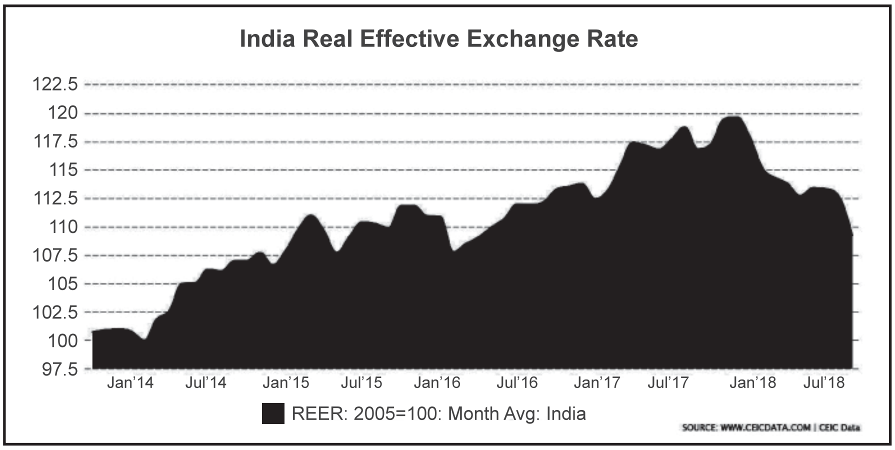
- **Quality Council of India:**
  - Quality Council of India (QCI) is a non-profit autonomous society registered under Societies Registration Act to establish an accreditation structure in the country and to spread quality movement in the country by undertaking a National Quality Campaign. The QCI is engaged in coal quality testing, assessment under Swachh Bharat Mission, Grievance analysis study and subsequent reform recommendations for the top 40 grievance receiving Ministries and Departments. The Council is also creating a dashboard to monitor quality of project implementation in CPSEs.

Exchange Rate

- India's Exchange Rate against USD reached lowest when it averaged 73.561 (INR/USD) in Oct 2018, compared with 72.278 INR/USD in the previous month. Rupee is now recovering after a low of Oct 2018 and the current exchange rate is close to 69 INR per USD.
- Reasons behind fall of India rupee
  - Increasing demand of US dollar, the fear of "Trade war "between USA and China made the investors and Traders to take advanced movement like bagging more dollar reserve. This increased the dollar demand and other currencies to hit worse.
  - INCREASING CRUDE OIL PRICE, due to the short supply of crude oil by Iran made the oil prices to go all time high, which increased the inflation much more.
  - Increasing CAD being heavy import bill existence due to crude oil price increase the CAD unconditionally which risk the foreign as well as domestic investments.
  - PULL OUTS OF FIP uncertainty over CAD and inflation challenges the investors and return which makes the FIP s to seek better investment destiny and leads to pull outs.
  - Slowdown in GDP and Export.



- India's Real Effective Exchange Rate (REER: 2005=100: Month Avg: India) was 109.2 in Sep 2018, compared with the number of 112.6 in the previous month. India's Real Effective Exchange Rate data is updated monthly and averaged 119.7 from Apr 2004 to Sep 2018. The data reached an all-time high of 119.7 in Dec 2017 and a record low of 94.8 in Apr 2009. CEIC generates Real Effective Exchange Rate Index with base 2005=100. The Reserve Bank of India provides Real Effective Exchange Rate Index with base April 2004-March 2005=100. CPI is used as a deflator. An increase in REER indicates reduced competitiveness for the reporting economy.



Currency War: An Analysis

- **What is currency war?**
  - A currency war refers to a situation where a number of nations seek to deliberately depreciate the value of their domestic currencies in order to stimulate their economies. Although currency depreciation or devaluation is a common occurrence in the foreign exchange market, the hallmark of a currency war is the significant number of nations that may be simultaneously engaged in attempts to devalue their currency at the same time.
- **Why do countries indulge in Currency War?**
  - It may seem counter-intuitive, but a strong currency is not necessarily in a nation's best interests. A weak domestic currency makes a nation's exports more competitive in global markets and simultaneously makes imports more expensive. Higher export volumes spur economic growth, while pricey imports also have a similar effect because consumers opt for local alternatives to imported products. This improvement in terms of trade generally translates into a lower current account deficit (or a greater current account surplus), higher employment, and faster GDP growth. The stimulative monetary policies that usually result in a weak currency also have a positive impact on the nation's capital and housing markets, which in turn boosts domestic consumption through the wealth effect.

Negative effects of a Currency War:

- Currency depreciation is not the panacea for all economic problems. Brazil is a case in point. The Brazilian real has plunged 48% since 2011, but the steep currency devaluation has been unable to offset other problems such as plunging crude oil and commodity prices, and a widening corruption scandal.
- Currency devaluation may lower productivity in the long-term, since imports of capital equipment and machinery become too expensive for local businesses. If currency depreciation is not accompanied by genuine structural reforms, productivity will eventually suffer.
- The degree of currency depreciation may be greater than what is desired, which may eventually cause rising inflation and capital outflows.
- A currency war may lead to greater protectionism and the erecting of trade barriers, which would impede global trade.
- Competitive devaluation may cause an increase in currency volatility, which in turn would lead to higher hedging costs for companies and possibly deter foreign investment.

Other Terms

Current Account Deficit	Current account deficit is a measurement of a country's trade where the value of the goods and services it imports exceeds the value of the goods and services it exports. The current account also includes net income, such as interest and dividends, as well as transfers, such as foreign aid, though these components make up only a small percentage of the current account when compared to exports and imports.

Nominal Effective Exchange Rate	The Nominal Effective Exchange Rate (NEER) is an unadjusted weighted average rate at which one country's currency exchanges for a basket of multiple foreign currencies i.e. it is the value of basket of foreign currencies in terms of Indian rupee. If NEER value is high, then other country currency could buy more of Indian products, then exports would increase. In economics, the NEER is an indicator of a country's international competitiveness.
Real Effective Exchange Rate	The Real Effective Exchange Rate (REER) is the weighted average of a country's currency relative to an index or basket of other major currencies, adjusted for the effects of inflation.

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8

Foreign Investment in India

TYPES OF FOREIGN INVESTMENT

Foreign Direct Investment (FDI)

- Foreign direct investment (FDI) is when a foreign company or individual makes an investment in India that involves either
  - establishing new business operations (known as green-field FDI) or
  - acquiring business assets, including controlling interests, in an already existing Indian company. (known as brown-field FDI)
- FDI is distinguished from FII in the sense it establishes a long-term relationship and involves substantial control over the decision making of the company.
- Inward FDI is when foreign companies or individuals invest in India, whereas,
- Outward FDI is when Indian companies or individuals invest in foreign countries.
- As per the Companies Act 2013, if a foreign investor owns more than 10 % shares in a listed company, it will be treated as FDI. The rationale behind the rule is that the higher equity ownership will result in substantial control over the decision-making of the company.

Foreign Institutional Investment (FII)

- FII is when foreign institutional investors invest in the shares of an Indian company, or in bonds offered by an Indian company. So, if a foreign investor buys shares in Reliance, it is an FII.
- Only institutional investors like Investment companies, Insurance funds etc. are allowed to invest in Indian stock market directly. These investors have to get a license from SEBI.
- However, if foreign individuals want to invest in India's markets, they have to get themselves registered as a sub-account of an FII. The FII will buy shares/ bonds from the India markets on their behalf.
- India allows only wealthy foreign individuals or high net worth individuals (HNIs) who have a minimum net worth of $50 million to be registered as a sub-account of a foreign institutional investor (FII).
- Foreign institutional investors are also known as 'hot money' because it is not stable in nature. The FIIs can pull out money from a country's stock market/ bond market overnight.

Qualified Foreign Investment (QFI)

- As we know, foreign individuals cannot invest directly in India's markets without sub-accounts with an FII.

- As an alternative, QFI was introduced in the year 2002. A Qualified Foreign Investor can invest in India without sub-account.
- However, they have to open a Demat account and Trade account with a depository participant in India.
  - The Qualified foreign investor (QFI) can be an individual, group or an association.
  - The QFI should be resident in a foreign country that is compliant with the standards of Financial Action Task Force (FATF).
  - In addition, the QFI must be a signatory to International Organization of Securities Commission's Multilateral Memorandum of Understanding. (MMOU).

Foreign Portfolio Investment (FPI)

- In the Indian context, FIIs (along with sub-accounts with FIIs) and QFIs can be collectively classified as Foreign Portfolio Investment (FPI).

- **What are P-Notes?**

  P-Notes or Participatory Notes are Overseas Derivative Instruments that have Indian stocks as their underlying assets. They allow foreign investors to buy stocks listed on Indian exchanges without being registered. The instrument gained popularity as FIIs, to avoid the formalities of registering and to remain anonymous, started betting on stocks through this route.

- **What are govt & regulator's concerns?**

  The primary reason why P-Notes are worrying is because of the anonymous nature of the instrument as these investors could be beyond the reach of Indian regulators. Further, there is a view that it is being used in money laundering with wealthy Indians, like the promoters of companies, using it to bring back unaccounted funds and to manipulate their stock prices.

- **What has Sebi done to regulate P-Notes?**
  - Sebi has taken a number of steps to tighten rules on P-Notes. In 2007, P-Notes were banned for a while due to a surge in capital flows and excess liquidity. After this, markets crashed immediately, but recovered after the regulator said FIIs could not take any fresh exposure, and their existing investments would have to be wound up in 18 months. But a year later, all restrictions on P-Notes were removed during the financial crisis, only to be tightened again later.
  - From January 2011, FIIs have had to follow KYC norms and submit details of transactions. In 2014, new rules on foreign portfolio investors (FPIs) made it mandatory for those issuing P-Notes to submit a monthly report disclosing their portfolios. This led to a decline in the number of entities issuing P-Notes. More recently, Sebi mandated that in addition to KYC, the anti-money laundering rules (AML) will also be applicable to P-Note holders. Earlier, a P-Note holder had to adhere to KYC or AML norms of just their home jurisdiction. Sebi also issued norms on transferability of P-Notes between two foreign investors and increased the frequency of reporting by P-Note issuers.

Do regulators wish to ban P-Notes? Sebi is not in favour of banning the instrument as it is used globally in many markets.

FPI IN INDIA

Introduction

- Foreign Portfolio/Institutional Investors (FPI/FII) have been one of the biggest drivers of India's financial markets and have invested around Rs 12.51 trillion (US$ 171.81 billion) in India between FY02-18.

- Highly developed primary and secondary markets have attracted FIIs/FPIs to the country. Investments by FIIs/FPIs in India are regulated by the Securities and Exchange Board of India (SEBI) while the ceilings on such investments are maintained by the Reserve Bank of India (RBI). Following are the few types of FIIs investing in India:
  - Hedge Funds
  - Foreign Mutual Funds
  - Sovereign Wealth Funds
  - Pension Funds
  - Trusts
  - Asset management Companies
  - Endowments, University Funds, etc.
- The total market capitalization (M-cap) of all the companies listed on Bombay Stock Exchange (BSE) rose to a record high level of Rs 142.25 trillion (US$ 1.95 trillion) in 2017-18.

Recent Developments/Investments

Some of the recent significant FII/FPI developments are as follows:

- In 2018-19 (up to December 31, 2018), FIIs have pulled Rs 94,070 crore (US$ 13.48 billion) from the Indian financial markets.
- Union Bank of Switzerland (UBS) maintained its Nifty target at 9,500 by March 2019.
- In December 2018, Morgan Stanley raised its one year Sensex target to 47,000.
- Investments by foreign portfolio investors (FPIs) in Indian capital markets have reached Rs 6,310 crore (US$ 904.11 million) in November 2018 (up to November 22, 2018).
- In September 2018, Embassy Office Parks filed the papers for India's first Real Estate Investment Trusts (REIT).

Government/Regulatory Initiatives

- A report filed by a panel appointed by the Securities and Exchange Board of India (SEBI) on December 04, 2018 has proposed direct overseas listing of Indian companies and other regulatory changes.
- In September 2018, the Securities and Exchange Board of India (Sebi) relaxed the Know-Your-Client (KYC) requirement for Foreign Portfolio Investors (FPIs).
- In September 2018, SEBI allowed Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) to start commodity derivate segments.
- SEBI has also allowed foreign entities to participate in the commodity derivatives segment of Indian stock exchanges, to help them hedge their exposures. It has also proposed to allow Non Resident Indians (NRIs) to invest through FPI route after meeting specific KYC norms.
- In August 2018, SEBI reduced the timeline for public issue of debt securities from 12 days to six days.
- Foreign Portfolio Investors are also allowed to invest up to 25 per cent in Category III Alternative Investment Funds (AIF) in India. Different types of funds such as hedge funds, Private Investment in Public Equity (PIPE) funds, etc. are operating in India as Category III AIFs.
- Investments by FPIs have also been allowed in Real Estate Investment Trusts (REITs) and Infrastructure Investment Trust (InvITs).

FDI in India

- Apart from being a critical driver of economic growth, foreign direct investment (FDI) is a major source of non-debt financial resource for the economic development of India. Foreign companies invest in India to take advantage of relatively lower wages, special investment privileges such as tax exemptions, etc. For a country where foreign investments are being made, it also means achieving technical know-how and generating employment.
- The Indian government's favourable policy regime and robust business environment have ensured that foreign capital keeps flowing into the country. The government has taken many initiatives in recent years such as relaxing FDI norms across sectors such as defence, PSU oil refineries, telecom, power exchanges, and stock exchanges, among others.

Market Size

- According to Department for Promotion of Industry and Internal Trade (DPIIT), the total FDI investments in India April-December 2018 stood at US $ 33.49 billion, indicating that government's effort to improve ease of doing business and relaxation in FDI norms is yielding results.
- Data for April-December 2018 indicates that the services sector attracted the highest FDI equity inflow of US$ 6.59 billion, followed by computer software and hardware – US$ 5.00 billion, trading – US$ 3.04 billion and telecommunications – US$ 2.29 billion. Most recently, the total FDI equity inflows for the month of December 2018 touched US$ 4.39 billion.
- During April-December 2018, India received the maximum FDI equity inflows from Singapore (US$ 12.98 billion), followed by Mauritius (US$ 6.02 billion), Netherlands (US$ 2.95 billion), USA (US$ 2.34 billion), and Japan (US$ 2.21 billion).

Investments/Developments

India emerged as the top recipient of greenfield FDI Inflows from the Commonwealth, as per a trade review released by The Commonwealth in 2018.

Some of the recent significant FDI announcements are as follows:

- In October 2018, VMware, a leading software innovating enterprise of US has announced investment of US$ 2 billion in India between by 2023.
- In August 2018, Bharti Airtel received approval of the Government of India for sale of 20 per cent stake in its DTH arm to an America based private equity firm, Warburg Pincus, for around $350 million.
- In June 2018, Idea's appeal for 100 per cent FDI was approved by Department of Telecommunication (DoT) followed by its Indian merger with Vodafone making Vodafone Idea the largest telecom operator in India
- In May 2018, Walmart acquired a 77 per cent stake in Flipkart for a consideration of US$ 16 billion.
- In February 2018, Ikea announced its plans to invest up to Rs 4,000 crore (US$ 612 million) in the state of Maharashtra to set up multi-format stores and experience centres.
- International Finance Corporation (IFC), the investment arm of the World Bank Group, is planning to invest about US$ 6 billion through 2022 in several sustainable and renewable energy programmes in India.

Government Initiatives

- As of February 2019, the Government of India is working on a road map to achieve its goal of US$ 100 billion worth of FDI inflows.
- In February 2019, the Government of India released the Draft National e-Commerce Policy which encourages FDI in the marketplace model of e-commerce. Further, it states that the FDI policy for e-commerce sector has been developed to ensure a level playing field for all participants.

- Government of India is planning to consider 100 per cent FDI in Insurance intermediaries in India to give a boost to the sector and attracting more funds.
- In December 2018, the Government of India revised FDI rules related to e-commerce. As per the rules 100 per cent FDI is allowed in the marketplace based model of e-commerce. Also, sales of any vendor through an e-commerce marketplace entity or its group companies have been limited to 25 per cent of the total sales of such vendor.
- In September 2018, the Government of India released the National Digital Communications Policy, 2018 which envisages increasing FDI inflows in the telecommunications sector to US$ 100 billion by 2022.
- In January 2018, Government of India allowed foreign airlines to invest in Air India up to 49 per cent with government approval. The investment cannot exceed 49 per cent directly or indirectly.
- No government approval will be required for FDI up to an extent of 100 per cent in Real Estate Broking Services.
- In September 2017, the Government of India asked the states to focus on strengthening single window clearance system for fast-tracking approval processes, in order to increase Japanese investments in India.
- The Ministry of Commerce and Industry, Government of India has eased the approval mechanism for foreign direct investment (FDI) proposals by doing away with the approval of Department of Revenue and mandating clearance of all proposals requiring approval within 10 weeks after the receipt of application.
- The Government of India is in talks with stakeholders to further ease foreign direct investment (FDI) in defence under the automatic route to 51 per cent from the current 49 per cent, in order to give a boost to the Make in India initiative and to generate employment.
- In January 2018, Government of India allowed 100 per cent FDI in single brand retail through automatic route.

Trends in Foreign Direct Investment

- FDI policy reforms announced in 2016 brought most of the sectors under automatic approval route, except a small negative list.
- In terms of share in FDI Equity inflows, Mauritius, Singapore and Japan have been top three countries in India contributing 36.17 per cent, 20.03 per cent and 10.83 per cent of the total FDI Equity Inflows during 2016-17.
- In terms of the Sectors receiving FDI Equity inflows, Services (Finance, Banking, Insurance etc.), Telecommunications and Computer Software & Hardware have been the top three sectors with a share of 19.97 per cent, 12.80 per cent and 8.40 per cent respectively.

Foreign Direct Investment (US$ billion) (2012 to 2016)

Year	FDI in Manufacturing	FDI in Services
2012-13	10.3	4.8
2013-14	15.6	2.2
2014-15	16.5	4.4
2015-16	13.4	6.9
2016-17	20.3	8.7
		Source: DITT

Road ahead

- India has become the most attractive emerging market for global partners (GP) investment for the coming 12 months, as per a recent market attractiveness survey conducted by Emerging Market Private Equity Association (EMPEA).
- Annual FDI inflows in the country are expected to rise to US$ 75 billion over the next five years, as per a report by UBS.
- The Government of India is aiming to achieve US$ 100 billion worth of FDI inflows in the next two years.
- The World Bank has stated that private investments in India is expected to grow by 8.8 per cent in FY 2018-19 to overtake private consumption growth of 7.4 per cent, and thereby drive the growth in India's gross domestic product (GDP) in FY 2018-19.

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9

International Organization, Reports & Ranking

					Explanation

1	Ease of Doing Business	World Bank	77th out of 190 countries (2019) & 100th (2018)	Annually	• Rankings are determined by sorting the aggregate scores on 10 parameters, giving equal weightage to all.
					• 10 parameters are –
					  ➤ Starting a business;
					  ➤ Dealing with construction permit;
					  ➤ Getting electricity;
					  ➤ Registering property;
					  ➤ Protecting minority investors;
					  ➤ Access to credit;
					  ➤ Trading across borders;
					  ➤ Paying taxes;
					  ➤ Enforcing contracts and
					  ➤ Resolving insolvency.
					• India has shown highest improvement (53rd rank) in the last 2 years by any large country since 2011.
					• India is now ranks 1st among South Asian countries.
					• **India's jump in ranking in EODB 2019 was aided largely by** improvement in areas such as: trading across borders, dealing with construction permits, getting electricity, getting credit and starting a business.

					• India made starting a business easier by integrating multiple application forms into a general incorporation form. It enforced GST, for which the registration process is faster.
2.	World Development Report (WDR)	World Bank	-	annually	• It features a central theme important to global development. • Likewise with the theme, 'Learning to Realise Education's Promise', WDR-2018 was devoted entirely to education – aimed at tackling the global learning crisis, which will be critical for achieving quality education (SDG4).
3	Global Economic Prospect Report	World Bank	-		• Projected India's growth at 7.3% for FY 2018-19 and 7.5 % for FY 2019-20. • It shows robust private consumption and strengthening investment. • Global Economic Prospects Report 2019 is titled "Darkening Skies"
4	World Economic Outlook	IMF	-	Biannually	• It is measured in terms of per capita GDP based on Purchasing Power Parity (PPP). • India is now the world's sixth largest economy at $2.6 trillion (in terms of GDP), displacing France. • The five economies ahead are United States, China, Japan, Germany and United Kingdom.
5	Global Money Laundering Report	Financial Action Task Force (FATF)	68th out of 128 countries (2018)		• It assesses the risk of money laundering and terrorist financing around the world. • Pakistan has been put on 'grey list' for its failure to stop terror financing.

6	Global Competitiveness Report	World Economic Forum (WEF)	58th out of 140 countries (2018)		⊙ It is a composite indicator that assesses the factors determining an economy's level of productivity - widely considered as the most important determinant for long-term growth. ⊙ GCI scores are calculated on basis of 12 categories called 'pillars of competitiveness which covers both business and social indicators. These are: ⊙ Appropriate Infrastructure; A Stable Macroeconomic environment; Good Health and Primary Education; Efficient Goods Markets; Developed Financial Markets; Market Size; Innovation; institutions; higher education and training; labour market efficiency; technological readiness; business sophistication. ⊙ WEF has credited India's large market size as its major asset. India was also among the best in four sub-categories. Shareholder governance; Airport connectivity; GDP per capita (by purchasing power parity); Quality of research institutions ⊙ India's rank rose by five places from 2017, the largest gain among G20 economies.
7	Global Human Capital Index	World Economic Forum (WEF)	158th out of 195 countries (2018)		⊙ It is a measure of how the investment in health and education has translated into workforce productivity. ⊙ Rankings are based on four parameters - capacity; deployment; development; and know-how.
8	Inclusive Development Index	World Economic Forum (WEF)	62th out of 74 countries (2018)	Annually	⊙ The index has three pillars of growth for global economies - growth and development; inclusion; and intergenerational equity and sustainability. ⊙ India is ranked below its neighbouring countries like Pakistan, Sri Lanka and Nepal.

9	Human Development Index (HDI)	UNDP	130th out of 189 countries (2018)		⊙ HDI is a summary measure of average achievement in key dimensions of **human development: a long and healthy life; being knowledgeable and have a decent standard of living.** ⊙ Following are the 3 indicators of above dimensions of human development according to HDI: Life expectancy at birth; expected and mean years of schooling; GNI per capita (PPP $). ⊙ India's HDI value increased from 0.427 to 0.640, an almost 50 percent increase which is an indicator that millions have been lifted out of poverty. ⊙ The first report was launched in 1990 by the **Pakistani Economist Mahbubul Haq and Indian Nobel laureate Amartya Sen**
10	Multi dimentional Poverty Index (MPI)	UNDP			⊙ It identifies people's deprivations across **three key dimensions – health, education and living Standards.** ⊙ **Health: Nutrition and child mortality** ⊙ **Education: years of schooling and school attendance** ⊙ **Living standard: cooking fuel, sanitation, drinking water, electricity, housing, assets.** ⊙ MPI covers 105 countries in total, home to 75% of the world's population, or 5.7 billion people. ⊙ India has made momentous progress in reducing multidimensional poverty, **bringing down its poverty rate from 55% to 28% in ten years**. ⊙ While the **national average is 21%**.

					• **Kerala has an MPI of 1%,** Tamil Nadu (6%), Karnataka (11%), Telangana (14%) and Andhra Pradesh (13%) are also significantly low. • **Bihar is the poorest State with 43% incidence of poverty.**
11	Global Gender Gap Index	World Economic Forum (WEF)	108th (2018); 108th (2017)		• Index lies between 0 – 1. '0' complete inequality and '1' complete parity. • It measures progress towards parity between men and women in – economic opportunity; political empowerment; educational attainment; and health and survival. • India performed poor on economic opportunity and political empowerment indicator.
12	Gender Inequality Index	UN Development Programme (UNDP)	125th out of 159 countries (2017)		• It is a sub-index of Human Development Index (HDI). • It is composite measure reflecting inequality in achievement between women and men in three dimensions-reproductive health; empowerment; and the labour market. • HDI is also by UNDP. • On HDI, India ranks 130th (2018)
13	World Investment Report	UN Conference on Trade and Development (UNCTAD)	-		• It focuses on trends in Foreign Direct Investment (FDI) worldwide, at the regional and national levels and emerging measures to improve its contribution to development. • Global flows of FDI fell by 23 % in 2017. • Cross-border investment in developed and transition economies dropped sharply.
14	World Happiness Report	UN Sustainable Development Solutions Network (SDSN)	133th out of 156 countries (2018)		• It measures happiness based on 6 criteria - GDP per capita; Healthy years of life expectancy; Social support; Trust (absence of corruption); Perceived freedom to make life decisions; and Generosity (recent donations).

					• India witnessed a drop of 11 places from 2017. • India's rank is lower than other SAARC countries except Afghanistan. • Finland topped the ranking.
15	World Intellectual Property Report	World Intellectual Property Organization (WIPO)	-		• It provides comprehensive, reliable information and analysis on fast-changing global IP developments relating to patents, trademarks, copyrights, and other areas of intellectual-property law. • India's performance is improving as patent granted by India up by 50% in 2017.
16	Intellectual Property Index	US Chamber of Commerce	44th out of 50 countries (2018) 36th out of 50 countries (2019)	Annually	• For the first time, India has broken free of the bottom 10% of economies measured. • Passing guidelines to strengthen the patentability environment for technological innovations, improving the protection of well-known trademarks, initiating IP awareness and coordination programs helped India to improve its position.
17	World Energy Outlook	International Energy Agency (IEA)	-		• It examines future patterns of a changing global energy system at a time of increasing uncertainties and finds that major transformations are underway for the global energy sector, from growing electrification to the expansion of renewable, upheavals in oil production and globalisation of natural gas markets.
18	Corruption Perception Index	Transparency International NGO	81st out of 180 countries (2017); 78th out of 180 countries (2018)		• It is based on the perceived level of corruption in the public sector, degrees of press freedom, access to information about public expenditure, stronger standards of integrity for public officials, and independent judicial systems.

					⊙ The index uses a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean. ⊙ New Zealand was the least corrupt and Somalia was the most nations.
19	World Press Freedom Index	Reporters Without Borders	138th out of 180 countries (2018)		⊙ It reflects the degree of freedom that journalists, news organizations, and netizens enjoy in each country, and the efforts made by the authorities in ensuring this freedom.
					⊙ It only deals with press freedom and does not measure the quality of journalism nor does it looks at human rights violations in general. ⊙ Norway tops the list.
20	Global Peace Index	Institute of Economics and Peace (IEP), Australia	136th out of 163 countries		⊙ GPI was launched in 2007 as a measure of world peace. ⊙ The Index is composed of 23 indicators, ranging from a nation's level of military expenditure to its relations with neighbouring countries and the percentage of prison population. ⊙ Iceland secured 1st rank in the index. ⊙ India's rank marginally improved compared to 2017 performance.
21	Global Innovation Index	Cornell University, INSEAD and WIPO	57th (2018) and 60th (2017)		⊙ GII ranks economies based on 80 indicators. ⊙ Since 2011, Switzerland has topped the list. ⊙ China is the first middle-income country that entered top 20 ranking.
22	Global Cyber Security Index	UN International Tele communication Union (UN-ITU)	23rd out of 165 countries (2017)		⊙ It is assessed along five pillars – (i) Legal Measures, (ii) Technical Measures, (iii) Organizational Measures, (iv) Capacity Building, and (v) Cooperation. ⊙ India is ahead of Germany, China, but Singapore is on top.

23	Programme for International Student Assessment (PISA)	Organisation of Economic Development and Cooperation (OECD)	In 2009, 72nd out of 74 Nations. Did not participate in 2012 & 2015. Will Rejoin in 2021	Every 3 Years	• Measures 15-year-old students' reading, mathematics, and science literacy.
24	Global Gender Gap	WEF	India has been ranked 108th out 0f 149 countries in 2018 same as in 2017		• India maintains a stable ranking in 2018 but its gap is directionally larger this year, with a 33 per cent gap yet to be bridged. • Gender gap was measured across four key pillars (i) economic opportunity, (ii) political empowerment, (iii) educational attainment, and (iv) health and survival. • The country has also closed its tertiary education enrolment gap for the first time in 2018 and has managed to keep its primary and secondary gaps closed for the third year running.
25	World employment and Social outlook	International Labour Organization (ILO)			• 24 million new jobs will be created globally by 2030 if the right policies to promote a greener economy are put in place. • Name of report "**World Employment and Social Outlook 2018: Greening with Jobs**"
26	Global Environment Outlook	United Nations Environment Programme (UNEP)			• GEO project was initiated in response to the environmental reporting requirements **of UN Agenda 21.** • GEO regional assessments provide detailed analysis of regional environmental challenges. 6 UNEP regions are: Africa, Asia and the Pacific, Latin America and the Caribbean, North America, west Asia, Pan European region.

27	World State of Forest Report	Food and Agriculture Organisation (FAO)			• State of the World's Forests 2018: **Forest pathways to sustainable development** • World's forest area decreased from 31.6 per cent of the global land area to 30.6 per cent between 1990 and 2015.
					• 40% of the extreme rural poor – around 250 million people – live in forest area
28	An economy for the 99%	Oxfam			• In 2017, the richest 1% in India cornered 73% of the wealth generated. • Eight men own the same wealth as the 3.6 billion people who make up the poorest half of humanity, • Economies are funnelling wealth to a rich elite at the expense of the poorest in society, the majority of whom are women • Report reveals that how big business and the super-rich are fuelling the inequality crisis • Oxfam also sought sealing of the "leaking wealth bucket" by taking **stringent measures against tax evasion and avoidance, imposing higher tax on super-rich and removing corporate tax breaks.** • Oxfam asked the government to promote **inclusive growth** by encouraging labour intensive sectors, investing in agriculture and implementing social protection schemes.
29	Travel and tourism competitiveness report	World economic forum (WEF)	Out of 136 countries, India's ranking in the index has gone up from 65 in 2013 to 40 in 2017.		• Some of the factors that helped India climb up the ladder include **international openness through strong policies such as implementing visa on arrival and e-visas, and improvements in the country's ground transport infrastructure** which benefited the travel and tourism sector in the country,

					⊙ With the e-visa regime covering 166 countries, online application and visa can be delivered to inbox in 24-48 hours. ⊙ The latest relaxation of rules is for Andaman and Nicobar Islands, where foreigners are no longer mandated to register with the Foreigners Registration Office within 24 hours of arrival. ⊙ Visit to north-east India has become hassle free. ⊙ Tourism ministry has two flagship programmes: **Swadesh Darshan and PRASHAD** to create basic infrastructure around our heritage and religious destination; ⊙ Another radical idea we have taken up is **'Adopt a Heritage Scheme**'. Under this, heritage sites are being given for adoption to corporate sector, NGOs, resident welfare associations and other institutions. ⊙ The decision to develop 10 prominent sites as **'Iconic Destinations' is a laudable.** ⊙ **110 Adarsh Monuments of ASI** will augment the popularity of heritage tourism in our country.

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10

Social Development:

Social Infrastructure and Human Development

Social Sector

- The social sector is usually defined as dealing with social and economic activities carried out for the purposes of benefiting society, and in the main nonprofit, not-for-profit, philanthropic and mission based and nongovernmental organizations are associated with this sector.
- The focus is on education and health, as these are two major components and have wider positive externalities for other sectors of the economy and society as a whole.
- They help increase the overall expansion of the economy by enhancing productivity and output, and may be funded by private or public agencies.
- Indian plan documents also discuss health and education under the social sector, expressing a lot of concern. Given India's demographic dividends, with a larger amount of young people in the productive age group, education and health assume great significance on account of their real contribution to production by ensuring rapid and inclusive growth.

What is Human Capital?

- Human capital is an intangible asset or quality not listed on a company's balance sheet. It can be classified as the economic value of a worker's experience and skills. This includes assets like education, training, intelligence, skills, health, and other things employers value such as loyalty and punctuality.
- The concept of human capital recognizes that not all labour is equal. But employers can improve the quality of that capital by investing in employees—the education, experience, and abilities of employees all have economic value for employers and for the economy as a whole.
- Human capital is important because it is perceived to increase productivity, and therefore, profitability. So the more a company invests in its employees (i.e. in their education and training), the more productive and profitable it could be.

United Nations Development Programme (UNDP)

- It is the UN's global development network, an organization advocating for change and connecting countries to knowledge, experience and resources to help people build a better life.
- UNDP got birth after the merging of the United Nations Expanded Programme of Technical Assistance, created in 1949, and the United Nations Special Fund, established in 1958. UNDP was established in 1965 by the General Assembly of the United Nations.
- UNDP operates in 177 countries, working with nations on their own solutions to global and national development challenges. UNDP's work is concentrated on four main focus areas: Poverty Reduction and Achievement of the MDGs, Democratic Governance, Crisis Prevention and Recovery, Environment and Energy for Sustainable Development

- UNDP provides expert advice, training, and grant support to developing countries, with increasing emphasis on assistance to the least developed countries.
- To accomplish the SDGs and encourage global development, UNDP focuses on poverty reduction, HIV/AIDS, democratic governance, energy and environment, social development, and crisis prevention and recovery.
- UNDP also encourages the protection of human rights and the empowerment of women in all of its programs.

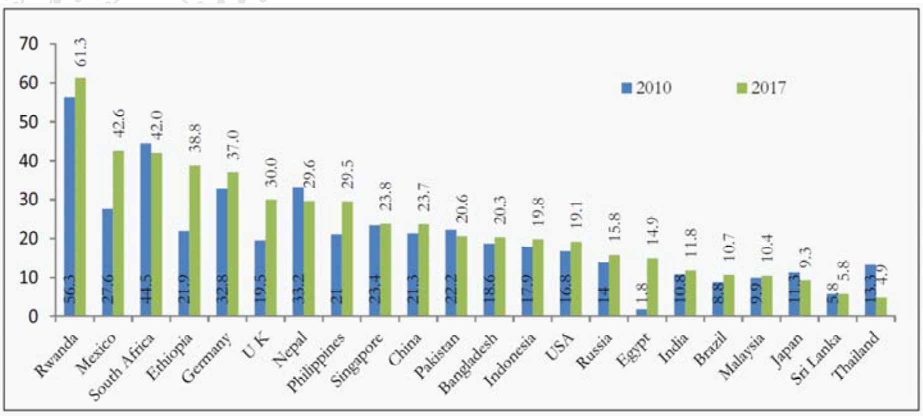
Gender Justice

- Over the last 10-15 years, India's performance improved on 14 out of 17 indicators of women's agency, attitudes, and outcomes.
- On seven of them, the improvement has been such that India's situation is comparable to that of a cohort of countries after accounting for levels of development.
- Within India, there is significant heterogeneity, with the North-Eastern states (a model for the rest of the country) consistently out-performing others and not because they are richer; hinterland states are lagging behind but the surprise is that some southern states do less well than their development levels would suggest.

Political empowerment of women

- The representation of women in Parliament and in decision making roles in public sphere is one of the key indicators of empowerment.
- As per the report '*Women in Politics 2017 (IPU & UN)*' Lok Sabha had 64 (11.8 percent of 542 MPs) and Rajya Sabha had 27 (11 per cent of 245 MPs) women MPs. As on October 2016, out of the total 4118 MLAs across the country, only 9 per cent were women.
- Among the State assemblies, the highest percentage of women MLAs were from Bihar, Haryana and Rajasthan with 14 per cent followed by Madhya Pradesh and West Bengal with 13 per cent and Punjab with 12 per cent (Women & Men in India – 2016, MoSPI).
- In India, between 2010 and 2017 women's share rose 1 percentage point in its Lower house (There are developing countries like Rwanda which has more than 60 per cent women representatives in Parliament in 2017 while countries like Egypt, India, Brazil, Malaysia, Japan, Sri Lanka and Thailand have less than 15 per cent representation of women in Parliament.

Representation of Women in Parliament in Select Countries



Source: Women in Politics 2010 and 2017 published by the Inter-Parliamentary Union (IPU) and UN Women.

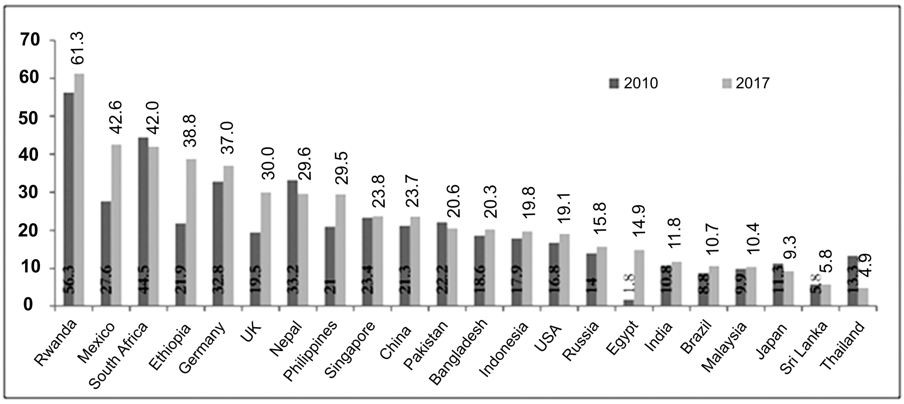
- In a country like India with around 49 per cent of women in the population, the political participation of women has been low.

- There are various factors that determine women's participation in public services, especially in societies that follow patriarchal norms and prejudices.

Top 5 Factors that deter Men and Women from entering Politics	
Deterrents for women	**Deterrents for men**
Domestic responsibilities	Lack of support from the electorate
Prevailing cultural attitudes regarding the roles of women in society	Lack of Finance
Lack of support from family	Lack of support of political parties
Lack of confidence	Lack of experience in 'representative functions' public speaking, constituency relations
Lack of Finance	Lack of confidence
Source: IPU, Equality in Politics: A survey of Women and Men in Politics, 2008.	

- Promoting women's political participation and leadership roles has vast implications for gender equality policies, Article 243D (3) of the Constitution of India provides that not less than one third of the total number of seats be reserved for women.
- Further, Article 243 D (4) of the Constitution of India provides that not less than one third of the total offices of Chairpersons in Panchayats at each level shall be reserved for women.

Representation of Women in Parliament in Select Countires

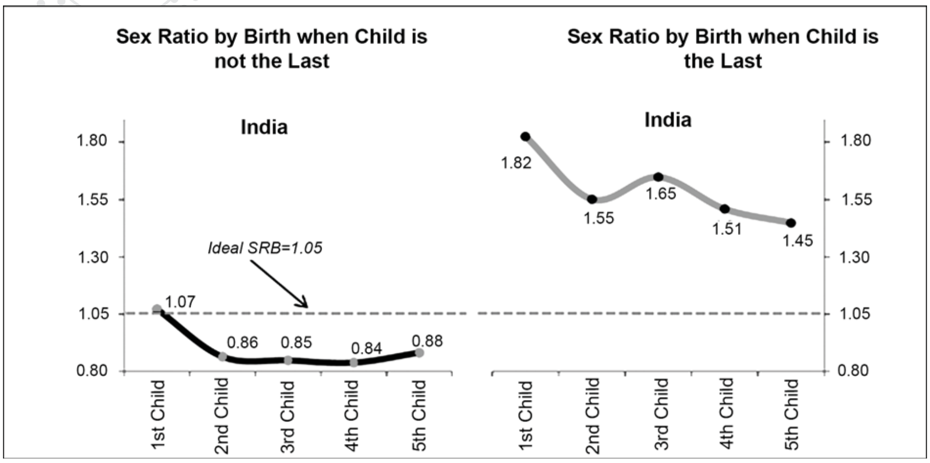


Source: Women in Politics 2010 and 2017 published by the Inter-Parliamentary Union (IPU) and UN Women

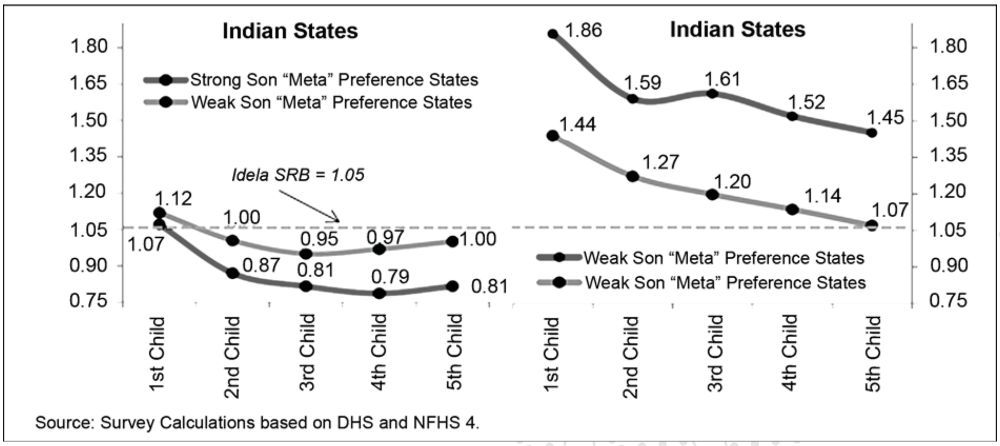
Child Sex Ratio (CSR) in India

S.No.	State/UTs	Child Sex Ratio (0-6)	
		2001	2011
	INDIA	927	919
1.	Jammu & Kashmir	941	862
2.	Himachal Pradesh	896	909
3.	Punjab	798	846
4.	Chandigarh	845	880
5.	Uttrakhand	908	890

6.	Haryana	819	834
7.	NCT Of Delhi	868	871
8.	Rajasthan	909	888
9.	Uttar Pradesh	916	902
10.	Bihar	942	935
11.	Sikkim	963	957
12.	Arunachal Pradesh	964	972
13.	Nagaland	964	972
14.	Manipur	957	936
15.	Mizoram	964	970
16.	Tripura	966	957
17.	Meghalaya	973	970
18.	Assam	965	962
19.	West Bengal	960	956
20.	Jharkhand	965	948
21.	Odisha	953	941
22.	Chhattisgarh	975	969
23.	Madhya Pradesh	932	918
24.	Gujarat	883	890
25.	Daman & DIU	926	904
26.	Dadra & Nagar Haveli	979	926
27.	Maharashtra	913	894
28.	Andhra Pradesh	961	939
29.	Karnataka	946	948
30.	Goa	938	942
31.	Lakshadweep	959	911
32.	Kerala	960	964
33.	Tamil Nadu	942	943
34.	Puducherry	967	967
35.	A & N Islands	957	968



- In Figures, 8a and 8b all the left-hand panels show the sex ratio for each birth order among families that had strictly more than one child (i.e. which continued having children after the first birth).
- So, in India (top left panel), the sex ratio of the first child for households that have strictly more than 1 child is 1.07. Similarly, 0.86 is the sex ratio of the second child among families that had strictly more than 2 children.
- In contrast, the top panel of Figure 8b shows the sex ratio of the last child by birth order. For India, the sex ratio of the last child for first-borns is 1.82, heavily skewed in favour of boys compared with the ideal sex ratio of 1.05. This ratio drops to 1.55 for the second child for families that have exactly two children and so on.
- The striking contrast between the two panels conveys a sense of son meta preference. This contrast is even more stark when seen against the performance of Indonesia (middle panels) where the SRLC is close to the ideal, regardless of the birth order and whether the child is the last or not.



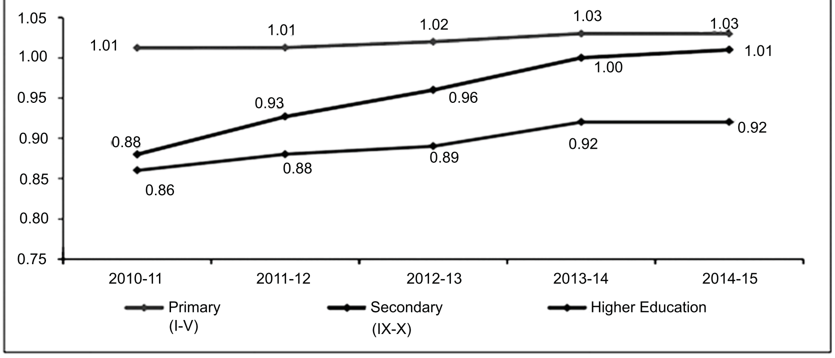
Source: Survey Calculations based on DHS and NFHS 4.

- Such meta preference gives rise to "unwanted" girls–girls whose parents wanted a boy, but instead had a girl. This chapter presents the first estimate of such notionally "unwanted" girls. This is computed as the gap between the benchmark sex ratio (dotted line) and the actual sex ratio among families that do not stop fertility.

SOME CONCEPT/DEFINITION/SCHEMES/ACTS RELATED TO GENDER JUSTICE

Gender Parity Index (GPI)

Gender Parity Index in Enrolment



Source: Educational Statistics at a Glance, 2016, Ministry of Human Resource Development, Government of India

Note: *Figures related to School Educational are provisional.

- Gender Parity Index (GPI) in education is a valuable indicator which reflects the discrimination against girls in access to educational opportunities.
- In higher education, gender disparities still prevail in enrolment for which continuous efforts are being made by the Government to improve net intake rate for women in higher education.
- With consistent efforts by the Government through programmes like Beti Padhao, Beti Bachao, the GPI has improved substantially at the primary and secondary levels of enrolment.

Mahila E-Haat

- Mahila E-Haat is an initiative for meeting aspirations and needs of women entrepreneurs.
- This start up at Rashtriya Mahila Kosh website leverages technology for showcasing products made/ manufactured/sold by women entrepreneurs. They can even showcase their services reflecting their creative potential.
- This unique e-platform will strengthen the socio-economic empowerment of women.
- With the launch of the site itself more than 125000 women are likely to benefit.
- It is expected to result in a paradigm shift enabling women to exercise control over their finances by leveraging technology.

Pradhan Mantri Mahila Shakti Kendra (MSK)

- The government of India approved a new scheme namely, Pradhan Mantri Mahila Shakti Kendra (MSK) for 2017-18 upto 2019-20 to empower rural women through community participation and to create an environment in which they realize their full potential.
- The new scheme is envisaged to work at various levels. While, National level (domain based knowledge support) and State level (State Resource Centre for Women) structures will provide technical support to the respective government on issues related to women, the District and Block level Centres will provide support to MSK and also give a foothold to BBBP in 640 districts to be covered in a phased manner.

Maternity Benefit (Amendment) Act, 2017

- The Maternity Benefit (Amendment) Act 2017 had received Presidential assent on 27 March 2017 after being passed by the Parliament. The Act has made amendments to the Maternity Benefits Act, 1961. The majority of the provisions of the Maternity Benefit (Amendment) Act has come into force with effect from 1st April, 2017.
- The main aim of the Act is to regulate the employment of women during the period of child birth. It has amended the provisions related to the duration and applicability of maternity leave, and other facilities.

Key Amendments

- The Maternity Benefit (Amendment) Act 2017 has increased the duration of paid maternity leave available for women employees to 26 weeks from 12 weeks. However for those women who are expecting after having 2 children, the duration of the leave remains unaltered at 12 weeks.
- The paid maternity leave can be availed 8 weeks before the expected date of delivery. Before the amendment, it was 6 weeks.
- The Maternity Benefit (Amendment) Act 2017 has extended the benefits applicable to the adoptive and commissioning mothers and provides that woman who adopts a child will be given 12 weeks of maternity leave from the date of adoption.
- The Act has introduced an enabling provision relating to "work from home" that can be exercised after the expiry of 26 weeks' leave period. Depending upon the nature of work, a woman can avail of this provision on such terms that are mutually agreed with the employer.

- The amended Act has mandated crèche facility for every establishment employing 50 or more employees. The women employees should be permitted to visit the facility 4 times during the day.
- The amended act makes it compulsory for the employers to educate women about the maternity benefits available to them at the time of their appointment.

Global Gender Gap Report

- The Global Gender Gap Report was first published in 2006 by the World Economic Forum. The 2017 report covers 144 major and emerging economies. The Global Gender Gap Index is an index designed to measure gender equality.
- The report's Gender Gap Index ranks countries according to calculated gender gap between women and men in four key areas: health, education, economy and politics to gauge the state of gender equality in a country.
- The report measures women's disadvantage compared to men, and is not strictly a measure of equality.
- India made no improvement in the overall gender gap ranking by the World Economic Forum (WEF) in 2018, compared to 2017. It stood at a low **108** out of the 149 countries in 2018, the same as in 2017.

Pre-Natal Diagostic Techniques (PNDT) Act

- The Pre-conception & Pre-natal Diagnostics Techniques (PC & PNDT) Act, 1994 was enacted in response to the decline in Sex ratio in India, which deteriorated from 972 in 1901 to 927 in 1991.
- The main purpose of enacting the act is to ban the use of sex selection techniques before or after conception and prevent the misuse of prenatal diagnostic technique for sex selective abortion.
- Offences under this act include conducting or helping in the conduct of prenatal diagnostic technique in the unregistered units, sex selection on a man or woman, conducting PND test for any purpose other than the one mentioned in the act, sale, distribution, supply, renting etc. of any ultra sound machine or any other equipment capable of detecting sex of the foetus.

Its main provisions

- The Act provides for the prohibition of sex selection, before or after conception.
- It regulates the use of pre-natal diagnostic techniques, like ultrasound and amniocentesis by allowing them their use only to detect few cases.
- No laboratory or centre or clinic will conduct any test including ultrasonography for the purpose of determining the sex of the foetus.
- No person, including the one who is conducting the procedure as per the law, will communicate the sex of the foetus to the pregnant woman or her relatives by words, signs or any other method.
- Any person who puts an advertisement for pre-natal and pre-conception sex determination facilities in the form of a notice, circular, label, wrapper or any document, or advertises through interior or other media in electronic or print form or engages in any visible representation made by means of hoarding, wall painting, signal, light, sound, smoke or gas, can be imprisoned for up to three years and fined Rs. 10,000.
- The Act mandates compulsory registration of all diagnostic laboratories, all genetic counselling centres, genetic laboratories, genetic clinics and ultrasound clinics.

Amendments:

- Pre-Natal Diagnostic Techniques (Regulation and Prevention of Misuse) Act, 1994 (PNDT), was amended in 2003 to The Pre-Conception and Pre-Natal Diagnostic Techniques (Prohibition Of Sex Selection) Act (PCPNDT Act) to improve the regulation of the technology used in sex selection.
- The Act was amended to bring the technique of pre conception sex selection and ultrasound technique

within the ambit of the act.

- The amendment also empowered the central supervisory board and state level supervisory board was constituted.
- In 1988, the State of Maharashtra became the first in the country to ban pre-natal sex determination through enacting the Maharashtra Regulation of Pre-natal Diagnostic Techniques Act.

Beti Bachao Beti Padhao Campaign

- It was launched by Prime Minister in January 2015 at Panipat, Haryana as comprehensive programme to address declining Child Sex Ratio (CSR) and related issues of empowerment of women over life-cycle continuum.
- The specific objectives of scheme are preventing gender biased sex selective elimination, ensuring survival and protection of the girl child and ensuring education and participation of the girl child.
- Its focus is on awareness and advocacy campaign, multi-sectoral action enabling girls' education and effective enforcement of Pre-Conception & Pre Natal Diagnostic Techniques (PC&PNDT) Act.
- The scheme is being implemented as a tri-ministerial, convergent effort of Union Ministries of Women and Child Development (WCD), Health & Family Welfare (MoHFW) and Human Resource Development (HRD).
- The Union Ministry of Women and Child Development (WCD) is nodal ministry for programme at central level.

Sukanya Samriddhi Yojana (SSY)

- It is a small deposit scheme for the girl child launched as a part of the 'Beti Bachao Beti Padhao' campaign. Its interest is currently 8.1 per cent and provides income-tax benefit under section 80 C of the Income Tax Act, 1961. The returns are tax free in the scheme.
- A Sukanya Samriddhi Account can be opened any time after the birth of a girl till she turns 10, with a minimum deposit of Rs 250 (Earlier it was Rs 1,000). In subsequent years, a minimum of Rs 250 and a maximum of Rs 1.5 lakh can be deposited during the ongoing financial year.
- The account can be opened in any post office or authorised branches of commercial banks.
- The account will remain operative for 21 years from the date of its opening or till the marriage of the girl after she turns 18.
- To meet the requirement of her higher education expenses, partial withdrawal of 50 per cent of the balance is allowed after she turns 18.

Education

Trends in Social Services Expenditure by General Government (Centre and States)

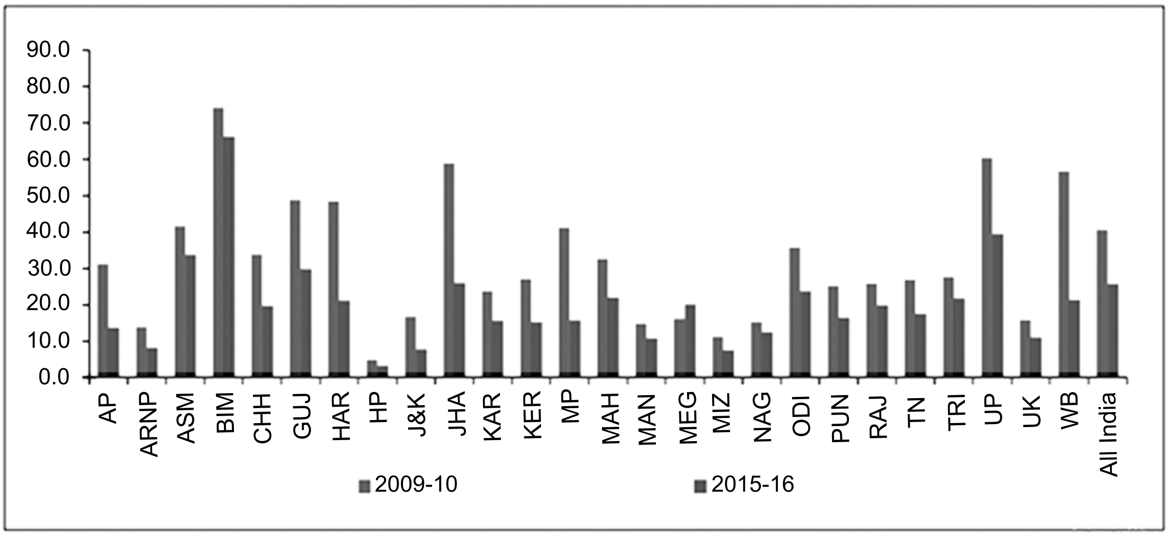
Items	2012-13	2013-14	2014-15	2015-16	2016-17RE	2017-18 BE
						Rs. in Lakh crore
Total Expenditure	26.95	30.00	32.85	33.78	40.60	43.96
Expenditure of Social Services	6.58	7.46	7.68	7.90	9.84	10.94
(i) Education	3.13	3.48	3.54	3.31	3.95	4.41
(ii) Health	1.26	1.39	1.49	1.52	2.26	2.25
(iii) Others	2.20	2.59	2.65	3.07	3.63	4.27

Total Expenditure	27.1	26.7	26.4	24.7	26.7	26.4
Expenditure on Social Services	6.6	6.6	6.2	5.8	6.5	6.6
(i) Education	3.1	3.1	2.8	2.4	2.6	2.7
(ii) Health	1.3	1.2	1.2	1.1	1.5	1.4
(iii) Other	2.2	2.3	2.1	2.2	2.4	2.6

- India has made significant progress in quantitative indicators such as enrolment levels, completion rates and other physical infrastructure like construction of school buildings/class rooms, drinking water facilities, toilet facilities and appointment of teachers etc. at elementary school level.
- In addition to quantitative indicators, the quality of education also needs to be monitored and assessed. The learning outcomes are assessment standards indicating the expected levels of learning that a student should achieve for that particular class.
- Towards improving the learning outcomes at elementary school level, Central Rules under the RTE Act have been amended in February, 2017 to include the defined class-wise, subject-wise learning outcomes.

Student Classroom Ratio (SCR)

State-wise Primary Schools with Student Classroom Ration > 30 (per cent)



Source: Elementary Education in India and Flash Statistics (UDISE)

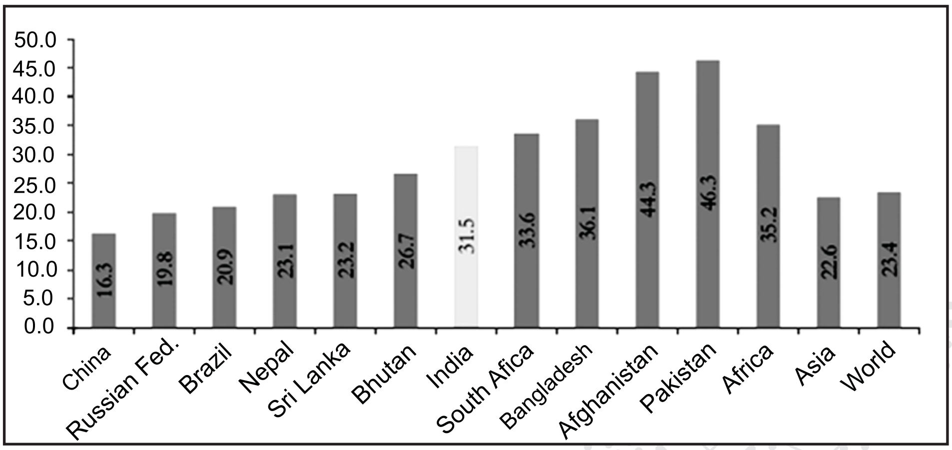
- SCR is defined as average number of pupils (students) per classroom in a school in a given school-year.
- The ideal size should be at 30 students per classroom. At all India level, percentage of schools with SCR greater than 30 students declined from 43 per cent in 2009-10 to 25.7 per cent in 2015-16.
- Though, SCR improved in almost all of the States, there are variations in the improvement across States.

Pupil Teacher Ratio (PTR)

- PTR is defined as average number of pupils per teacher at a given level of education, based on headcounts of both pupils and teachers.

- At primary level and upper primary level, the PTR should be 30:1 and 35:1 respectively.
- As per Unified District Information System for Education (UDISE), the PTR at national level for primary schools was 23:1 in 2015-16.
- Globally, there are variations in the optimum number of students taught in a particular class and as such the data is not uniformly comparable.
- Data (below) from the UNESCO Institute of Statistics on PTR in primary schools shows that India has a national PTR comparable to countries with similar socio-economic indicators.

PTR in Primary Education 2015



Source: Data extracted from http://data.uis.unesco. org/ on 18 January, 2018

Note: 2014 data used in respect of Bhutan, Brazil, Russian Federation and South Africa.

Health

- Ensuring healthy lives and promoting the well-being for all at all ages is essential to sustainable development (SDG-3).
- India's commitment to achieve the targets under SDG-3 with some of them also aligned with the National Health Policy 2017, will help in strengthening health delivery systems and in achieving universal health coverage.

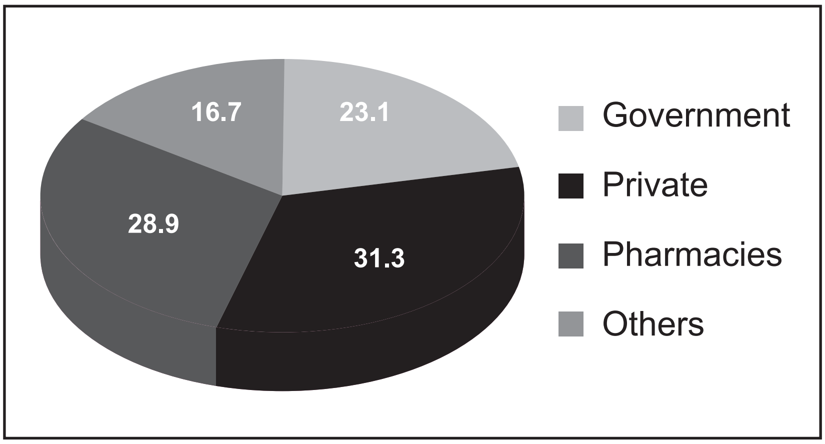
Expenditure on Health:

- Expenditure by the Government healthcare providers accounted for about 23 percent of the Current Health Expenditure (CHE) as per National Health Accounts 2014-15 that reflects the prominence of private hospitals and clinics among health care providers.
- The expenditure on pharmacies accounted for 29 percent of CHE by both health care providers (government and private).

Findings OF Health Survey (DHS) datasets from 1980 to 2016 are as follows:

- On 14 out of 17 indicators relating to agency, attitude, and outcomes, India's score has improved over time. On seven of them, the improvement is such that in the most recent period India's performance is better than or at par with that of other countries, accounting for the level of development.
- The progress is most notable in the agency women have in decision-making regarding, household purchases and visiting family and relatives. There has been a decline in the experience of physical and sexual violence. Education levels of women have improved dramatically but incommensurate with development.
- On 10 of 17 indicators, India has some distance to traverse to catch up with its cohort of countries. For example, women's employment has declined over chronological time, and to a much greater extent, in development time. Another such area is in the use of female contraception: nearly 47 percent of women do not use any contraception, and of those who do, less than a third use female-controlled reversible contraception.

Current Health Expenditure by Healthcare Providers 2014-15 (per cent)



Source: Neational Health Accounts, Estimates for India, M/o H&FW.

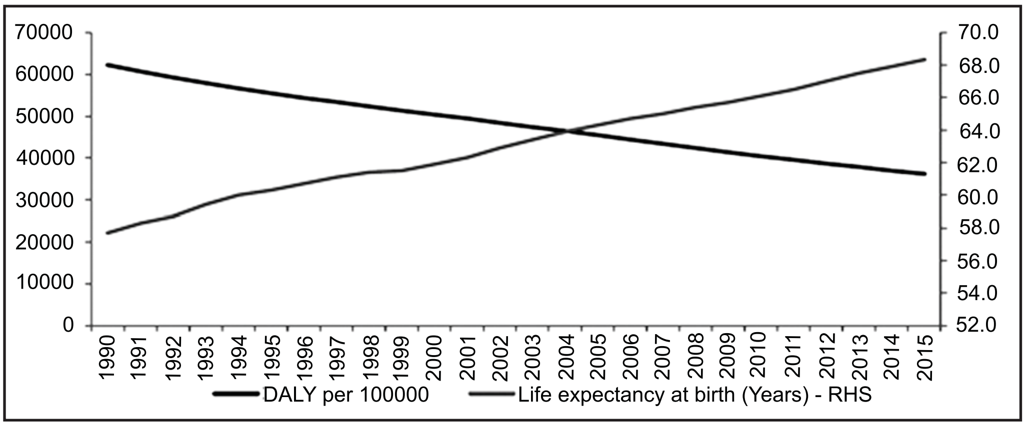
Note: Government expendirue includes General & Specialized hospitals, family welfare and primary health centers etc. Private expenditure includes general & specialized hospitals and clinics

- In a developing country like India, incurring higher levels of Out of Pocket Expenditure (OoPE) on health adversely impacts the poorer sections and widens inequalities. Although, OoPE has declined approximately 7 percentage points during the period 2004-05 to 2014-15, its share is still at 62 per cent as per NHA 2014-15.
- Diagnostics are an important part of the health care system that provide information needed by service providers to make informed decisions about healthcare provision related to treatment and management.
- Limited affordability and access to quality medical services are among the major challenges contributing to delayed or inappropriate responses to disease control and patient management.

Burden of Diseases: India and States

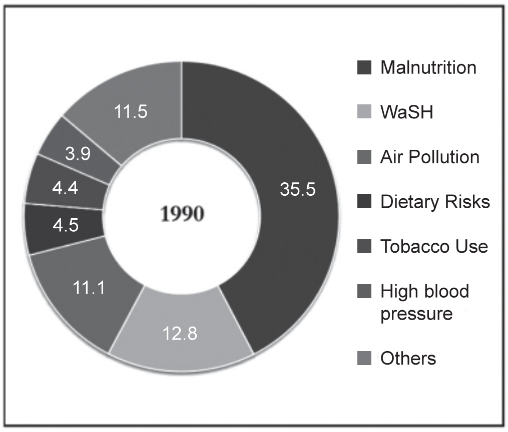
- The report 'India: Health of the Nation's States', 2017 provides the first comprehensive set of findings for the distribution of diseases and risk factors across all States from 1990 to 2016. The concept of **Disability Adjusted Life Years (DALYs)** provides a framework for analyzing the disease burden and risk factors.
- DALYs is the sum of years of potential life lost due to premature mortality and the years of productive life lost due to disability.
- One DALY represents the loss of the equivalent of one year of full health. Using DALYs, the burden of diseases that cause premature death but little disability can be compared to that of diseases that do not cause death but do cause disability.
- The information and data base about changing disease patterns and the use of DALYs to quickly compare the impact caused by very different conditions, such as cancer and depression, in a single, comparable metric are crucial inputs for decision-making, effective resource allocation and policy planning.
- There has been significant improvement in the health status of the individual as life expectancy at birth (LEB) has increased by approximately 10 years during the period 1990 to 2015.
- The significance of DALYs as a critical health policy indicator is reflected by the inverse relationship between life expectancy and DALYs rates. The all India trends in LEB and DALYs echo the inverse relation between the two over time from 1990 to 2015 (Figure 11).

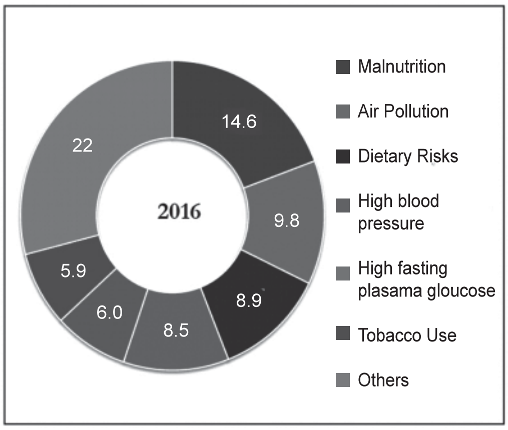
All India Trends in LEB and DALYs



Source: http://thelancet.com, and Registrar General & Census Commissioner, India.

Change in DALYs number and rate attributable to risk factors in India (per cent)





Source: India: Health of the Nation's States Report, 2017.

Note: 1. The figures mentioned against each risk factor are DALYs attributable to that risk factor out of the total DALYs.

2. WaSH is unsafe water, sanitation, and handwashing. Others include occupational risks, high total cholesterol, alcohol & drugs use, impaired kidney function, high body mass index, other environmental, low physical activity, unsafe sec, low bone mineral density, sexual abuse & violence.

- The behavioural and metabolic risk factors associated with the rising burden of Non Communicable Diseases (NCDs) have become quite prominent in India. In 2016, the dietary risks, which include diets low in fruit, vegetables, and whole grains, but high in salt and fat, were India's third leading risk factor, followed closely by high blood pressure and high blood sugar (high fasting plasma glucose).
- Unsafe water, sanitation, and handwashing (WaSH) was the second leading risk factor in 1990, but its ranking has dropped to seventh position in 2016. Around 5 per cent of health loss is still attributable to this factor which is being addressed successfully by the government through the Swachh Bharat Mission (SBM), the details are explained in section under SBM.

National Nutrition Mission (NNM)

- The Government of India has approved setting up of National Nutrition Mission (NNM) commencing from 2017-18 The NNM, as an apex body, will monitor, supervise, fix targets and guide the nutrition related interventions across the Ministries.
- The programme through the targets will strive to reduce the level of stunting, under-nutrition, anaemia and low birth weight babies.
- It will create synergy, ensure better monitoring, issue alerts for timely action to achieve the targeted goals.

Pradhan Mantri Ujjwala Yojana (PMUY)

- PMUY was launched in May 2016, for providing LPG connections to 5 crore women belonging to the BPL families over a period of 3 years from 2016-17.
- The scheme aims to safeguard the health of women & children by providing them with a clean cooking fuel – LPG, so that they do not have to compromise their health in smoky kitchens or wander in unsafe areas collecting firewood.
- Since inception, around 3.3 crore LPG connections have already been provided as on 18.01.2018. Diseases and injuries over infectious and associated diseases except Delhi, Andhra Pradesh, Uttar Pradesh and Assam where this is relatively less.

Despite improvements in overall life expectancy in India over the years, inequalities still persist among states with a range of 64.5 years in Uttar Pradesh to 75.2 years in Kerala in 2015.

Steps taken by the Government to regulate prices of Drugs and Diagnostics

Steps taken by the Government to regulate prices of Drugs and Diagnostics

National Free Drug Initiative

- Under NHM aims at expanding the availability of free drug provision in all public health facilities.
- The initiative would not only provide support to States for purchase of drugs but enabling States to place transparent system of procurement and quality assurance, robust supply management and logistics that would ensure highest level of safety and quallty of drugs.

Clinical Establishments (Registration and Regulation) Act, 2010 and Clinical Establishments (Central Government) Rules, 2012

- The clinical establishments (in the States / Union Territories where the Act is applicable) shall charge the rates for each type of procedure and services within the range of rates determined by the Central Government from time to time in consultation with the State Governments.
- The clinical establishments are also required to display the rates charged for each type of services provided and facilities available, at a conspicuous place both in the local language and English.
- The National Council for Clinical Establishments has approved a standard list of medical procedures and a standard template for costing of medical procedures and shared the same with the States and UTs.

Medical Council of India (MCD)

- The Medical Council of India (MCI) Indian Medical Council (Amendment) Ordinance, 2018 (Ordinance 8 of 2018), the Medical Council of India shall stand superseded now is not a statutory body for establishing uniform and high standards of medical education in India.
- The Council grants recognition of medical qualifications, gives accreditation to medical schools, grants registration to medical practitioners, and monitors medical practice in India.
- Now the Supreme Court has allowed the Central Government to replace the medical council and with

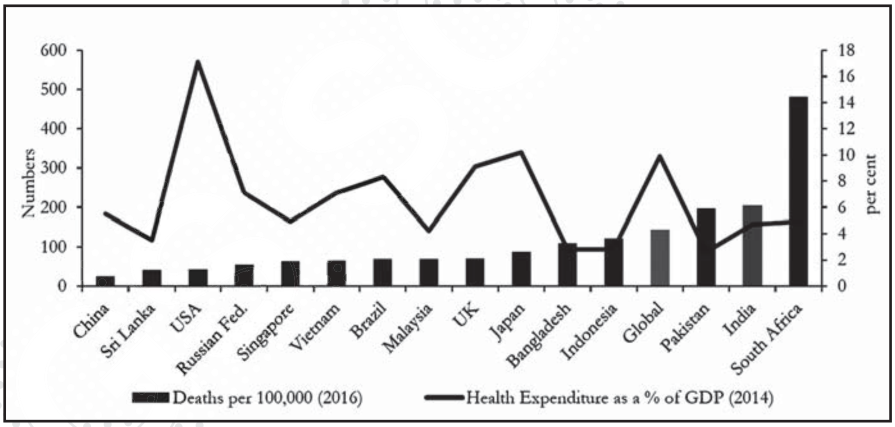
the help of five specialized doctors monitor the medical education system in India, from July 2017.

- The planning commission has recommended the replacement of Medical Council of India (MCI) with National Medical Commission (NMC).
- The decision has been approved by most states and after its approval by the Prime Minister it will be proposed as final bill in the upcoming parliamentary sessions.

Combating Antimicrobial Resistance (AMR) in India

- Antimicrobial resistance (AMR) occurs when microorganisms such as bacteria, viruses, fungi and parasites change in ways that render the medications used to cure the infections they cause ineffective.
- It occurs naturally but is facilitated by the inappropriate use of medicines, for example using antibiotics for viral infections such as cold or flu, or sharing antibiotics.
- Low-quality medicines, wrong prescriptions and poor infection prevention and control also encourage development and spread of drug resistance.
- World Health Organization's first global report on AMR in 2014 reported that it is not a country specific issue but a global concern that is jeopardizing global health security.
- AMR is of particular concern in developing nations, including India, where the burden of infectious diseases is high and healthcare spending is low (Figure 1).
- The country has among the highest bacterial disease burden in the world. Antibiotics, therefore, have a critical role in limiting morbidity and mortality in the country.

Incidence of causes of Death due to Communicable, Maternal, Neonatal and Nutritional Diseases (2016) and Health Spending (2014) in select Countries

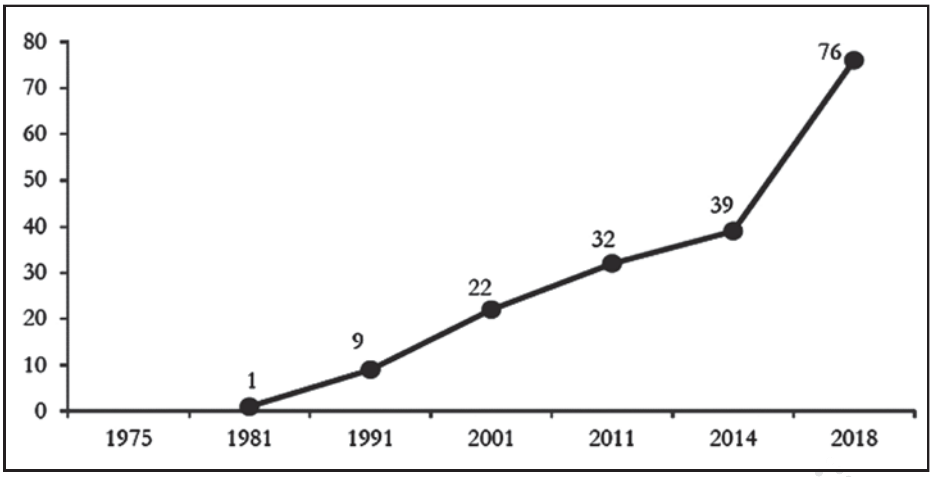


Source: The Global Burden of Disease 2016 study group report published in the Lancet medical journal extracted from http://the lancet.com and World Bank databank.

Health and Economic Impact of Sanitation

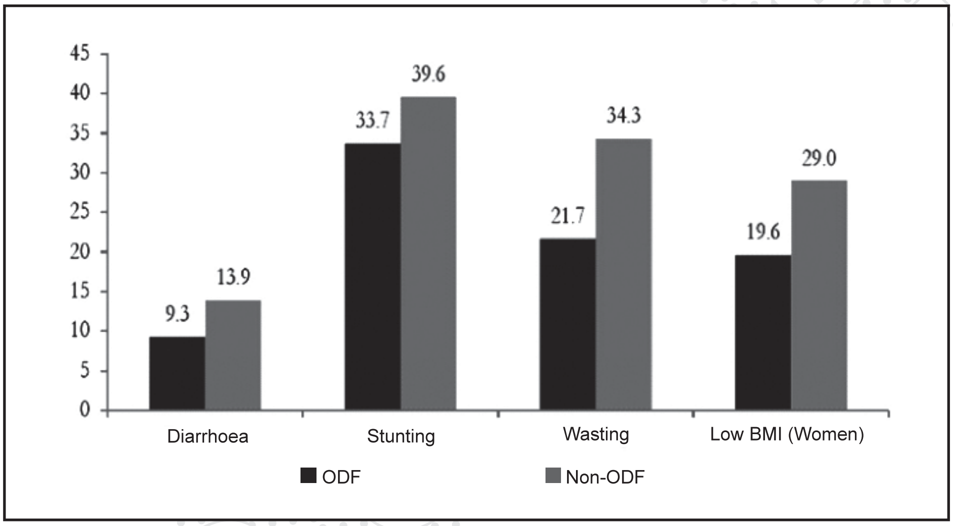
- The quality of hygiene and sanitation has significant impact on improving the health outcomes which is a well-established fact.
- According to UNICEF, the lack of sanitation is responsible for the deaths of over 100,000 children in India annually and for stunting of 48 per cent children.
- In order to assess the impact of sanitation programme on health status, a pilot study was undertaken by the Bill & Melinda Gates Foundation (BMGF) in selected ODF and non-ODF districts.
- BMGF estimated that households in ODF villages in India have significantly better health indicator.

Rural Sanitation Coverage in India over the years (Per Cent)



Source: Ministry of Drinking Water & Sanitation

Performance of ODF and non-ODF Districts in select Health indicators (per cent)



Source: Ministry of Drinking Water & Sanitation

Infant mortality rate (IMR)

- **Infant mortality** is the death of young children under the age of 1. This death toll is measured by the **infant mortality rate** (**IMR**), which is the number of deaths of children under one year of age per 1000 live births.
- The under-five mortality rate, which is referred to as the *child mortality rate*, is also an important statistic, considering the infant mortality rate focuses only on children under one year of age.
- Premature birth is the biggest contributor to the IMR.

Total fertility rate (TFR)

- Total fertility rate (TFR) in simple terms refers to total number of children born or likely to be born to a woman in her life time if she were subject to the prevailing rate of age-specific fertility in the population.
- TFR of about 2.1 children per woman is called Replacement-level fertility (UN, Population Division). This value represents the average number of children a woman would need to have to reproduce herself by bearing a daughter who survives to childbearing age.

- If replacement level fertility is sustained over a sufficiently long period, each generation will exactly replace itself without any need for the country to balance the population by international migration

Global Hunger Index (GHI)

- The Global Hunger Index (GHI) is tool that measures and tracks hunger globally, by region, and by country.The GHI is calculated annually, and its results appear in a report issued in October each year.
- Created in 2006, the GHI was initially published by the International Food Policy Research Institute (IFPRI) and Welthungerhilfe.
- The Global Hunger Index (GHI) is a tool designed to comprehensively measure and track hunger at global, regional, and national levels. GHI scores are calculated each year to assess progress and setbacks in combating hunger. The GHI is designed to raise awareness and understanding of the struggle against hunger, provide a way to compare levels of hunger between countries and regions, and call attention to those areas of the world where hunger levels are highest and where the need for additional efforts to eliminate hunger is greatest.
- Measuring hunger is complicated. To use the GHI information most effectively, it helps to understand how the GHI scores are calculated and what they can and cannot tell us.

Annual status of education report (ASER)

- ASER stands for Annual Status of Education Report. This is an annual survey that aims to provide reliable estimates of children's enrolment and basic learning levels for each district and state in India.
- ASER has been conducted every year since 2005 in all rural districts of India.
- It is the largest citizen-led survey in India. It is also the only annual source of information on children's learning outcomes available in India today.
- Unlike most other large-scale learning assessments, ASER is a household-based rather than school-based survey. This design enables all children to be included – those who have never been to school or have dropped out, as well as those who are in government schools, private schools, religious schools or anywhere else.

The 'Digital Gender Atlas for Advancing Girls' Education

- The Atlas is placed on the MHRD website and available and ready to use by States/Districts/Blocks education administrators or any other interested group.
- In order to plan and execute educational interventions, the purpose of the Gender Atlas is to help identify and ensure equitable education with a focus on vulnerable girls, including girls with disabilities.
- To ensure this is feasible, the Gender Atlas has been developed as a hands on management tool to enable critical decisions and actions in pockets where gaps are to be met.
- Using available Government data such as the Unified District Information System for Education (U-DISE) data (2011-2014), Census 2011 data and District Level Health Survey (DLHS) 2007-08, the Gender Atlas enables the user to navigate between geographical representation and numeric data at state, district and block levels and gives information on key indicators for girls' education at primary, upper primary and secondary level. No primary data has been generated for the development of the atlas.
- India has achieved high enrolment rates for girls at primary and upper primary levels of schooling. However, at the secondary level girls' enrolment remains low

National Skills Qualifications Framework (NSQF)

- The National Skills Qualifications Framework (NSQF) is a competency-based framework that organizes all qualifications according to a series of levels of knowledge, skills and aptitude. These levels, graded from one to ten, are defined in terms of learning outcomes which the learner must possess regardless of whether they are obtained through formal, non-formal or informal learning. NSQF in India was notified on 27th December 2013. All other frameworks, including the NVEQF (National Vocational Educational Qualification Framework) released by the Ministry of HRD, stand superceded by the NSQF.
- Under NSQF, the learner can acquire the certification for competency needed at any level through formal, non-formal or informal learning. In that sense, the NSQF is a quality assurance framework. Presently, more than 100 countries have, or are in the process of developing national qualification frameworks.
- The NSQF is anchored at the National Skill Development Agency (NSDA) and is being implemented through the National Skills Qualifications Committee (NSQC) which comprises of all key stakeholders. The NSQC's functions amongst others include approving NOSs/QPs, approving accreditation norms, prescribing guidelines to address the needs of disadvantages sections, reviewing inter-agency disputes and alignment of NSQF with international qualification frameworks.

National e-Health Authority

- It is a proposed regulatory body, tasked with overseeing the digitisation of health information
- NeHA will be the nodal authority that will be responsible for development of an Integrated Health Information System (including Telemedicine and mHealth) in India, while collaborating with all the stakeholders, viz., healthcare providers, consumers, healthcare technology industries, and policymakers.
- It will be responsible for enforcing the laws and regulations relating to the privacy and security of the patients health information and records
- National e-Health Authority (NeHA) aims to promote standardization of Electronic Health Records (EHRs) and facilitate its exchange across facilities in a secured manner
- The proposed National e-Health Authority (NeHA) would not be responsible for centralization of the medical history of the patients.

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