ECONOMIC SURVEY 2017-18

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FINANCE MINISTER PRESENT ECONOMIC SURVEY 2017-18 IN PARLIAMENT

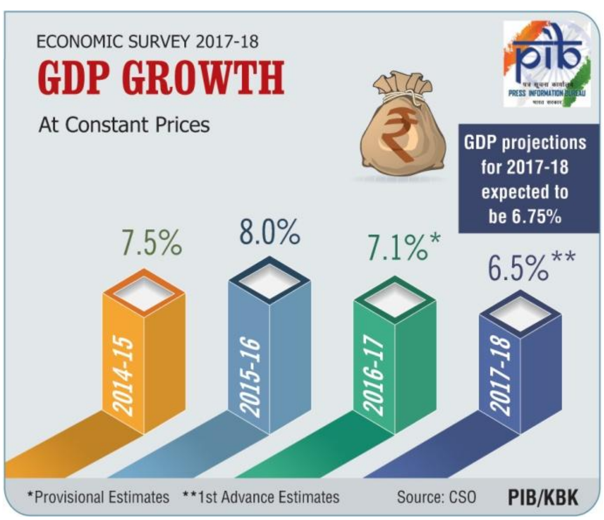
REAL GDP GROWTH TO CLOCK 6.75 PERCENT THIS FISCAL

ECONOMIC SURVEY PREDICTS 7-7.5 PERCENT GROWTH IN 2018-19

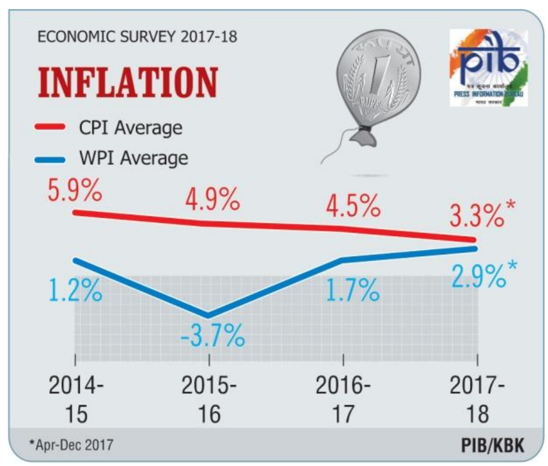
EMPLOYMENT, EDUCATION & AGRUICULTURE TO BE THE FOCUS AREAS IN MEDIUM TERM, SAYS SURVEY

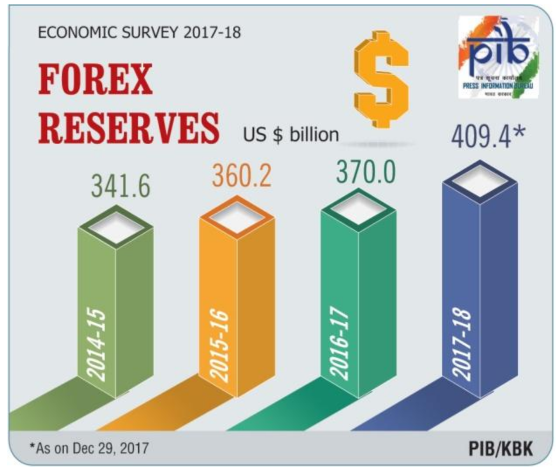
New Delhi, January 29, 2018
Magha 9, 1939

A series of major reforms undertaken over the past year will allow real GDP growth to reach 6.75 percent this fiscal and will rise to 7.0 to 7.5 percent in 2018-19, thereby re-instating India as the world's fastest growing major economy. This was stated in the Economic Survey 2017-18 tabled in Parliament today by the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley. It said that the reform measures undertaken in 2017-18 can be strengthened further in 2018-19.



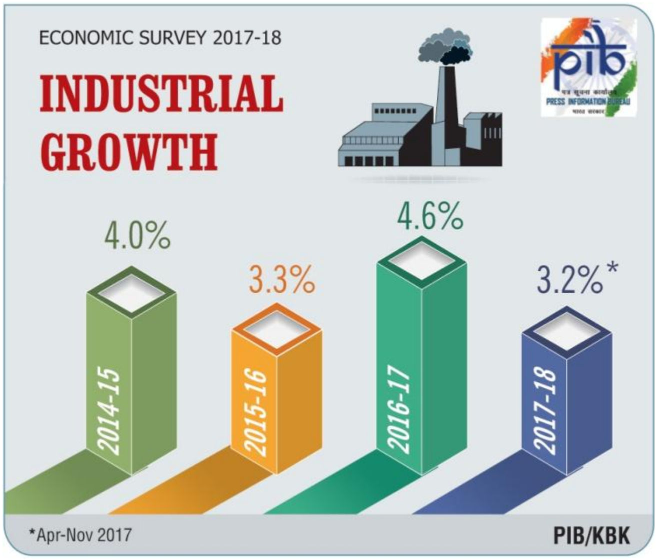
The survey underlines that due to the launch of transformational Goods and Services Tax (GST) reform on July 1, 2017, resolution of the long-festering Twin Balance Sheet (TBS) problem by sending the major stressed companies for resolution under the new Indian Bankruptcy Code, implementing a major recapitalization package to strengthen the public sector banks, further liberalization of FDI and the export uplift from the global recovery, the economy began to accelerate in the second half of the year and can clock 6.75 percent growth this year. The survey points out that as per the quarterly estimates; there was a reversal of the declining trend of GDP growth in the second quarter of 2017-18, led by the industry sector. The Gross Value Added (GVA) at constant basic prices is expected to grow at the rate of 6.1 per cent in 2017-18 as compared to 6.6 per cent in 2016-17. Similarly, Agriculture, industry and services sectors are expected to grow at the rate of 2.1 per cent, 4.4 per cent, and 8.3 per cent respectively in 2017-18. The survey adds that after remaining in negative territory for a couple of years, growth of exports rebounded into positive one during 2016-17 and expected to grow faster in 2017-18. However, due to higher expected increase in imports, net exports of goods and services are slated to decline in 2017-18. Similarly, despite the robust economic growth, the savings and investment as a ratio of GDP generally declined. The major reduction in investment rate occurred in 2013-14, although it declined in 2015-16 too. Within this the share of household sector declined, while that of private corporate sector increased.





The survey points out that India can be rated as among the best performing economies in the world as the average growth during last three years is around 4 percentage points higher than global growth and nearly 3 percentage points higher than that of Emerging Market and Developing Economies. It points out that the GDP growth has averaged 7.3 per cent for the period from 2014-15 to 2017-18, which is the highest among the major economies of the world. That this growth has been achieved in a milieu of lower inflation, improved current account balance and notable reduction in the fiscal deficit to GDP ratio makes it all the more creditable.

Though concerns have been expressed about growing protectionist tendencies in some countries but it remains to be seen as to how the situation unfolds. Some of the factors could have dampening effect on GDP growth in the coming year viz. the possibility of an increase in crude oil prices in the international market. However, with world growth likely to witness moderate improvement in 2018, expectation of greater stability in GST, likely recovery in investment levels, and ongoing structural reforms, among others, should be supporting higher growth. On balance, country’s economic performance should witness an improvement in 2018-19.



The survey highlights that against the emerging macroeconomic concerns, policy vigilance will be necessary in the coming year, especially if high international oil prices persist or elevated stock prices correct sharply, provoking a “sudden stall” in capital flows. The agenda for the next year consequently remains full: stabilizing the GST, completing the TBS actions, privatizing Air India, and staving off threats to macro-economic stability. The TBS actions, noteworthy for cracking the long-standing “exit” problem, need complementary reforms to shrink unviable banks and allow greater private sector participation. The GST Council offers a model “technology” of cooperative federalism to apply to many other policy reforms. Over the medium term, three areas of policy focus stand out: Employment: finding good jobs for the young and burgeoning workforce, especially for women. Education: creating an educated and healthy labor force. Agriculture: raising farm productivity while strengthening agricultural resilience. Above all, India must continue improving the climate for rapid economic growth on the strength of the only two truly sustainable engines—private investment and exports.

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ECONOMIC SURVEY 2017-18

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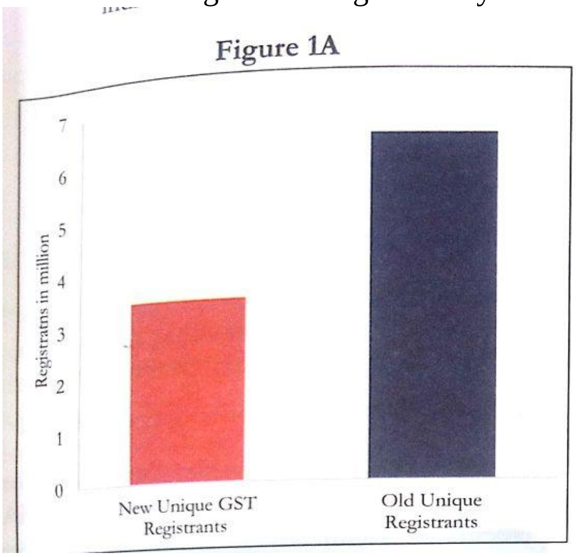
ECONOMIC SURVEY DRAWS ATTENTION TO 10 NEW ECONOMIC FACTS ON INDIAN ECONOMY

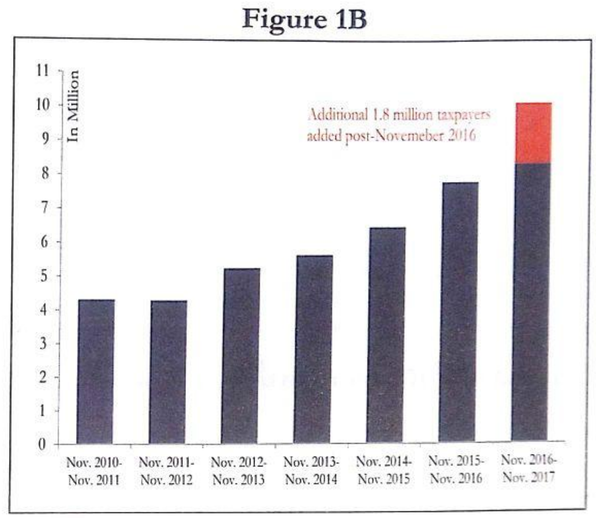
New Delhi, January 29, 2018
Magha 9, 1939

The Economic Survey presented by the Union Finance Minister Shri Arun Jaitley in Parliament today has relied upon analysis of the new data to highlight ten new economic facts:

1. Goods and Services Tax (GST) has given a new perceptive of the Indian economy and new data has emerged. There has been a fifty percent increase in the number of indirect taxpayers. There has also been a large increase in voluntary registrations, especially by small enterprises that buy from large enterprises wanting to avail themselves of input tax credits.

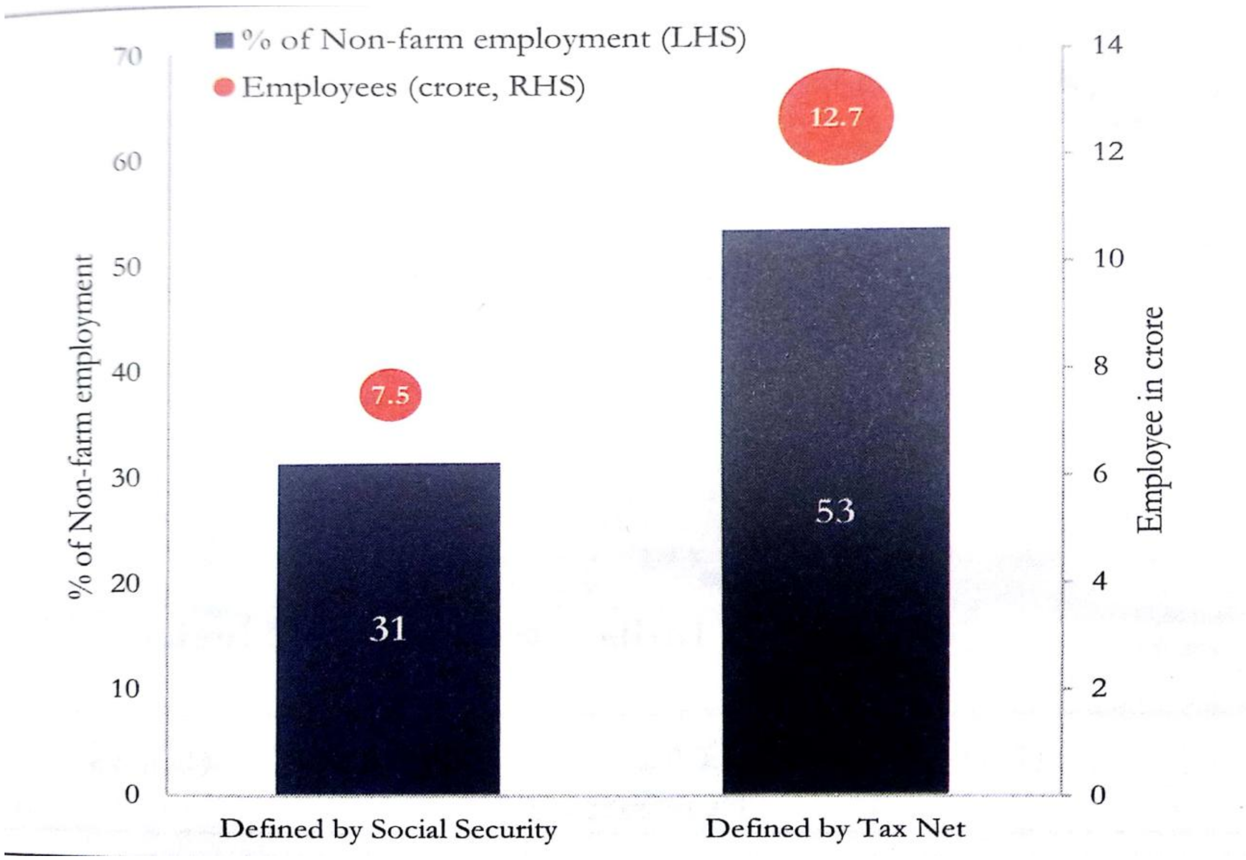
The Survey also stated that fears of major producing states that the shift to the new system would undermine their tax collections have been allayed as the distribution of the GST base among the states got closely linked to the size of their economies.



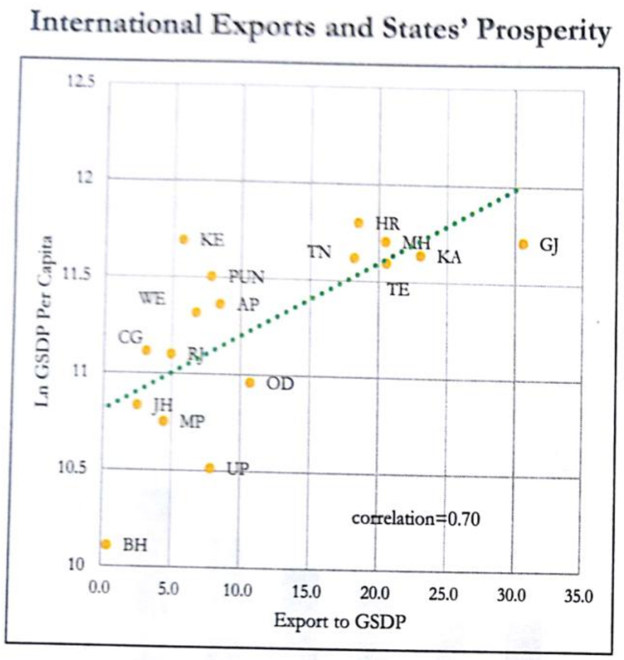


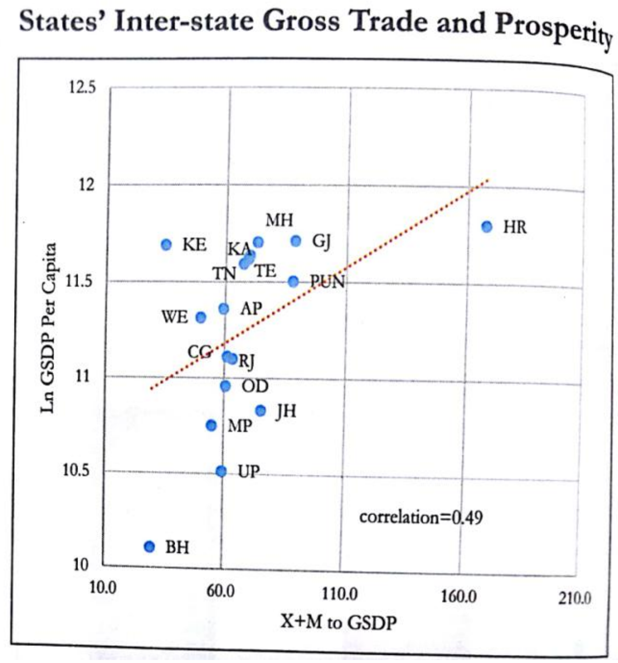
Similarly, there has been an addition of about 18 lakh in individual income tax filers since November 2016.

2. India's formal sector, especially formal non-farm payroll, is substantially greater than what it currently is believed to be. It became evident that when "formality" was defined in terms of social security provisions like EPFO/ESIC the formal sector payroll was found to be about 31 percent of the non-agricultural work force. When "formality" was defined in terms of being part of the GST net, such formal sector payroll share was found to be 53 percent.

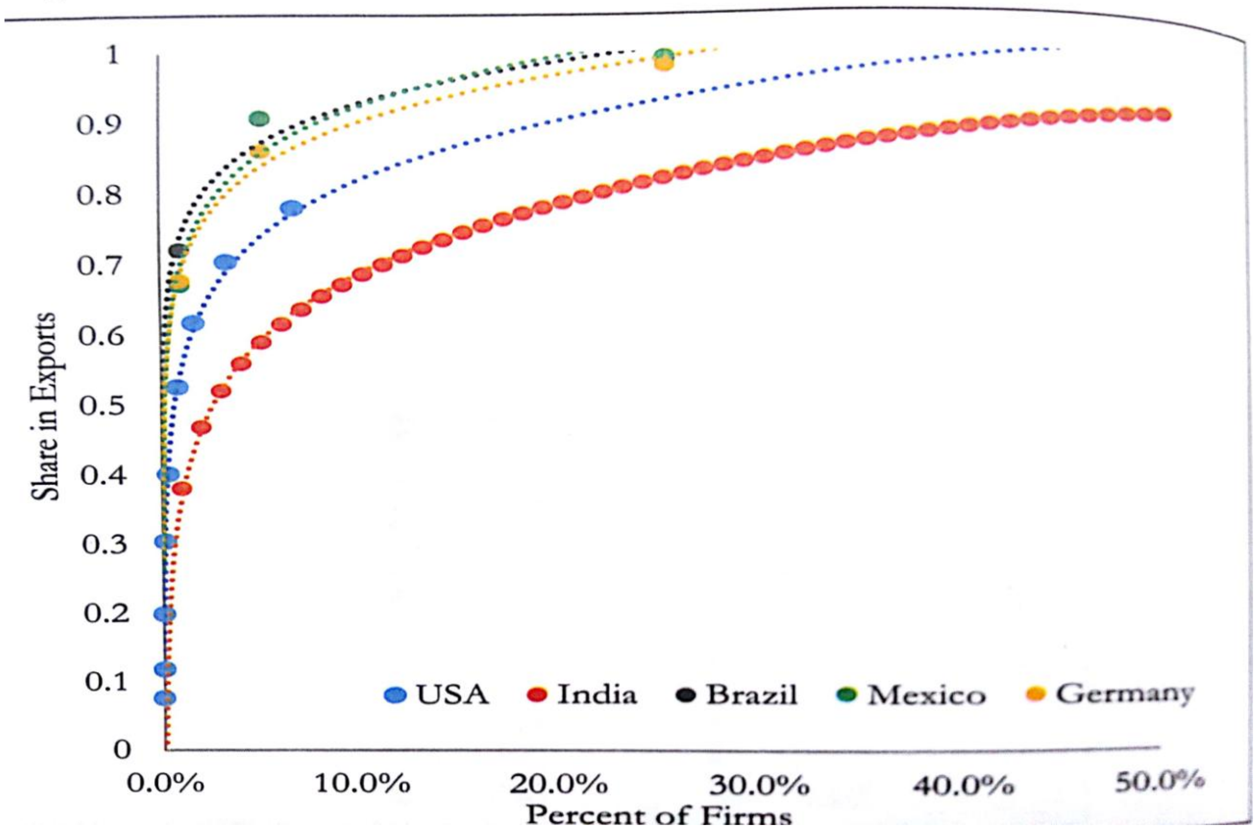


3. For the first time in India's history, data on the international exports of states has been dwelt in the Economic Survey. Such data indicates a strong correlation between export performance and states' standard of living. States that export internationally and trade with other states were found to be richer. Such correlation is stronger between prosperity and international trade.



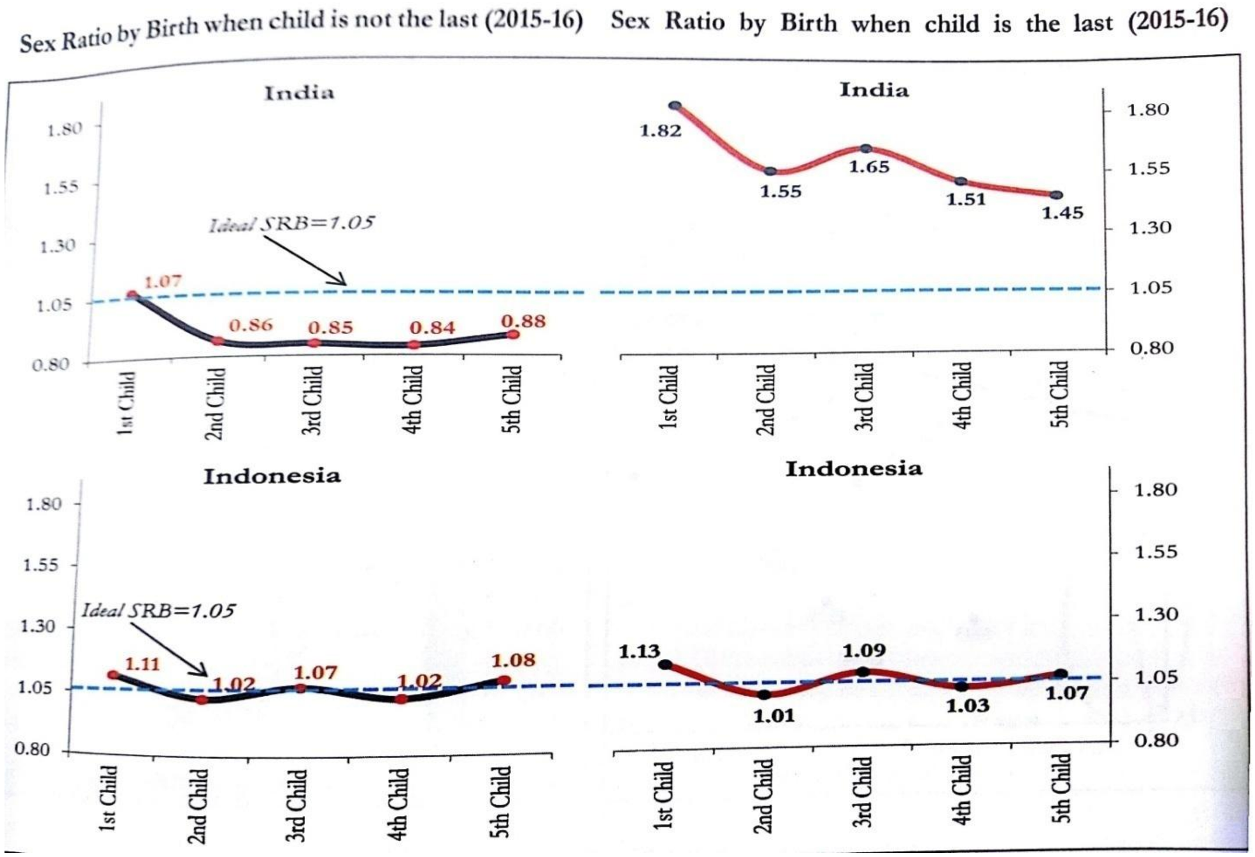


4. India's exports are unusual in that the largest firms account for a much smaller share of exports than in other comparable countries. Top one percent of Indian firms account only for 38% of exports unlike in other countries where they account for substantially greater share – (72, 68, 67 and 55 percent in Brazil, Germany, Mexico and USA respectively). Such tendencies were also found to be true for the top five or ten per cent of the Indian companies.



5. It was pointed out that the Rebate of State Levies (ROSL) has increased exports of ready-made garments (man-made fibers) by about 16 per cent but not of others.

6. The data highlighted another seemingly known fact that Indian society exhibits a strong desire for a male child. It pointed out that most parents continued to have children until they get number of sons. The survey gave details of various scenarios leading to skewed sex ratios and also gave a comparison on sex ratio by birth between India and Indonesia.

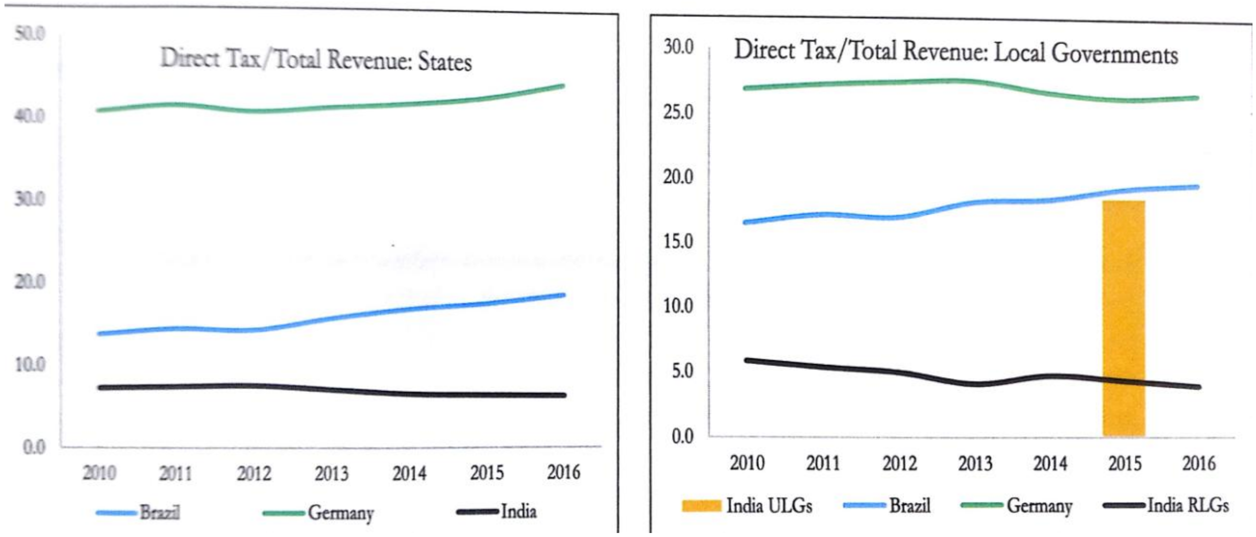


7. The survey pointed out that tax departments in India have gone in for contesting against in several tax disputes but also with a low success rate which is below 30 per cent. About 66 per cent of pending cases accounted for only 1.8 per cent of value at stake. It further stated that 0.2 per cent of cases accounted for 56 per cent of the value at stake.

8. Extrapolating the data the survey indicated that growth in savings did not bring economic growth but the growth in investment did.

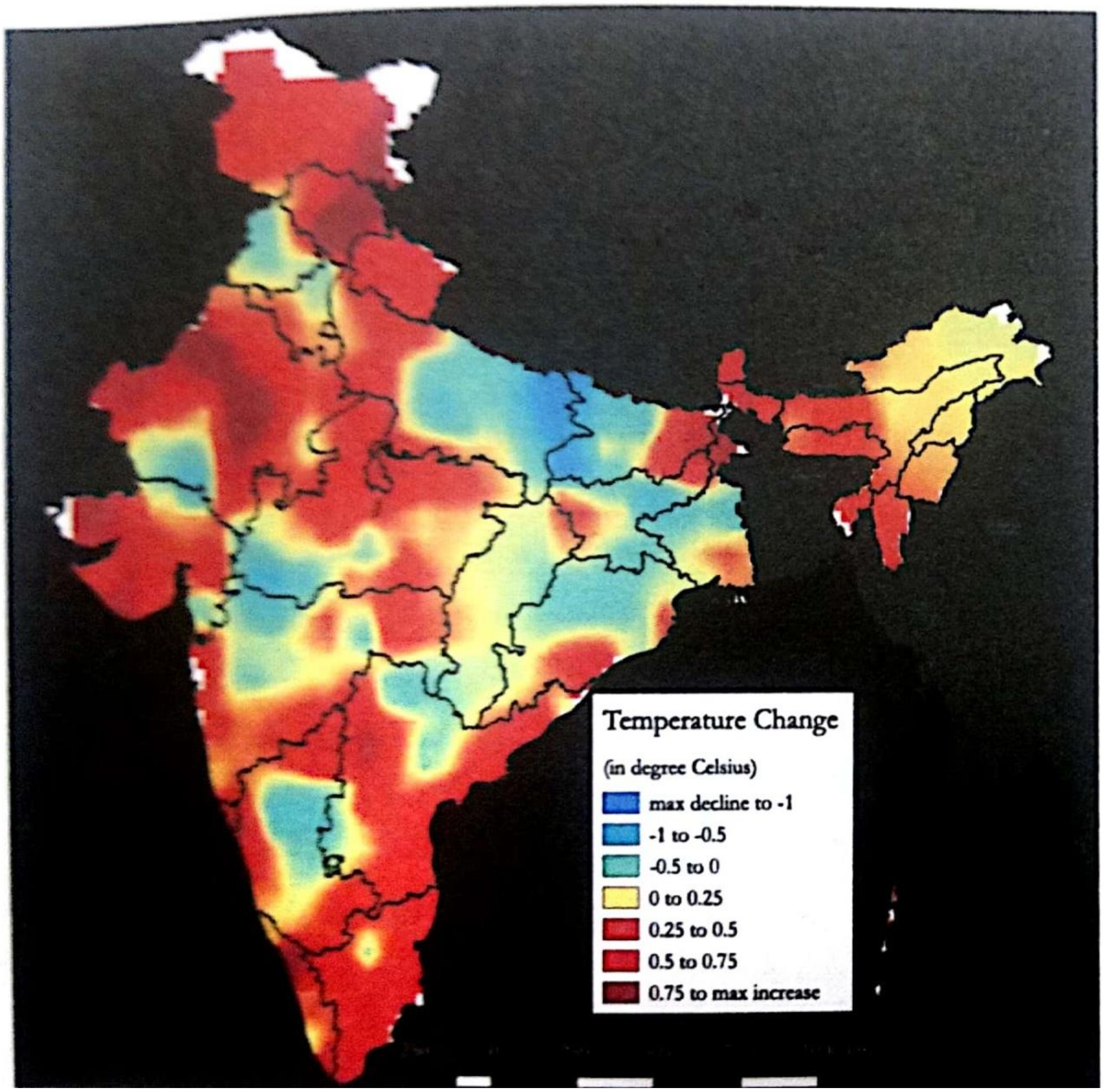
9. The survey mentions that collections of direct taxes by Indian states and other local governments, where they have powers to collect them is significantly lower than their counterparts in other federal countries. A comparison has been given between ratios of direct tax to total revenues of local governments in India, Brazil and Germany.

Direct Tax to Total Revenue: States and Local Government (in percent)

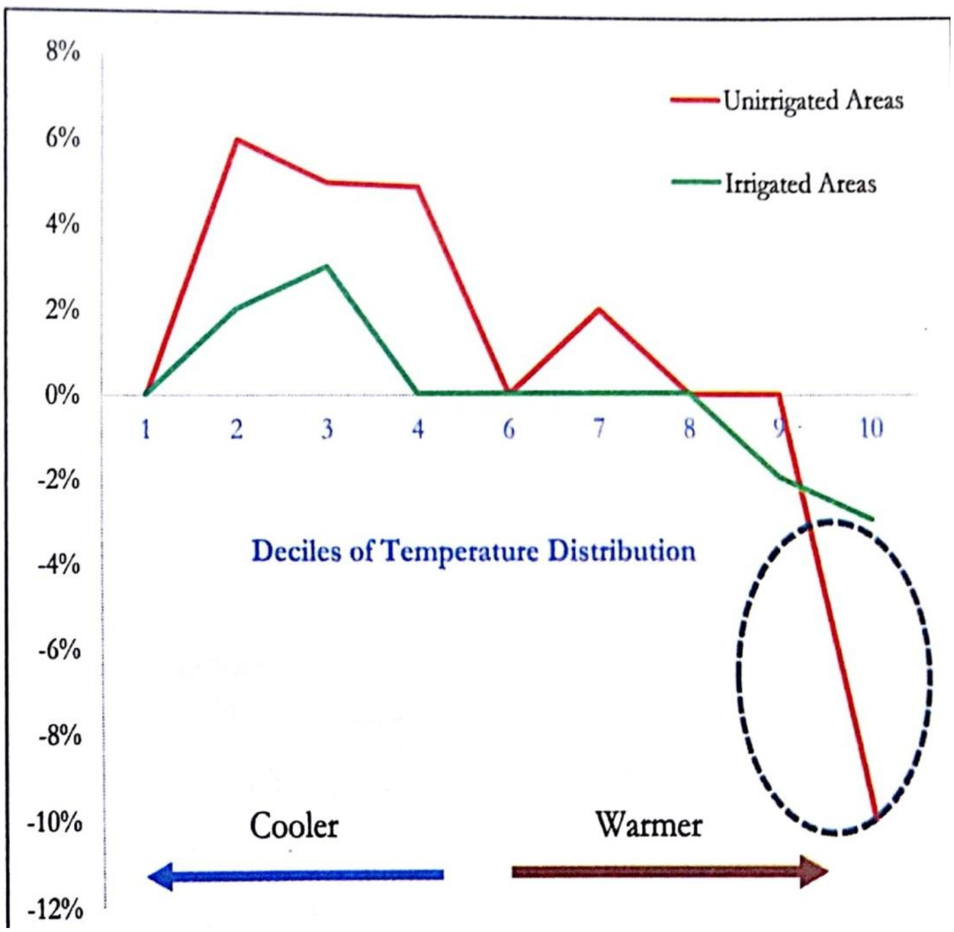


10. The survey captures the footprints of climate change on the Indian territory and consequent adverse impact on agricultural yields. Extreme temperature increases and deficiency in rainfall have been captured on the Indian map and the graphical changes in agricultural yields are brought out from such data. The impact was found to be twice as large in un-irrigated areas as in irrigated ones.

Spatial Distribution of Temperature Changes (Degrees Celsius change between average of 2005-15 and average of 1950-80)



Impact on Agricultural Yields of Temperature Changes (Kharif, in percent) according to Temperature Deciles



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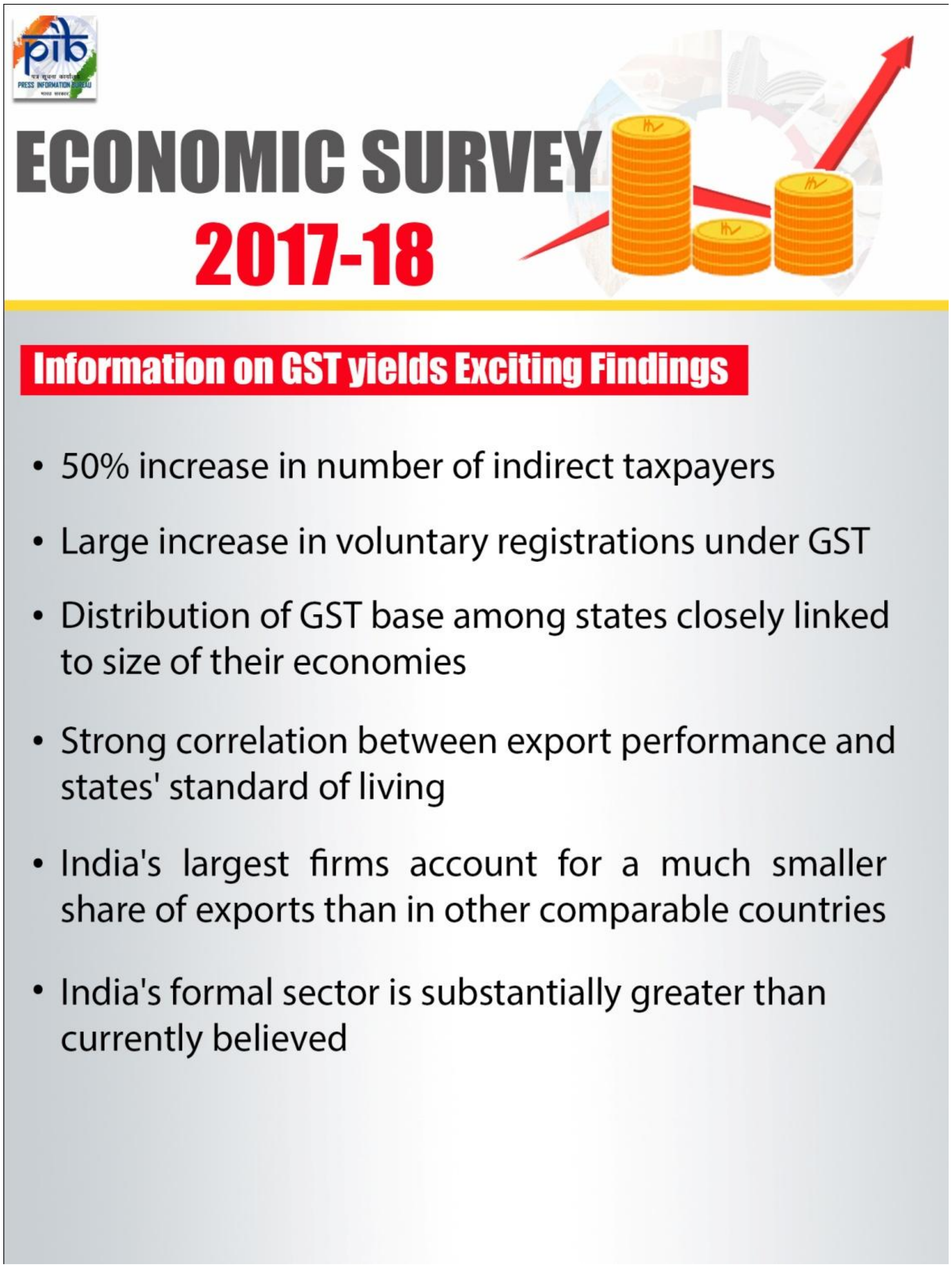
GST data reveals 50% increase in number of Indirect Taxpayers

Economic Survey says-Maharashtra, Gujarat, Karnataka, Tamil Nadu & Telangana account for 70% of India's exports

India's internal trade in goods and services is 60 percent of GDP.

New Delhi, January 29, 2018
Magha 9, 1939

A preliminary analysis of the Goods and Services Tax (GST) data reveals that there has been a 50% increase in the number of indirect taxpayers, besides a large increase in voluntary registrations, especially by small enterprises that buy from large enterprises and want to avail themselves of Input Tax Credits (ITC). The Economic Survey 2017-18 presented today in Parliament by the Union Minister of Finance and Corporate Affairs, Shri Arun Jaitley informs that as on December 2017, there were 9.8 million unique GST registrants slightly more than the total Indirect Tax registrants under the old system (where many taxpayers were registered under several taxes). Therefore, adjusting the base for double and triple counting, the GST has increased the number of unique indirect taxpayers by more than 50 percent –a substantial 3.4 million. The profile of new filers is interesting of their total turnover, business-to-consumer (B2C) transactions account for only 17 percent of the total. The bulk of transactions are business-to-business (B2B) and exports, which account for 30-34 percent apiece. There are about 1.7 million registrants who were below the threshold limit (and hence not obliged to register) who nevertheless chose to do so. Indeed, out of the total estimated 71 million non-agriculture enterprises, it is estimated that around 13 percent are registered under the GST. Maharashtra, UP, Tamil Nadu and Gujarat are the States with the greatest number of GST registrants. UP and West Bengal have been large increases in the number of tax registrants compared to the old tax regime. It also underlines that the distribution of the GST base among the States is closely linked to the size of their economies, allaying fears of major producing States that the shift to the new system would undermine their tax collections.



Dwelling on the subject of International Trade, Inter-State Trade and Economic Prosperity, the Survey points-out for the first time in India's history that five States- Maharashtra, Gujarat, Karnataka, Tamil Nadu and Telangana account for 70% of India's exports. New data on the international exports of States suggests a strong correlation between export performance and States' standard of living. Last year Survey had estimated that India's Inter-State trade in goods was between 30 and 50 percent of GDP. But the GST data suggests that

India’s internal trade in goods and services (excludes non-GST goods and services) is actually even higher and is about 60 percent of GDP.

The survey based on new GST data also provides a close look at the firm-level exports and states that India’s exports are unusual in that the largest firms account for a much smaller share of exports than in other comparable countries. Export concentration by firms is much lower in India than in the US, Germany, Brazil, or Mexico. The top one percent of firms accounted for 72, 68, 67 and 55 percent of exports in Brazil, Germany, Mexico, and USA respectively but only 38 percent in the case of India. Similarly, the top 5 percent accounted for 91, 86, 91 and 74 percent in those countries, compared with 59 percent in India and the top 25 percent of firms accounted for 99, 98, 99 and 93 percent in those countries, as opposed to 82 percent in India.

Referring to India’s formal sector, especially formal non-farm payroll, the Survey says it is substantially greater than currently believed. Formality defined in terms of social security provision yields an estimate of formal sector payroll of about 31 percent of the non-agricultural work force; formality defined in terms of being part of the GST net suggests a formal sector payroll share of 53 percent.

The Chapter titled “ A New, Exciting Bird’s-Eye View of the Indian Economy Through the GST” sums up that most of the discussions in the run-up to the GST centered on the size of the tax base, and its implications for the Revenue Neutral Rate (RNR). The RNR Committee had estimated a base of Rs.68.8 lakh crore and the GST Council had estimated a base of Rs.65.8 lakh crore. Current data suggest that the GST tax base (excluding exports) is Rs.65-70 lakh crore, broadly similar to these two previous estimates. Based on the average collections in the first few months, the implied weighted average collection rate (incidence) is about 15.6 percent. So, as estimated by the RNR committee, the single tax rate that would preserve revenue neutrality is between 15 to 16 percent.

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PINK-COLOR ECONOMIC SURVEY 2017-18 HIGHLIGHTS GENDER ISSUES AGAINST BACKDROP OF DEVELOPMENT

BETI BACHAO, BETI PADHAO; SUKANYA SAMRIDHI YOJANA AND MANDATORY MATERNITY LEAVE ARE ALL STEPS IN RIGHT DIRECTION, ACKNOWLEDGES SURVEY

NEW DELHI, January 29, 2018
Magha 9, 1939

The Pink-color Economic Survey 2017-18 tabled in Parliament today by the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley lays special emphasis on Gender and Son meta-preference, while providing an assessment of India’s performance on gender outcomes relative to other economies.

The Survey takes into account that Gender equality is an inherently multi-dimensional issue. Accordingly, assessments have been made based on three specific dimensions of gender, ie Agency (relates to women’s ability to make decisions on reproduction, spending on themselves, spending on their households and their own mobility and health), Attitudes (relate to attitudes about violence against women/wives, and the ideal number of daughters preferred relative to the ideal number of sons) and Outcomes (relate to ‘son preference’ measured by sex ratio of last child, female employment, choice of contraception, education level, age at marriage, age at first birth and physical or sexual violence experienced by women) which aim to reflect the status, role and empowerment of women in the society.

The key findings of the assessment made in the Survey include: 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.

Table 1. Summary of Results

	Gender Dimension	Specific Issue# (Women's Responses)	(1) India 2005-06 (%)	(2) India 2015-16 (%)	(3) Change (2)-(1)	(4) Is India an Outlier for its level of wealth$ in 2015?
1	Agency	Involved in decisions about their own health	62.3	74.5	12.2	**8.2**
2	Agency	Involved in decisions about large household purchases	52.9	73.4	20.4	**9.6**
3	Agency	Involved in decisions about visits to family and relatives	60.5	74.6	14.1	**4.1**
4	Agency	Involved in decisions about their own earnings	82.1	82.1	-0.1	**-7.4**
5	Agency	Involved in decisions about contraception	93.3	91.6	-1.7	0.1
6	Attitude	Prefer more or equal number of daughters over sons	74.5	78.7	4.3	**-4.4**
7	Attitude	Wife beating is not acceptable	50.4	54.0	3.5	**-2.7**
8	Outcome	Using reversible contraception, if using any method of contraception	33.8	32.8	-1.0	**-51.6**
9	Outcome	Employed##	36.3	24.0	-12.3	**-26.0**
10	Outcome	Employed in non-manual sector##	18.9	28.2	9.3	**-19.8**
11	Outcome	Earning more than or equal to husband	21.2	42.8	21.6	**-7.4**
12	Outcome	Educated##	59.4	72.5	13.1	**-6.8**
13	Outcome	Not experiencing physical or emotional violence	62.6	70.5	7.8	0.3
14	Outcome	Not experiencing sexual violence	90.3	93.6	3.3	**1.7**
15	Outcome	Median age at first child birth*	19.3	20.6	1.3	**0.4**
16	Outcome	Median age at first marriage*	17.3	18.6	1.3	**-0.4**
17	Outcome	Sex ratio of last birth[2] (females per hundred births)	39.4	39.0	-0.4	**-9.5**

* Age is in years and is for year 1998-99.

\# All questions/responses are reported so that positive numbers denote greater female empowerment.

\## These dimensions are calculated for the set of all women between 15-49. All other dimensions are calculated for married women between the ages of 15 and 49. In column 4, the numbers represent the extent to which India is an outlier, positive or negative. They derive from the regression equation estimated at household level in Annex I. All numbers represent percentage points difference from the average estimated relationship, except for the numbers in rows 15 and 16 where they refer to number of years.

$ Numbers in bold are statistically significant.

Source: Survey calculations based on DHS and NFHS data.

The Survey encouragingly notes that gender outcomes exhibit a convergence pattern, improving with wealth to a greater extent in India than in similar countries so that even where it is lagging, it can expect to catch up over time. The Survey, however, cautions that on several other indicators, notably employment, use of reversible contraception, and son preference, India has some distance to traverse because development has not proved to be an antidote.

Economic Survey 2017-18 states that 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.

The Economic Survey 2017-18 notes the challenge of gender is long-standing, probably going back millennia, so all stakeholders are collectively responsible for its resolution.

The Survey thus recommends that India must confront the societal preference, even meta-preference for a son, which appears inoculated to development. The skewed sex ratio in favor of males led to the identification of "missing" women. But there may be a meta-preference manifesting itself in fertility stopping rules contingent on the sex of the last child, which notionally creates "unwanted" girls, estimated at about 21 million, adds the Survey. Consigning these odious categories to history soon should be society's objective, opines the Survey.

The survey acknowledges that government's Beti Bachao, Beti Padhao and Sukanya Samridhi Yojana schemes, and mandatory maternity leave rules are all steps in the right direction. The Survey states that just as India has committed to moving up the ranks in Ease of Doing Business indicators, a similar commitment should be endeavored on the gender front.

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COORDINATED ACTION BETWEEN GOVERNMENT AND JUDICIARY TO BOOST ECONOMIC ACTIVITY- EASE OF DOING BUSINESS

New Delhi, January 29, 2018
Magha 9, 1939

The Economic Survey 2017-18 focuses on the need to address the issues of pendency, delays and backlogs in the appellate and judicial arenas towards Ease of Doing Business. These issues, it says hamper dispute resolution and contract enforcement, discourage investment, stall projects, hamper tax collection, stress tax payers and escalate legal costs. The Survey suggests coordinated action between government and the judiciary to boost economic activity in the country. The Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley tabled the Economic Survey 2017-18 in Parliament today.

The Economic Survey notes that India jumped 30 places to break into the top 100 for the first time in the World Bank's Ease of Doing Business Report (EODB), 2018. The rankings reflect the government's reform measures on a wide range of indicators. India leaped 53 and 33 spots in the taxation and insolvency indices, respectively, on the back of administrative reforms in taxation and passage of the Insolvency and Bankruptcy Code (IBC), 2016. It also made strides on protecting minority investors and obtaining credit, and retained a high rank on getting electricity, after a 70 spot rise in EODB, 2017 due to the government's electricity reforms. The Survey however says that India continues to lag on the indicator on enforcing contracts, marginally improving its position from 172 to 164 in the latest report.

The Survey emphasizes the importance of an effective, efficient and expeditious contract enforcement regime for economic growth and development. It says that a clear and certain legislative and executive regime backed by an efficient judiciary that fairly and punctually protects property rights, preserves sanctity of contracts and enforces the rights and liabilities of parties, is a prerequisite for business and commerce.

The Government has taken a number of actions to improve the contract enforcement regime. Some of the steps briefly are as follows:-

- Scrapping of over 1,000 redundant legislations.
- Amending the Arbitration and Conciliation Act, 2015.
- Passing the Commercial Courts Commercial Divisions and Commercial Appellate Division of High Courts Act, 2015.
- Expanding the Lok Adalat Programme .
- The Judiciary has at the same time expanded the National Judicial Data Grid (NJDG) and is near to ensuring that every High Court is digitized.

The Survey attempts to make a preliminary enquiry at highlighting the developments based on new data compiled for the survey, which it says are simple and stark:-

- High number of delays and pendency of economic cases in the Supreme Court, Economic Tribunals and Tax department are taking severe toll on the economy, in terms of stalled projects, mounting legal costs, contested tax revenues and reduced investment.
- Delays and pendency are caused due to the increase in overall workload of the judiciary, in turn due to expanding jurisdictions and use of injunctions and stays; in the case of tax litigation, this stems from government persisting with litigation despite high rates of failure at every stage of the appellate process; and
- Actions by courts and government acting together can considerably improve the situation.

The Economic Survey also suggests that the Government could consider including efforts and progress made in alleviating pendency in the lower judiciary as a performance-based incentive for States. Expenditure could be prioritized for filing, service and other delivery related issues that tend to cause maximum delays. However, the review cautions that building additional judicial capacity may not be effective unless existing capacity is fully utilized.

The Survey goes on to note that the Government and the Courts need to both work together for large-scale reforms and incremental improvements to combat a problem that is taking a large toll on the economy. It suggests some steps, which in brief are as follows:-

- Expanding judicial capacity in lower courts and reducing existing burden on High Courts and The Supreme Court.
- Considering its low success rate the tax department could exercise greater self restraint by limiting appeals.
- Substantially increasing state expenditure on the judiciary, particularly on modernization and digitization.
- Building on the success of the Supreme Court, creating more subject-matter and stage-specific benches that allow the Court to build internal specialization and efficiencies in combating pendency and delay.

- Courts could consider prioritizing stayed cases, and impose stricter timelines within which cases with temporary injunctions may be decided, especially when involving government infrastructure projects.
- Improving Courts Case Management and Court Automation Systems.

The Survey concludes by noting that recent experience with GST has shown how vertical cooperation between the Centre and States – Cooperative Federalism – has brought transformational economic policy changes. It says that perhaps there is scope for a horizontal variant – which it coins as Cooperative Separation of Powers that could be applied to the relationship between the judiciary on one hand, and the executive/legislature on the other.

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GROSS TAX COLLECTIONS ON TRACK FOR FIRST EIGHT MONTHS OF GST ERA;

FIFTY PERCENT INCREASE IN THE NUMBER OF INDIRECT TAX PAYERS

New Delhi, January 29,2018
Magha 9,1939

The Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley tabled the Economic Survey 2017-18 in Parliament today.

Based on the firm footing provided by the discernible improvements in most fiscal indicators such as revenue buoyancy, expenditure quality, tax devolution and deficits, the Government, in partnership with the States, ushered in the long-awaited GST era with effect from July,2017. The GST was unveiled after comprehensive preparations, calculations and multi-stage consultations, yet the sheer magnitude of change meant that it needed to be carefully managed. The Government is navigating the change and challenges, including the possibility that a substantial portion of the last-month GST collections may spill over to the next year, the Survey says.

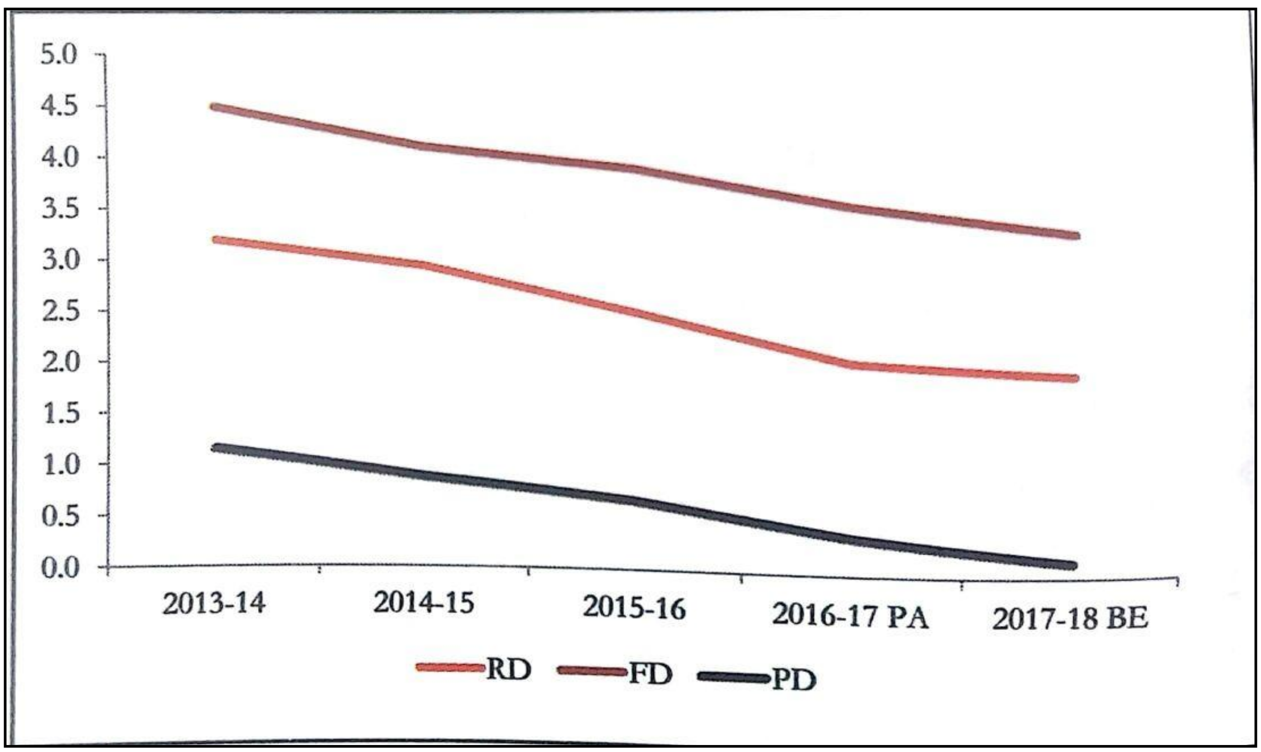
The data on Central Government finances available till November 2017 from the Controller General of Accounts (CGA) suggests that during the first eight months of the current year 2017-18 the Gross Tax Collections are reasonably on track; and the robust progress in disinvestment compensates to a great extent for the sluggish pace in non-tax revenue. The growth in direct tax collections of the Centre has kept pace with the previous year and is expected to meet targets, with a growth of 13.7 per cent while indirect taxes grew by 18.3 per cent during April-November 2017.

The eventual outcome in indirect taxes during this year will depend on the final settlement of GST accounts between the Centre and the States and the likelihood that only taxes for eleven months (excluding IGST on imports) will be realized. The States' share in taxes grew by 25.2 per cent during April-November 2017, much higher than the growth in net tax revenue (to Centre) at 12.6 per cent and of gross tax revenue at 16.5 per cent.

As an information repository, the Goods and Services Tax (GST) provides a radical change and a new insight into the understanding of the Indian economy. Preliminary analysis of this information yields the following feast of findings. There has been a fifty percent increase in the number of indirect taxpayers; and a large increase in voluntary registrations, especially by small enterprises that buy from large enterprises and want to avail themselves the input tax credits. The distribution of the GST base among the states is closely linked to the size of their economies, allaying fears of major producing states that the shift to the new system would undermine their tax collections. Data on the international exports of states (the first in India's history) suggests a strong correlation between export performance and states' standard of living. India's exports are unusual in that the largest firms account for a much smaller share of exports than in other comparable countries. India's internal trade is about 60 percent of GDP, even greater than estimated in last year's Survey and comparing very favorably with other large countries. India's formal sector, especially formal non-farm payroll, is substantially greater than currently believed. Formality defined in terms of social security provision yields an estimate of formal sector payroll of about 31 percent of the non-agricultural work force; formality defined in terms of being part of the GST net suggests a formal sector payroll share of 53 percent.

The advancing of the budget cycle and processes by almost a month gave considerable leeway to the spending agencies to plan in advance and start implementation early in the financial year, leading to a robust pace of progress of Central expenditure.

Sound Public financial management has been one of the pillars of India's macro economic stability in the last three years. In accordance with this, the Fiscal Deficit, Revenue Deficit as well as the Primary Deficit has been declining for the past 3 years.



FISCAL INDICATORS AS PERCENTAGE OF GDP

The early pick-up in expenditure coupled with front-loading of some expenditure and increased interest outgo exerted pressure on fiscal deficit which expanded to 112 per cent of budget estimates by November 2017. A good part of this growth is likely to normalize as the year progresses.

If indications and patterns till November are to hold, then the States taken together may be able to meet their targeted level of fiscal deficit in 2017-18.

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IBC MECHANISM BEING USED ACTIVELY TO RESOLVE NPA PROBLEM, ASSERTS ECONOMIC SURVEY

New Delhi, January 29, 2018
Magha 9, 1939

The Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley tabled the Economic Survey 2017-18 in Parliament today. The survey reviews the Monetary Management and Financial Intermediation. Here are the highlights:-

- Monetary policy remained steady with only one policy rate cut in August, during 2017-18 (till January). Monetary policy during 2017-18 was conducted under the revised statutory framework, which became effective from August 5, 2016.

- In the third bi-monthly Monetary Policy Statement for 2017-18 in August 2017, the Monetary Policy Committee decided to reduce the policy Repo Rate by 25 basis points to 6.0 per cent. It kept the rates unchanged in both October and the latest meeting held in December.

- In tandem with the re-monetisation process, from November 17, 2017, as a favourable base effect set in, the Y-o-Y growth of both Currency in Circulation and M0 turned sharply positive and higher than their respective growth rates in the previous year.

- After demonetisation in early November 2016, the Reserve Bank had scaled up its liquidity absorption operations using a mix of both conventional and unconventional instruments.

- Liquidity conditions remain in surplus mode even as its magnitude moderated gradually with progressive remonetisation. Weighted Average Call Rate in recent months has drifted to the middle of the policy corridor.

- The performance of the banking sector, Public Sector Banks in particular, continued to be subdued in the current financial year. The Gross Non-Performing Advances (GNPA) ratio of Scheduled Commercial Banks (SCBs) increased from 9.6 per cent to 10.2 percent between March 2017 and September 2017.

- Non Food Credit (NFC) grew at 8.85 per cent Y-o-Y in November 2017 as compared to 4.75 per cent in November 2016. Bank credit lending to Services and Personal Loans (PL) segments continue to be the major contributor to overall NFC growth.

- The NBFC sector, as a whole, accounted for 17 per cent of bank assets and 0.26 per cent of bank deposits as on September 30, 2017. The consolidated balance sheet size of the NBFC sector increased by 5 per cent (September 2017 over March 2017) to Rs.20.7 lakh crores, as against an increase of 14.2 per cent between March 2016 and March 2017.

- The year 2017-18 (April-November) witnessed a steady increase in resource mobilisation in the primary market segment as compared to the corresponding period in the last financial year.

- The 10 year G-sec yield, meanwhile, has hardened since September 2017. The G-sec yield as on January 11, 2018 stands at 7.26 per cent.

- An ecosystem for the new insolvency and bankruptcy process took shape in 2017-18. The IBC mechanism is being used actively to resolve the NPA problem of the banking sector. A major factor behind the effectiveness of the new Code has been the adjudication by the Judiciary. The Code prescribes strict time limits for various procedures under it. In this process, a rich case-law has evolved, reducing future legal uncertainty.

- The stock markets also hit record highs this financial year.

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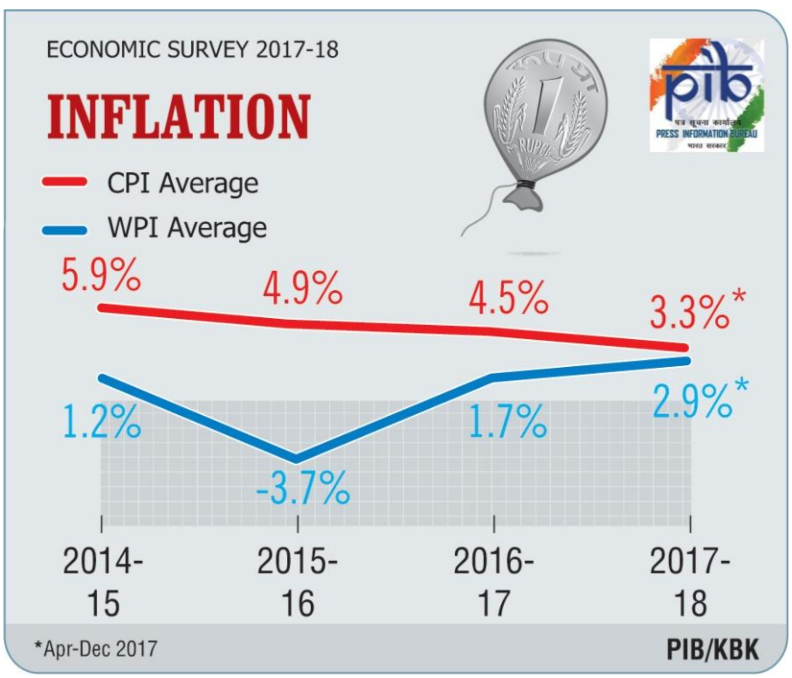
INFLATION DURING 2017-18 AVERAGED TO THE LOWEST IN THE LAST SIX YEARS

New Delhi, January 29, 2018
Magha 9, 1939

Inflation in the country continued to moderate during 2017-18. Consumer Price Index(CPI) based headline inflation averaged 3.3 per cent during the period which is the lowest in the last six financial years. This has been stated in the Economic Survey 2017-18 placed in Parliament today by the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley .

The decline in the inflation was broad-based across major commodity groups except Housing and Fuel & Light. The Headline inflation has been below 4 per cent for twelve straight months, from November, 2016 to October, 2017 and CPI food inflation averaged around one per cent during April-December in the current financial year, says the Survey.



The Survey observes that the economy has witnessed a gradual transition from a period of high and variable inflation to more stable prices in the last four years. Headline inflation measured by the CPI has remained under control for the fourth successive year. In fact the decline in the inflation in the first half of the current fiscal year was indicative of a benign food inflation which ranged between (-) 2.1 to 1.5 per cent. . Survey says “This has been possible due to Good agricultural production coupled with regular price monitoring by the Government.”

However, the rise in food inflation in recent months is mainly due to factors driving prices of vegetables and fruits. In rural areas while food was main driver of CPI inflation during 2016-17, in urban areas housing sector has contributed the most to inflation in the current financial year. If we a look at state-wise inflation during 2017-18, many states have witnessed sharp fall in CPI inflation. Inflation in 17 states was below 4 per cent, during the period. This has been possible due to various efforts made to contain inflation at various level by the Government, says the Survey.

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MEASURES TO CONTROL INFLATION

New Delhi, January 29, 2018
Magha 9, 1939

Controlling inflation has been a priority area for the Central Government, says the Economic Survey 2017-18 placed in Parliament today by the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley . It says that the Government has taken a number of measures for this purpose which, inter alia, include the following:-

- Advisories are being issued, as and when required, to State Governments to take strict action against hoarding & black marketing and effectively enforce the Essential Commodities Act, 1955 & the Prevention of Black-marketing and Maintenance of Supplies of Essential Commodities Act, 1980 for commodities in short supply.
- Regular review meeting on price and availability situation is being held at the highest level including at the level of Committee of Secretaries, Inter Ministerial Committee, Price Stabilization Fund Management Committee and other Departmental level review meetings.
- Higher MSP has been announced so as to incentivize production and thereby enhance availability of food items which may help moderate prices.
- A scheme titled Price Stabilization Fund(PSF) is being implemented to control price volatility of agricultural commodities like pulses, onions etc.
- The Government approved enhancement in buffer stock of pulses from 1.5 lakh MT to 20 Lakh MT to enable effective market intervention for moderation of retail prices. Accordingly, a dynamic buffer stock of pulses of upto 20 lakh tones has been built.
- Pulses from the buffer are being provided to States/UTs for PDS distribution, Mid-day Meal scheme etc. The requirement of pulses by Army and Central Para-military Forces.
- The Government has imposed stock holding limits on stockiest/dealers of sugar till April, 2018.
- The Government imposed 20% duty on export of sugar for promoting availability and moderating price rise.
- Permitted import of 5 lakh tones of raw sugar at zero duty; subsequently, import of additional 3 lakh tones was allowed at 25% duty.
- Export of all varieties of onion will be allowed only on letter of credit subject to a minimum export price (MEWP) of $850 per MT till 31st December, 2017.

- States/UTs have been advised to impose stock limit on onions. States were requested to indicate their requirement of onions so that import of requisite quantity may be undertaken to improve availability and help moderate the prices.

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PROMOTING INCLUSIVE EMPLOYMENT-INTENSIVE INDUSTRY AND BUILDING RESILIENT INFRASTRUCTURE ARE VITAL FACTORS FOR ECONOMIC AND DEVELOPMENT, SAYS THE ECONOMIC SURVEY

SEVERAL SECTOR SPECIFIC REFORM INITIATIVES TAKEN BY THE GOVERNMENT SIGNIFICANTLY IMPROVED OVERALL BUSINESS ENVIRONMENT

New Delhi, January 29, 2018
Magha 9, 1939

Promoting inclusive employment-intensive industry, and building resilient infrastructure are vital factors for economic and development. The Government is taking several sector-specific measures in this direction. This was stated in the Economic Survey 2017-18 presented by the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley in Parliament today. Apart from structural reforms like Goods and Services Tax, Insolvency and Bankruptcy Code and measures to facilitate Ease of Doing Business, the Survey highlights that the Government has initiated sector specific reforms in Steel, Apparel, Leather and Power sectors to address specific challenges associated with each of these sectors. Various reforms undertaken by the Government over the last 3 years, have been recognized by international rating agencies such as Moody's Investor Service and up-gradation in the ranking of Ease of Doing Business of the World Bank Report 2018, the Survey further adds.

The Economic Survey 2017-18 further says that the Index of Industrial Production (IIP) which is a volume index with base year 2011-12, shows that the industrial output increased by 3.2 percent during April-November 2017-18. This was a composite effect of robust growth in electricity generation at 5.2 percent and moderate growth in both mining and manufacturing sectors at 3.0 percent and 3.1 percent respectively. The Index of Industrial Production (IIP) registered a 25-month high growth of 8.4 per cent with manufacturing growing at 10.2 per cent

According to the Economic Survey 2017-18, the Eight Core Infrastructure Supportive Industries, viz. Coal, Crude Oil, Natural Gas, Petroleum, Refinery Products, Fertilizers, Steel, Cement and Electricity attained a cumulative growth of 3.9 percent during April-November, 2017-18. The production growth of Coal, Natural Gas, Refinery Products, Steel, Cement and Electricity was positive during this period. The steel production increased substantially, while the production of crude oil and fertilizers fell marginally during the period, the Economic Survey adds.

The Survey notes that nominal outstanding credit growth to industry turned positive to 1 per cent in November 2017 for the first time after witnessing negative growth since October 2016. Demand for funds by Indian firms, in the wake of the credit slowdown, has been somewhat met by alternative sources such as corporate bonds and commercial paper.

The pre-Budget Economic Survey state that the total Foreign Direct Investment inflow grew by 8 per cent i.e. USD 60.08 billion in 2016-17 in comparison to USD 55.56 billion of the previous year. In 2017-18 (April – September), the inflow of total FDI was to the quantum of USD 33.75 billion.

On the Ease of doing Business, the Economic Survey highlights that India has leapt 30 ranks over its previous rank of 130 in the World Bank's latest Doing Business Report 2018. Credit rating company Moody's Investors Service has also raised India's rating from the lowest investment grade of Baa3 to Baa2.This has been made possible due to a host of measures undertaken by the Government including implementation of the Goods and Services Tax, Insolvency and Bankruptcy Code, and announcement of bank recapitalization. A number of reforms to boost industrial growth include Make in India programme, Start-up India and Intellectual Rights Policy.

The Economic Survey listed out Sectoral Initiatives:-

- ***Steel:*** In order to address dumping of cheap steel imports from China, South Korea and Ukraine, the Government raised customs duty and imposed anti-dumping duty, Minimum Import Price (MIP) on a number of items in February 2016, with a sunset clause of one year. These measures helped the domestic producers and exports recovered. The Government notified anti-dumping duties and Countervailing Duties on various steel products in February 2017. The Government has rolled out a New Steel Policy in May 2017.
- ***MSME Sector***: 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. The Government has initiated a number of schemes for the sector and particularly the Pradhan Mantri Mudra Yojana for development and refinancing activities relating to micro industrial units in 2016-17.
- ***Textiles and Apparels****:* To address some of the constraints faced by apparel firms, the Cabinet announced a Rs.6000 crore package for the apparel sector on June 2016. It was found that since its implementation in June 2016, the package had a positive impact on the exports of Ready Made Garments (RMG) of Man-made fibres while it did not have a statistically significant impact on the RMG of other natural fibres, except wool. The impact of the package increased over time and did not show any signs of attenuation. The Government has in December 2017 approved the scheme for Capacity Building in Textile Sector (SCBTS) with an outlay of □ 1,300 crore for the period 2017-2018 to 2019-2020.
- ***Leather sector****:* Leather sector is also highly labour intensive sector. The sector faces challenges which have been addressed through a scheme for the purpose of

promotion of employment in the leather & footwear sector in December 2017, with an outlay of Rs 2600 crore over three financial years 2017-18 to 2019-2020.

- ***Gems and Jewellery****:*India is one of the largest exporters of gems and jewellery. Exports of the sector have risen from 0.7 per cent in 2014-15 to 12.8 per cent in 2016-17. Training in jewellery designing, setting up refineries, hallmarking centres etc. and creation of multiple jewellery parks would help the sector.

The Economic Survey notes that the Global Infrastructure Outlook forecasts around US$ 4.5 trillion worth of investments is required by India till 2040 to develop infrastructure to improve economic growth and community wellbeing.

According to the Survey, **the Government is investing massively on building infrastructure to support India's long term growth. India is far ahead than many emerging economies in terms of providing qualitative transportation related infrastructure.** The primary agenda for the Government has been building new National Highways (NHs) and also converting State Highways (SHs) into NHs. As in September, 2017, total length of National Highways (NHs) /Express Ways in India was 1,15,530 km which accounted for 2.06 per cent of the total road length. On the other hand, the length of State Highways was 1,76,166 km as on 2015-16. The Government received proposals for declaration of more than 64000 km of State roads as National Highways (NHs) from various State Governments, against which the Ministry of Road and Transportation has declared about 10000 km of Roads/routes as new National Highways. In many under developed States with lower Per capita GSDP like Bihar, Odisha, Chhatisgarh, Jharkhand and Jammu & Kashmir, West Bengal, Madhya Pradesh, the density of Other Public Work Department (OPWD) Road/District Road is very low. There is a need for developing OPWD roads including District Roads, so as to provide better access, thereby enhancing economic activities, the Economic Survey adds.

The Survey observes that in order to expedite completion of delayed projects, various steps have been taken for streamlining of land acquisition & environment clearances. The new umbrella program like 'BharatmalaPariyojana' aims to achieve optimal resource allocation for a holistic highway development.

Regarding Railways, the Surveys states that during 2017-18 (upto September 2017) Indian Railways carried 558.10 million tonne of revenue earning freight traffic as against 531.23 million tonnes during the corresponding period of previous year, showing an increase of 5.06 per cent during this period. With emphasis on railways infrastructure development, the pace of commissioning Broad Gauge (BG) lines and completion of electrification have been accelerated. With financial assistance from Government of India, 425 km of metro rail systems are operational and about 684 km are under construction in various cities across India (as in December 2017). In 2017-18 (till 31.12.2017), cargo traffic handled at Major Ports has been 499.41 million tonnes compared to 481.87 million tonnes handled during the corresponding period of 2016-17. Under SagarmalaProgramme which is to promote port-led development along Indian coast line, 289 Projects worth Rs. 2.17 Lakh Crore are under various stages of implementation and development, the Survey adds.

In the **Telecommunication Sector**, the Survey pointed out that the programme like ‘Bharat Net’ and ‘Digital India’ are to convert India into a digital economy. As on end of September 2017, the total subscribers stood at 1207.04 million, out of which 501.99 million connections were in the rural areas and 705.05 million in the urban areas.

Regarding **Civil Aviation Sector**, the Economic Survey says that in 2017-18 (April - September), domestic airlines carried 57.5 million passengers, showing a growth rate of 16% over the corresponding previous year period, with 10.3 percent domestic cargo handled. The Government is taking initiatives like liberalization of air services, airport development and regional connectivity through scheme like UDAN.

Highlighting the initiatives and achievement in the **Power Sector**, the Survey mentions that All-India installed power generation capacity has reached 3,30,860.6 MW as on 30thNovember, 2017 and electrification in 15,183 villages has been completed. The Ujjawal DISCOM Assurance Yojana (UDAY) has focused on enhancing the financial health of DISCOMs by reducing interest burden, cost of power and aggregated technical and commercial losses. A new scheme, Saubhagya (Pradhan Mantri Sahaj Bijli HarGhar Yojana), was launched in September 2017 to ensure electrification of all remaining willing households in the country in rural and urban areas with an outlay of Rs. 16,320 crore, the Survey adds.

According to the Survey, the Indian **logistics industry** worth around US$ 160 Billion has grown at a compound annual growth rate (CAGR) of 7.8 per cent during last five years. Logistics sector provides employment to more than 22 million people. The Global Ranking of the World Bank’s 2016 Logistics Performance Index shows that India jumped to 35th rank in 2016 from 54th rank in 2014 in terms of overall logistics performance. India has improved its rank in all the six components of logistics performance index.

India’s housing policies have been mostly focused on building more homes and on home ownership. The Economic Survey suggests that a more holistic approach is required that takes into account rentals and vacancy rates. In turn, this needs to pay more attention to contract enforcement, property rights and spatial distribution of housing supply vs. demand.

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GROWING MIGRATION BY MEN IS CAUSING ‘FEMINISATION’ OF AGRICULTURE SECTOR, SAYS ECONOMIC SURVEY

New Delhi, January 29, 2018
Magha 9, 1939

Economic Survey 2017-18, tabled by the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley in Parliament today, says that with growing rural to urban migration by men, there is ‘feminisation’ of agriculture sector, with increasing number of women in multiple roles as cultivators, entrepreneurs, and labourers. Globally, there is empirical evidence that women have a decisive role in ensuring food security and preserving local agro-biodiversity. Rural women are responsible for the integrated management and use of diverse natural resources to meet the daily household needs. This requires that women farmers should have enhanced access to resources like land, water, credit, technology and training which warrants critical analysis in the context of India. In addition, the entitlements of women farmers will be the key to improve agriculture productivity. The differential access of women to resources like land, credit, water, seeds and markets needs to be addressed. Towards this, Government has been implementing various schemes which help improve the entitlements of women farmers, which will prove to be advantageous in bridging the policy gaps which exits in the sector. The following measures have been taken to ensure mainstreaming of women in agriculture sector:

- Earmarking at least 30% of the budget allocation for women beneficiaries in all ongoing schemes/programmes and development activities.

- Initiating women centric activities to ensure benefits of various beneficiary-oriented programs/schemes reach them.

- Focusing on women self-help group (SHG) to connect them to micro-credit through capacity building activities and to provide information and ensuring their representation in different decision-making bodies.

- Recognizing the critical role of women in agriculture, the Ministry of Agriculture and Farmers Welfare has declared 15th October of every year as Women Farmer’s Day.

With women predominant at all levels-production, pre-harvest, post-harvest processing, packaging, marketing – of the agricultural value chain, to increase productivity in agriculture, it is imperative to adopt gender specific interventions. An ‘inclusive transformative agricultural policy’ should aim at gender-specific intervention to raise productivity of small farm holdings, integrate women as active agents in rural transformation, and engage men and women in extension services with gender expertise.

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AGRICULTURAL MECHANIZATION PICKS UP PACE

CONSOLIDATION OF LAND HOLDINGS IS REQUIRED TO REAP THE BENEFITS OF AGRICULTURAL MECHANIZATION, SAYS ECONOMIC SURVEY

New Delhi, January 29, 2018
Magha 9, 1939

Indian Farmers are adapting to farm mechanization at a faster rate in comparison to recent past. This was stated in Economic Survey, 2017-18 tabled by the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley in Parliament today. The Economic Survey says that, sale of tractors to a great extent it reflects the level of mechanization. Indian tractor industries have emerged as the largest in the world and account for about one-third of total global tractor production, the Survey adds.

According to the World Bank estimates, half of the Indian population would be urban by the year 2050. It is estimated that percentage of agricultural workers in total work force would drop to 25.7% by 2050 from 58.2% in 2001. Thus, there is a need to enhance the level of farm mechanization in the country. Due to intensive involvement of labour in different farm operations, the cost of production of many crops is quite high. Human power availability in agriculture also increased from about 0.043KW/ ha in 1960-61 to about 0.077 KW/ ha in 2014-15. However, as compared to tractor growth, increase in human power in agriculture is quite slow.

Over the year, the shift has been towards the use of mechanical and electrical sources of power. In 1960-61, about 93% farm power was coming from animate sources, which has reduced to about 10% in 2014-15. On the other hand, mechanical and electrical sources of power have increased from 7% to about 90% during the same period.

According to the Economic Survey, there is predominance of small operational holding in Indian Agriculture. It is, therefore, needed to consolidate the land holdings to reap the benefits of agricultural mechanization. There is a need to innovate custom service or a rental model by institutionalization for high cost farm machinery such as combine harvester, Sugarcane harvester, potato combine, paddy transplanter, laser guided land leveler, rotavator etc. to reduce the cost of operation and it can be adopted by private players or State or Central Organization in major production hubs.

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Rs.20,339 CRORE APPROVED FOR INTEREST SUBVENTION IN 2017-18: ECONOMIC SURVEY

New Delhi, January 29, 2018
Magha 9, 1939

Rs.20,339 crore has been approved by the Government in 2017-18 to meet various obligations arising from interest subvention being provided to the farmers on short term crop loans, as also loans on post-harvest storages meets an important input requirement of the farmers in the country, specially small and marginal farmers who are the major borrowers. This was stated in the Economic Survey 2017-18 tabled by the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley in the Parliament today.The Survey further adds that this institutional credit will help in delinking the farmers from non-institutional sources of credit, where they are compelled to borrow at usurious rates of interest. Since the crop insurance under *Pradhan Mantri Fasal Bima Yojana* (PMFBY) is linked to availing of crop loans, the farmers would stand to benefit from both farmer oriented initiatives of the Government, by accessing the crop loans.

The Survey says that the Government has been undertaking market reforms with a view to ensuring that the farmers benefit from remunerative prices for their produce in the market. The electronic National Agriculture Market (e-NAM) that was launched by Government on April, 2016 aims at integrating the dispersed APMCs through an electronic platform and enable price discovery in a competitive manner, to the advantage of the farmers. While the farmers are advised to undertaken on-line trade, it is also important that they avail themselves of post-harvest loans by storing their produce in the accredited warehouses. The loans are available to Kisan Credit Card (KCC) holding small and marginal farmers at interest subvention of 2% on such storages for a period of upto 6 months. This will help the farmers to sell when they find the market is buoyant, and avoid distress sale. It is, therefore, needful for the small and marginal farmers to keep their KCCs alive, the Survey adds.

Economic Surveys says, that the Government is keen to double the income of the farmers by 2022, for which it has launched several new initiatives that encompass activities from seed to marketing. The credit from institutional sources will complement all such government initiatives like Soil Health Card, Input Management, Per Drop More Crop in Pradhan Mantri Krishi Sinchai Yojana (PMKSY), PMFBY, e-Nam, etc.

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AGRICULTURAL R&D NEEDED TO SUSTAIN AGRICULTURAL PRODUCTIVITY GROWTH SAYS ECONOMIC SURVEY

New Delhi, January 29, 2018
Magha 9, 1939

Agricultural R&D is the main source of innovation, which is needed to sustain agricultural productivity growth in the long-term. This was stated in Economic Survey, 2017-18 tabled by the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley in Parliament today. The Survey says that the actual expenditure of Department of Agricultural Research and Education/Indian Council of Agricultural Research has increased from Rs.5393 crore in 2010-11 to Rs.6800 (BE) crore during 2017-18. The compound annual growth rate of expenditure has been 4.2% over the years and in recent years' expenditure has been on higher side. During the current year (2017-18), investment in Agriculture Research and Education protected new Agricultural innovation by filling 45 patent applications at Indian patent Office (IPO) and the cumulative patent applications have now risen to 1,025. 10 copyright and 12 trademark applications were filed by ICAR for products and processes. After the Protection of Plant Varieties and Farmers' Right Authority notified new genera, applications for 135 varieties were filed at the Registry and 155 high-yielding varieties/hybrids of cereals were released for cultivation in different agro-ecologies of the country during 2016, the Economic Survey adds.

Economic Survey says that total 209 new Varieties/hybrids tolerant to various biotic and abiotic stresses with enhanced quality have been developed for Cereals, Pulses, Oilseeds, commercial and Forage crops.

Cereals:- 117 high yielding varieties/hybrids of cereals comprising 65of rice, 14 of wheat, 24 of maize, 5 of finger millet, 3 of pearl millet, 1 each of sorghum, barley, foxtail millet, kodo millet, little millet and proso millet were released for cultivation in different agro-ecologies of the country during 2017.

Oilseeds:- 28 high yielding oilseeds varieties comprising 8 of rapeseed-mustard, 5of soybean, 4each of groundnut and linseed, 3 of sunflower, 2 each of castor and niger were released for different agro-ecological regions.

Pulses:- 32 high-yielding varieties of pulses comprising 10 of chickpea, 6 of lentil, 4 of cowpea, 3 of mungbean, 2 each of pigeonpea, horse gram and field pea, 1 each of urdbean, rajmash and faba bean were released for different agro-ecological region.

Commercial Crops:- 24 high-yielding varieties for commercial crops including 13 of cotton, 8 of sugarcane and 3 of jute were released for different agro-ecological regions.

Forage crops:- 8 high yielding varieties/hybrids of forage crops comprising 3 f oats, 1 each of bajra, napier hybrid, forage sorghum, grain amaranthus, forage cowpea and marvel grass were released for cultivation in different agro-ecologies.

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INDIA'S COMMITMENT TO CLIMATE CHANGE REFLECTED IN SUPPORT OF SUSTAINABLE DEVELOPMENT GOALS: ECONOMIC SURVEY

New Delhi, January 29, 2018
Magha 9, 1939

The Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley tabled the Economic Survey 2017-18 in Parliament today.

The Chapter on Sustainable Development, Energy and Climate Change notes India's commitment to environment and climate change that is reflected in the number of actions in supporting sustainable development goals while retaining reliance on cleaner energy, including cleaner, greener coal. It states that India has strengthened its response to the threat of climate change in accordance with the principles of equity and Common But Differentiated Responsibilities and in the light of national circumstances with the "Paris Pledge" to reduce the emission intensity of GDP by 33-35 percent over 2005 levels by the year 2030.

On the issue of sustainable development, the Survey says that India's urban population is projected to grow to about 600 million by 2031. It suggests that Urban Local Bodies generate resources through financial instruments such as municipal bonds, PPPs and credit risk guarantees. The Survey says that access to sustainable, modern and affordable energy is the basis of achieving Sustainable Development Goals. Stating that as on 30th November 2017, the share of renewable energy sources was 18 percent in the total installed capacity of electricity in the country and that the increasing share of renewables has trebled in the last 10 years.

Outlining India's commitment to address Climate Change, the Survey mentions establishment of 8 Global Technology Watch Groups, extending Climate Change Action Programme launched in 2014 for the period 2017-18 to 2019-20 with a budget outlay of Rs. 132.4 crore and continuation of National Adaption Fund on Climate Change till 31st March 2020 with financial implication of Rs. 364 crore.

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ECONOMIC SURVEY EXPRESSES CONCERN OVER AIR POLLUTION, SUGGESTS COORDINATION AMONG AGENCIES & GOVERNMENT AND CIVIC ENGAGEMENT

New Delhi, January 29, 2018
Magha 9, 1939

The Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley tabled the Economic Survey 2017-18 in Parliament today.

The Survey expresses concern over air pollution in Delhi with the onset of winter due to various factor. It ascribes four main reasons for Delhi’s worsening air quality – crop residue, biomass burning, vehicular emissions and redestributed road dust, industries, power plants and winter temperature inversion, humidity and absence of wind. It suggests that the solution is to address each source problem systematically, coordination between agencies and Central and State Governments and sustained civic engagement.

It says that among the steps being implemented at present are short-term emergency plan and medium and long-range actions. The short-term emergency plan is to be implemented when 24-hourly PM 2.5 exceeds 300-400µg/m^3, including imposing heavy penalties on burning of agricultural waste, using satellite-based tools to detect fires, payment of incentives to farmers. The medium and long-range actions include implementing congestion pricing for vehicles, improving public transport system and expanding modernized bus fleets, phasing out old vehicles and accelerating BS-VI.

The Survey also notes the use of technology to convert agricultural waste into usable fodder or bio-fuels and provide incentives to shift to non-paddy crops and as a point in case quotes the straw management system for rice and wheat farming, as an example. It also mentions the Happy Seeder machine that sows seeds without removing paddy straw and suggests that such a technological solution must be combined with economics, by providing incentives to Centre and states and should be implemented through agricultural cooperatives and local bodies.

It mentions the adverse impact of indoor pollution on women and children, adding that access to modern energy sources can reduce the amount of time spent on collective of firewood, as well as lead to a positive impact on the education and employment of girls.

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ECONOMIC SURVEY 2017-18

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DURING APRIL-SEPTEMBER 2017-18, GROWTH IN SERVICES EXPORTS AND SERVICES IMPORTS ROBUST AT 16.2 PER CENT AND 17.4 PER CENT RESPECTIVELY

New Delhi, January 29,2018
Magha 9,1939

India remained the eighth largest exporter in commercial services in the world in 2016 with share of 3.4 per cent. This is double the share of India’s merchandise exports in the world at 1.7 percent, as put forth in the Economic Survey 2017-18 tabled in the Parliament today by the Minister for Finance and Corporate Affairs, Shri Arun Jaitley. India’s services sector registered an export growth of 5.7 per cent in 2016-17. During the period April-September 2017-18, growth in services exports and services imports were robust at 16.2 per cent and 17.4 per cent respectively. Net services receipts rose by 14.6 per cent during this period. Net surplus in the services financed, about 49 per cent of India’s merchandise deficit in H1 of 2017-18.

To boost services exports, the Survey mentions that the Government in its mid-term Review of Foreign Trade Policy 2015-2020, has increased incentives under Services Exports from India Schemes (SEIS) by 2 per cent, leading to an additional annual incentive of Rs.1,140 crore which could help services exports including Hotel & Restaurant, Hospital, Educational services etc. Although world trade volume of goods and services is projected to accelerate in 2018, enhanced global uncertainty, protectionism and stricter migration rules would be key factors in shaping India’s services exports.

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ECONOMIC SURVEY 2017 – 18

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IN 15 STATES AND UTs, SERVICES SECTOR IS THE DOMINANT SECTOR, CONTRIBUTING MORE THAN HALF OF THE GROSS STATE VALUE ADDED (GSVA)

New Delhi, January 29, 2018
Magha 9, 1939

The Economic Survey 2017-18, tabled today in Parliament by the Minister for Finance and Corporate Affairs, Shri Arun Jaitely, presents a unique State-wise comparison of the performance of the Service sector in India.

Out of the 32 States and Union Territories (UTs), in 15 states and UTs, the Services Sector is the dominant sector, contributing more than half of the Gross State Value Added (GSVA). The major services in most of the States are trade, hotels and restaurants, followed by real estate, ownership of dwellings and business services.

However, there is wide variation in terms of share and growth of services GSVA. Out of the 32 States and UTs for which data are available for 2016-17 (or latest year for which data are available), in terms of services GSVA share, Delhi and Chandigarh are at the top with over 80 per cent share, while Sikkim is at the bottom with 31.7 per cent share. In terms of services GSVA growth, Bihar is at the top and Uttar Pradesh at the bottom with 14.5 per cent and 7.0 per cent growth respectively in 2016-17.

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FDI EQUITY INFLOWS TO THE SERVICES SECTOR GREW BY 15.0 PERCENT DURING 2017-18 – SAYS ECONOMIC SURVEY

New Delhi, January 29, 2018
Magha 9, 1939

FDI equity inflows to the services sector grew by 15.0 percent during 2017-18 (April-October). It has been possible because the Government has undertaken a number of reforms to ensure that India remains an increasingly attractive investment destination, which include announcement of National Intellectual Property Rights (IPR) policy, implementation of GST, reforms for ease of doing business. This was brought about in the Economic Survey 2017-18 tabled by the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley in Parliament today.

The survey points out that the scale of reforms can be gauged from the fact the during this period, 25 sectors also including services activities and covering 100 areas of FDI policy have undergone reforms. FDI policy provisions were radically overhauled across sectors such as construction development, broadcasting, retail trading, air transport, insurance and pension. At present, more than 90 per cent of FDI inflows are through automatic route. After the successful implementation of the e-filing and online processing of FDI application by the Foreign Investment Promotion Board (FIPB), the Government announced to phase out the FIPB in the Union Budget 2017-18. Recently, on 10th January 2018, Union Cabinet approved amendments in FDI policy allowing 100 per cent FDI under automatic route for Single Brand Retail Trading. Foreign airlines also have been allowed to invest up to 49 per cent in Air India, the survey adds.

The survey further states that though there is ambiguity in the classification of FDI in services, it is the combined FDI share of the top 10 service sectors such as financial and non-financial services falling under the Department of Industrial Policy & Promotion (DIPP)'s service sector definition; as well as telecommunications; trading; computer hardware & software; construction; hotels & tourism; hospital & diagnostic centers; consultancy services; sea transport; and information & broadcasting that can be taken as the best estimate of services FDI. However, these could include some non-service elements. The share of these services is 56.6 per cent of the cumulative FDI equity inflows during the period April 2000-October 2017 and 65.8 per cent of FDI equity inflows during 2017-18 (April-October). If the shares of another 5 services or service related sectors like retail trading, agriculture services, education, book, printing and air transport are included, then the total share of FDI equity inflows to the services sector would increase to 58.5 per cent and 69.6 per cent respectively for the above two periods. In 2016-17, FDI equity inflows to the services sector (top 10 sectors including construction) declined by 0.9 per cent to US$ 26.4 billion, though the overall FDI equity inflows grew by 8.7 per cent. However, during 2017-18 (April-October), the FDI equity inflows to these services sector grew by 15.0 per cent, as compared to 0.8per cent growth in total FDI equity inflows, mainly due to higher FDI in two sectors i.e. Telecommunications and Computer Software and Hardware.

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ECONOMIC SURVEY 2017 – 18

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SECTOR-WISE PERFORMANCE OF MAJOR SERVICES AND SOME RECENT GOVERNMENT POLICIES TO BOOST THE GROWTH OF THE SECTOR

SERVICES SECTOR CONTRIBUTED ALMOST 72.5 PER CENT OF GVA GROWTH IN 2017-18

New Delhi, January 29, 2018
Magha 9, 1939

The Services sector, with a share of 55.2 per cent in India's Gross Value Added (GVA), continued to be the key driver of India's economic growth contributing almost 72.5 per cent of GVA growth in 2017-18, as stated in the Economic Survey 2017-18 tabled in the Parliament today by the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitely. While the growth of Service Sector as a whole is expected to be at 8.3 per cent in 2017-18, the growth in Services exports was 16.2 per cent in H1 of 2017-18. The Government has taken many initiatives in the different Services which include digitization, e-visas, infrastructure status to Logistics, Start-up India, Schemes for the housing sector, etc. which could give a further fillip to the Services Sector.

Major Services' Sector-wise performance and some recent Government policies to boost the growth of the sector are as follows:

TOURISM

India's Tourism sector has been performing well with Foreign Tourist Arrivals (FTAs) growing by 9.7 per cent to 8.8 million and Foreign Exchange Earnings (FEEs) at 8.8 per cent to US$ 22.9 billion in 2016. FTAs during 2017 were 10.2 million, with a growth of 15.6 per cent, while FEEs from tourism were US$ 27.7 billion, with a growth of 20.8 per cent over 2016. Domestic tourist visits grew by 12.7 per cent to 1,614 million in 2016 from 1,432 million in 2015. Tamil Nadu, Uttar Pradesh, Andhra Pradesh, Madhya Pradesh and Karnataka were the Top 5 Destination States in 2016.

Various initiatives have been taken by the Government to promote tourism include the introduction of the e-Visa facility under three categories of Tourist, Medical and Business for the citizens of 163 countries; launch of Global Media Campaign for 2017-18 on various Channels;

launch of ‘The Heritage Trails’ to promote the World Heritage Sites in India; launch of International Media Campaign on various international TV channels; Celebration of ‘Paryatan Parv’ having 3 components namely ‘Dekho Apna Desh’ to encourage Indians to visit their own country, ‘Tourism for All’ with tourism events at sites across all states in the country, and ‘Tourism & Governance’ with interactive sessions & workshops with stakeholders on varied themes. FTAs on e-Tourist Visa grew by 143 per cent to 10.8 lakh in 2016, and further grew by 57.2 per cent to 17.0 lakh during 2017.

IT-BPM

India’s Information Technology – Business Process Management (IT-BPM) industry grew by 8.1 per cent in 2016-17 to US$ 139.9 billion (excluding e-commerce and hardware) from US$129.4 billion in 2015-16, as per NASSCOM data. IT-BPM exports grew by 7.6 per cent to US$ 116.1 billion from US$ 107.8 billion during the same period. E-commerce market is estimated at US$ 33 billion, with a 19.1 per cent growth in 2016-17.

To further promote this sector, many initiatives have been taken, which include the establishment of BPO Promotion and Common Services Centres to help create digital inclusion and equitable growth and provide employment to 1.45 lakh persons, mostly in the small towns; setting up a separate Northeast BPO promotion Scheme with 5000 seats and having employment potential of 15000 persons; preparing the draft Open Data Protection Policy law; besides long-term initiatives like Digital India, Make in India, Smart Cities, e-Governance, push for digital talent through Skill India, drive towards a cashless economy and efforts to kindle innovation through Start-up India.

REAL ESTATE

The Indian Real Estate sector has begun to show signs of improvement with the total FDI of US$ 257 million in H1 2017, which is more than double the total FDI in 2016 full year.

Some of the recent reforms and policies taken by the Government of India related to Real Estate Sector include the Pradhan Mantri Awas Yojana (PMAY) with the government sanctioning over 3.1 million houses for the affordable housing segment in urban regions till November 2017. Of this, about 1.6 million houses have been grounded and are at various stages of construction, and about 0.4 million houses have been built under the mission. PPP policy for affordable housing was also announced on 21st September 2017 for affordable housing segment to provide further impetus to the ambitious ‘Housing for all by 2022’ mission. Credit Linked Subsidy Scheme (CLSS) under PMAY was extended to the Middle Income Group (MIG) segment, which got included in the scheme from 1st January 2017. With the enactment of Real Estate (Regulation & Development) Act, 2016, it is anticipated that accountability would lead to higher growth across the real estate value chain, while compulsory disclosures and registrations would ensure transparency.

R&D

The professional Scientific & Technical activities which include R&D services grew by 17.5 per cent and 41.1 per cent in 2014-15 and 2015-16 respectively. India-based R&D services companies, which account for almost 22 per cent of the global market, grew at 12.7 per cent. However, India's gross expenditure on R&D has been at around 1 per cent of GDP. India ranks 60th out of 127 on the Global Innovation Index (GII) 2017, improving from 66th rank in 2016.

Buoyed by the Government's support which includes important Schemes of different Ministries/Departments, the R&D sector in India is all set to witness robust growth in the coming years. According to a study, engineering R&D market in India is estimated to grow at a CAGR of 14 per cent to reach US$ 42 billion by 2020. India is also expected to witness strong growth in its agriculture and pharmaceutical sectors as the Government is investing large sums to set up dedicated research centres for R&D in these sectors.

SPACE

In the case of Satellite Launching, as on March 2017, PSLV successfully launched 254 satellites. Foreign exchange earnings of India from export of satellite launch services increased noticeably in 2015-16 and 2016-17 to Rs 394 crore and Rs 275 crore from Rs. 149 crore in 2014-15.

India's share in global satellite launch services revenue has also increased to 1.1 per cent in 2015-16 from 0.3 per cent in 2014-15. Antrix foresees greater utilization of PSLV, GSLV and GSLV-Mk-III launch services by the international community for launching their Low Earth Orbit (LEO) satellites.

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UTMOST PRIORITY TO SOCIAL INFRASTRUCTURE LIKE EDUCATION, HEALTH AND SOCIAL PROTECTION IS GIVEN TO ENGINEER AN INCLUSIVE AND SUSTAINABLE GROWTH, SAYS ECONOMIC SURVEY

New Delhi, January 29, 2018
Magha 9, 1939

Utmost priority to social infrastructure like education, health and social protection is given by the Government to engineer an inclusive and sustainable growth for India. This was stated in the Economic Survey 2017-18, tabled by the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley, in the Parliament today

On the subject of “Social Infrastructure, Employment and Human Development”, bridging the gender gaps in education, skill development, employment, earnings and reducing social inequalities prevalent in the society have been the underlying goals of the development strategy to enhance human capabilities. The Survey notes that India is poised to grow as one of the leading knowledge economies where education, skill development and health will remain priorities for the Government.

The Survey adds that the government has been enhancing the expenditure on human capital along with adopting measures to improve the efficiency of expenditure by convergence of schemes. The expenditure on social services by the Centre and States as a proportion of GDP had remained in the range of 6 per cent during 2012-13 to 2014-15. Expenditure on Social services stands at 6.6 per cent in 2017-18 (BE).

As the way forward, the Economic Survey 2017-18 recommends that though macro-economic growth and efficient markets are essential, it is necessary to equally ensure that the benefits of growth are equitably accessible to all citizens to make growth broad-based. The Survey concludes that strengthening the policy and institutional eco-system supporting inclusive growth deserves to be a top policy priority.

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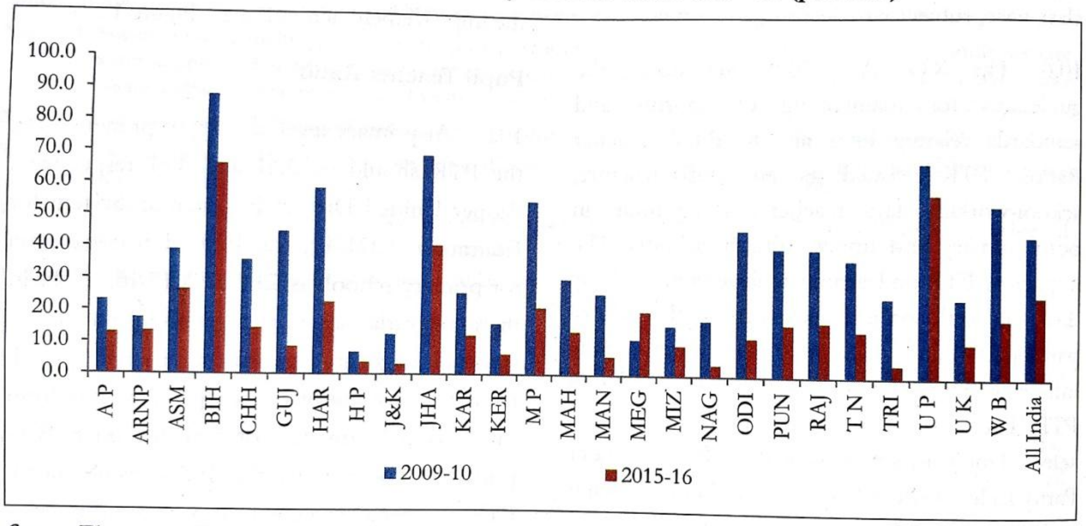
ECONOMIC SURVEY UNDERLINES GOVERNMENT'S COMMITMENT TO ACHIEVE SDG-4 FOR EDUCATION

New Delhi, January 29, 2018
Magha 9, 1939

The Economic Survey 2017- 18 highlights Government of India's commitment to achieve the Sustainable Development Goal (SDG- 4) for education. It mentioned the significant progress made in universalising primary education, with substantial improvement in the enrolment and completion rates of education of children in both primary and elementary school. The Survey takes note of the increased percentage of schools which comply with the Student Classroom Ratio (SCR) and Pupil Teacher Ratio (PTR) at the all India level. This was stated in the Economic Survey 2017- 18 tabled in Parliament today by the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley.

The Survey, however, notes the inter-state variations in the adherence to Student Classroom Ratio (SCR) and Pupil Teacher Ratios (PTR) norms. Taking note of the substantially improved Gender Parity Index (GPI) at the primary and secondary levels of school enrolment with the consistent efforts of the government, the Survey acknowledges the success of programmes like *Beti Padhao, Beti Bachao* in addressing issues of gender bias in access to education.

Figure 3. State-wise Primary Schools with PTR > 30 (per cent)



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

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TECH ENABLED INITIATIVES TO BRING TRANSPARENCY AND ACCOUNTABILITY FOR ENFORCEMENT OF LABOUR LAWS, SAYS ECONOMIC SURVEY

New Delhi, January 29, 2018
Magha 9, 1939

The Economic Survey 2017- 18 highlights several Labour reform measures. The Survey mentions the specifics of technology driven initiatives that ensure delivery by reducing complexity in compliance and bring transparency and accountability for better enforcement of Labour laws. This was stated in the Economic Survey 2017- 18 tabled in Parliament today by the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley. The Survey takes stock of legislative reforms in Labour sector that are being implemented for creation of employment opportunities and for providing sustainable livelihoods for the population who are largely engaged in informal economy.

The Survey notes that the Government has undertaken numerous technology enabled transformative initiatives such as Shram Suvidha Portal, Ease of Compliance to maintain registers under various Labour Laws/Rules, Universal Account Number, and National Career Service portal in order to reduce the complexity in compliance and to bring transparency and accountability for better enforcement of the labour laws.

The Survey mentions that there has been highest ever budget allocation under Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) during 2017-18. About 4.6 crore households were provided employment totaling 177.8 crore person days during 2017-18 as on 14th January, 2018. Out of this, 54 per cent were generated by women, 22 per cent by Schedule Castes and 17 per cent by Schedule Tribes.

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ECONOMIC SURVEY 2017-18

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ECONOMIC SURVEY REITERATES INDIA’S COMMITMENT TO ACHIEVE THE TARGETS UNDER SDG-3 AND TO STRENGTHEN HEALTH DELIVERY SYSTEMS

New Delhi, January 29, 2018
Magha 9, 1939

The Economic Survey 2017- 18 reiterates India’s commitment to achieve the targets under Sustainable Development Goals-3 (SDG-3) with some of them also aligned with the National Health Policy 2017. This was stated in the Economic Survey 2017-18 tabled in Parliament today by the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley. The Survey takes note of the shift in the disease burden from Communicable Diseases to Non-Communicable Diseases in the country between 1990 and 2016. The Survey mentions that Child and Maternal Malnutrition continues to be the most challenging risk factor for health loss in India in 2016. The other key risk factors include air pollution, dietary risks, high blood pressure and diabetes etc.

The Survey takes note of the National Health Policy 2017 which recommended increasing State sector health spending to more than 8 per cent of the States’ Government Budget by 2020. It also takes note of the Report ‘India: Health of Nation’s States’ 2017’, which 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) has been developed to provide a framework for analysing the disease burden and risk factors. The Survey advocates there is a need to understand the efficiency of public spending with respect to DALYs behaviour across the major States and to assess whether high-spending by States on health results in better health outcomes.

The Survey notes that there has been significant improvement in the health status of individuals in India as life expectancy at birth has increased by 10 years during the period 1990 to 2015. The Survey, however, notes with concern that there are wide differences in the average prices of diagnostic tests across cities which need to be addressed by standardising rates to reduce Out of Pocket Expenses (OPE) on health services.

According to the Survey, the National Health Policy 2017 will help in strengthening health delivery systems and in achieving universal health coverage.

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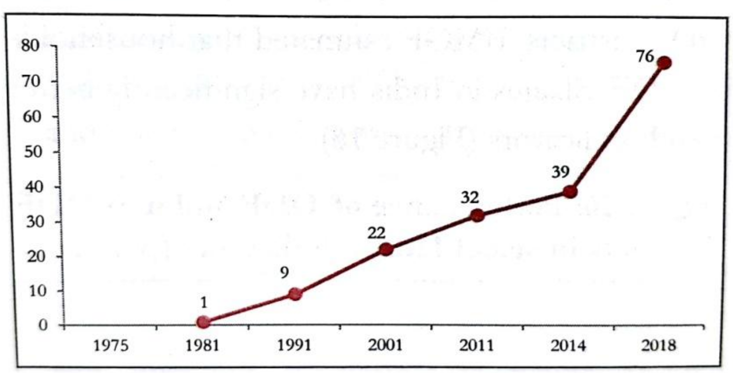
ECONOMIC SURVEY TAKES NOTE OF POSITIVE HEALTH AND ECONOMIC IMPACT IN ODF AREAS

SANITATION COVERAGE IN RURAL INDIA INCREASES SUBSTANTIALLY FROM 39% IN 2014 TO 76% IN JANUARY, 2018

New Delhi, January 29, 2018
Magha 9, 1939

The Economic Survey 2017-18 takes note of the basic fact that quality of hygiene and sanitation has significant impact on improving the health outcomes. With the launch of Swachh Bharat Mission (Gramin) on 2nd October, 2014, the sanitation coverage in rural India has increased substantially from 39 per cent in 2014 to 76 percent in January, 2018. The Economic Survey 2017- 18 was tabled in Parliament today by the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley.

Figure 15: Rural Sanitation Coverage in India over the years (per cent)

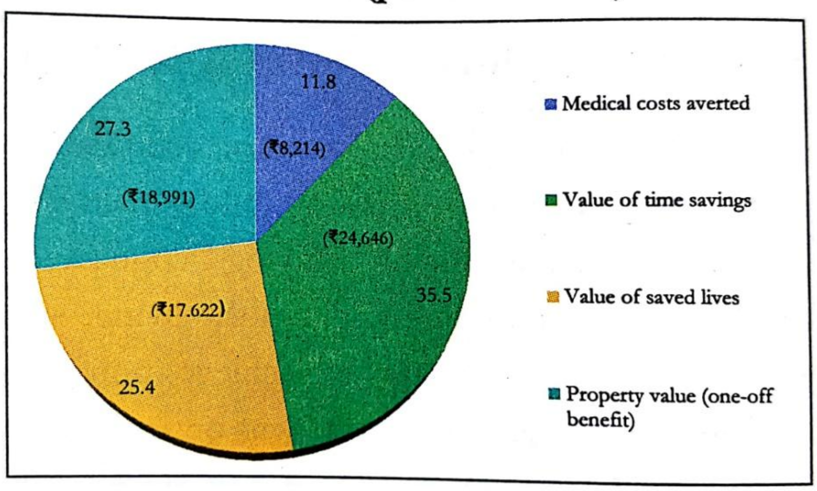


Source: Ministry of Drinking Water & Sanitation
(As on 10.01.2018)

The number of persons defecating in open in rural areas, which were 55 crore in October, 2014 declined to 25 crore in January, 2018. So far, 296 districts and 307,349 villages all over India have been declared Open Defecation Free (ODF). Eight states and two Union Territories. i.e., Sikkim, Himachal Pradesh, Kerala, Haryana, Uttarakhand, Chhattisgarh, Arunachal Pradesh, Gujarat, Daman & Diu and Chandigarh have been declared as ODF completely. The surveys conducted by the National Sample Survey Office (NSSO) and Quality Council of India (QCI) on usage of toilets by the individuals who have access to toilets reported more than 90 per cent of individuals using toilets in 2016 and 2017.

The Survey satisfactorily notes that there has been substantial reduction in the number of persons defecating in open in rural areas which has had positive health and economic impact in ODF areas. In a report, 'The Financial and Economic Impact of SBM in India', UNICEF estimated that a household in an ODF village in rural India saves Rs 50,000/- every year.

Figure 17 : Annual Benefits of 100 per cent Toilet Use (per cent and ₹)



Source: **UNICEF.**

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DEMONITISATION HAS HELPED SHARE OF FINANCIAL SAVING RISE, SAYS ECONOMIC SURVEY

New Delhi, January 29, 2018
Magha 9, 1939

The highlights of the Investment and Savings situation as brought out by Economic Survey 2017-18 tabled in Parliament today are as follows:-

India's unprecedented climb to historic high levels of investment and saving rates in the mid-2000s has been followed by a pronounced, albeit gradual, decline. This current episode of investment and saving slowdown is still ongoing.

- The ratio of domestic saving to GDP reached 29.2 per cent in 2013 to a peak of 38.3 per cent in 2007, before falling back to 29 per cent in 2016.

- The cumulative fall over 2007 and 2016 has been milder for investment than saving, but investment has fallen to a lower level.

Based on the break-up of investment and saving, that is available up to 2015-16, private investment accounts for 5 percentage points out of the 6.3 percentage point overall investment decline over 2007-08 and 2015-16.

Asian countries faced the largest number of slowdown episodes following 1997. Currently (after 2008), these economies are in the era of saving slowdowns. In India, the investment slowdown started in 2012, subsequently intensified and was apparently still continuing as of the latest date, that for 2016.

Since investment slowdowns are more detrimental to growth than savings slowdown, so, policy priorities over the short run have focused on reviving investment by mobilizing saving, via attempts to unearth black money and encouraging the conversion of gold into financial saving. The share of financial saving is already rising in aggregate household saving - with a clear shift visible towards market instruments – a phenomenon that has been helped by demonetization.

The cross-country experience to study the pattern of investment and saving slowdowns has revealed that the investment slowdowns have an impact on growth but not necessarily saving. The policy conclusion is urgent prioritization of investment revival to arrest more lasting growth impacts, as the government has done with plans for resolution of bad debts and recapitalization of public sector banks.

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Economic Survey calls for Fiscal Federalism and accountability to avoid low equilibrium trap

New Delhi, January 29, 2018
Magha 9, 1939

Is there a low equilibrium trap if fiscal federalism is not achieved? This was the question posed by the Economic Survey 2017-18 tabled by the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley in Parliament today.

The Survey pointed out that low level of tax collections by the local Governments in rural areas is posing challenge in reconciling fiscal federalism and accountability. Panchayats received 95 per cent of their revenues from the devolved funds from the Centre/State while generating only 5 per cent from own resources. Panchayats in States like Kerala, Andhra Pradesh and Karnataka do collect some direct taxes while villages in States like Uttar Pradesh almost entirely depend on transfer funds. This is because some State Governments have not devolved enough taxation powers to the Panchayats- permissible taxes for Panchayats include Property and Entertainment Taxes but not Land Taxes or Tolls on roads. In some other instances, even though the rural local governments have been given powers to tax, land revenue collection remained low between 7 to 19 per cent due to low base values applied to properties and low rates of taxes levied. In rural areas of Kerala and Karnataka which are ahead of others in devolving powers to Panchayats, the House tax revenue collection is only one third of the potential. The Centre which collects these taxes in some Union Territories also did not fare better and was able to collect only 30 per cent of the potential revenue.

The Survey pointed out that economic and political development has been associated with a rising share of direct taxes in total taxes. Direct Taxes account for about 70 per cent of total taxes in Europe while in India the figure remained around 35 per cent. Unlike in other countries, reliance on direct taxes in India seems to be declining, a trend that will be reinforced if the Goods and Services Tax (GST) proves to be a buoyant source of revenue. Further, the Survey highlighted that fiscal decentralization is often embraced as not just a desirable economic but also as a political and philosophical principle. Quoting Rabindranath Tagore, the Survey underlined that fiscal decentralization captures the idea that spending and tax decisions must reflect local preferences as far as possible. However, in India the States

generate very low share of about 6 per cent of their revenue from direct taxes while the figure is 19 per cent in Brazil and 44 per cent in Germany. In the third tier, rural local governments in India generate only 6 per cent of revenues from own resources compared to 40 per cent in Brazil and Germany. Meanwhile, urban local governments in India are much closer to International norms collecting 18 per cent of total revenues from direct taxes compared to 19 per cent in Brazil and 26 per cent in Germany. Further, urban local governments in India generate 44 per cent of their total revenue from own sources. This is evident that urban local governments have emerged more fiscally empowered than rural local government in India.

While calling for better data and evidence to evaluate the impact of 73rd and 74th Constitutional Amendments (that devolved more powers to the rural and Urban local governments respectively) on India's federal structure, its governance and accountability, the Survey concludes that the local governments in India in tier 2 and tier 3 rely much more on devolved resources. They generate less tax resources and collect less direct taxes. The reason does not seem to be so much that they don't have enough taxation power. Rather, they are not fully utilizing existing taxation powers.

The Survey poses questions – is the problem a potential unwillingness to tax by the state, stemming possibly from the close proximity between the state and the citizens? Are citizens able but unwilling to pay more because they are dissatisfied with the quality of services they are receiving? Or is it an equilibrium desired by all with Centre and States using their devolution powers to control lower levels which are unable to tax the proximate citizens and need outside resources? The Survey says answers to these questions must inform future discussions of devolution and decentralization. Unless the underlying problems are identified and solved, the states and third tier governments could remain stuck in a low equilibrium trap forever depending on outside resources with weak accountability mechanisms and weak own-resource general capacity.

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INDIA NOT YET FACING “LATE CONVERGER STALL”

NEEDS TO FOCUS ON RAPID IMPROVEMENT OF HUMAN CAPITAL AND AGRICULTURAL PRODUCTIVITY TO SUSTAIN GROWTH TRAJECTORY

New Delhi, January 29, 2018
Magha 9, 1939

The Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley tabled the Economic Survey 2017-18 in Parliament today. In one of the chapters the Survey examines how far the apprehensions of an impending “Late Converger Stall” are true for India and whether the stall is likely to affect India’s growth in the coming years.

The Survey notes that the present era is one of economic convergence whereby poorer countries including India have grown faster than richer countries and closed the gap in standards of living. India moved from being a low income country in 1960 to a lower middle income country in 2008, and is now attempting to make a transition to middle income status. However, there are fears that this process of convergence may slow down for the late converger countries like India, who are trying to make this transition after the global financial crisis. It notes that India needs to take on four challenges in order to ward off the fears of an impending “Late Converger Stall” in the process of economic development. The four challenges that the Survey points to include: the backlash against globalization which reduces exporting opportunities, the difficulties of transferring resources from low productivity to higher productivity sectors (structural transformation), the challenge of upgrading human capital to the demands of a technology-intensive workplace, and coping with climate change-induced agricultural stress.

a. **Hyper globalization repudiation or backlash against globalization** –
   Early convergers like Japan, South Korea and China were able to post average export growth rates of over 15% for thirty years of their convergence periods. However, the trading environment has changed for late convergers like India. A backlash in advanced countries against rapid globalization has led to a fall in world trade GDP ratios since 2011. This means a decline in exporting opportunities, especially since politics in

advanced countries is moving de facto in the direction of seeking and forcing lower trade GDP ratios .

b. Thwarted structural transformation or difficulties of transferring resources from low productivity to higher productivity sectors

For successful development, resources need to shift from low productivity to high productivity sectors. Structural transformation gets thwarted if resources shift from informal, low productivity sectors to ones that are only marginally less informal or more productive. Studies in India show a weakening correlation between overall growth and good growth.

c. Upgrading human capital to the demands of a technology-intensive workplace

Late convergers like India have failed to provide even the basic education necessary for structural transformation. This is reflected in the finding that in India, roughly 40 to 50% of rural children in grades 3 to 8 cannot meet the basic learning standards. This failure will prove increasingly costly because the human capital frontier for the new structural transformation will shift further away as technology will increasingly favour skilled human capital. There is, however, some consolation that the trend has started to improve since 2014.

d. Climate change-induced agricultural stress

Growth rates of agricultural productivity for richer countries have been consistently greater than for developing countries. For India agricultural productivity growth has been stagnant, averaging roughly 3% over the last 30 years. It is also vulnerable to temperature increase and still heavily dependent on precipitation. For late convergers, agricultural productivity is critical not just for feeding people but for ensuring human capital accumulation in those who move from agriculture to the modern sectors.

The Survey goes on to note that growth in India has occurred with limited transfer of labour resources from low productivity to high productivity and dynamic sectors, and despite relatively modest agricultural growth. Rapidly improving human capital, will be key to sustaining India’s dynamic growth trajectory. Rapidly improving agricultural productivity against the headwinds of climate change and water scarcity will be another key to achieving good sustainable growth. As of now India may not be faced with a “Late Converger Stall”, but need to act in time to ward it off.

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ECONOMIC SURVEY NOTES IMPORTANT DEVELOPMENTS ON TRADE POLICY FRONT

January 29, 2018
Magha 9, 1939.

Two important developments on the trade policy front during the year relate to the mid-term review of Foreign Trade Policy (FTP) and the recent multilateral negotiations of WTO in December 2017. Besides these, there were some developments on the trade logistics front and anti dumping measures. This was stated in the Economic Survey in 2017-18 tabled in Parliament today by the Union Finance & Corporate Affairs, Shri Arun Jaitley

FTP-Mid Term Review and subsequent trade related policies.

In the mid-term review of FTP released on 5th December 2017, some additional measures have been taken to help India's trade sector. Besides, on 15th December, 2017, a special package for employment generation in the leather and footwear sector was approved by the Government. This is also likely to help exports from this sector.

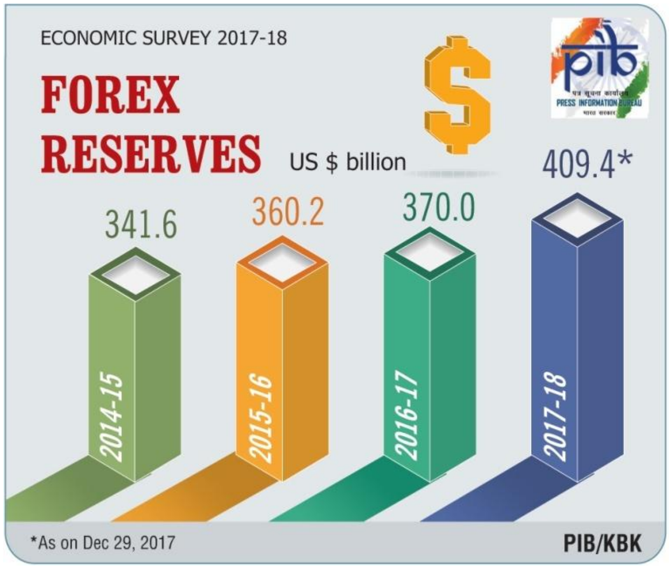
Multilateral Negotiations

The Eleventh Ministerial Conference (MCII) of the World Trade Organization (WTO) ended without a Ministerial Declaration or any substantive outcome.

During MCII India stood firm on its stand on the fundamental principles of the WTO, including multilateralism, rule-based consensual decision making, an independent and credible dispute resolution and appellate process, the centrality of development which underlies the Doha Development Agenda (DDAQ) and special and differential treatment for all developing countries.

Foreign Exchange Reserves

India's foreign exchange reserves reached US$ 409.4 billion on end-December 2017. Foreign exchange reserves grew by 14.1 percent on a y-o-y basis from end December 2016 (US$ 358.9 billion) to end December 2017 (US$ 409.4 billion) and it grew by 10.7 percent from end- March, 2017 (US$370.0 billion) to end December 2017. Foreign exchange reserves increased further to US$ 413.8 billion on January 12, 2018.



The import cover of India's foreign exchange reserves was 11.1 months at end-September 2017 as compared with 11.3 months at end -March 2017. Within the major economies running current account deficit, India is among the largest foreign exchange reserve holders and sixth largest among all countries of the world.

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Indian Science & Technology- Outputs in the last one year

January 29, 2018
Magha 9, 1939.

The Economic Survey of India 2017-18 was tabled in Parliament today by the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley. The Survey's observations on transformation of Indian Science & Technology in the last one year in the OUTPUTS of the sector are as follows:-

Publications

Looking at publications and patents in Science & technology in India can help assess the productivity and quality of Indian research. In 2013, India ranked 6^{th} in the world in scientific publications. Its ranking has been increasing as well. The growth of annual publications between 2009 to 2014 was almost 14 percent. This increased India's share in global publications from 3.1 % in 2009 to 4.4 % in 2014 as per the Scopus Database.

Broadly, the publication trends reveal that India is gradually improving its performance as measured by the number of publications which is an important metric.

In addition to increasing publications, trends in quality are also slowly improving. The Nature Index (which publishes tables based on counts of high-quality research outputs in the previous calendar year covering the natural sciences) ranked India at 13 in 2017.

Patents

If journal publications reflect a country's prowess in science, patents reflect its standing in technology. According to the WIPO, India has the world's 7^{th} largest Patent Filing Office. In 2015, India registered 45,658 patents in comparison to China (1,101,864), USA (589,410) Japan (318,721) Republic of Korea (213,694) and Germany (91,726). However, India produces fewer patents per capita.

One major challenge in India has been the domestic patent system. While India's patent applications and grants have grown rapidly in foreign jurisdictions, the same is not true at home. Residential applications have increased substantially since India joined the international patent regime in 2005. However, the number of patents granted fell sharply post- 2008 and has remained low. While Indian residents were granted over 5000 patents in foreign offices in 2015, the number of resident filings in India was little over 800.

The government's recent hiring of over 450 additional patent examiners and creation of an expedited filing system for Indian residents in 2017 will therefore be a welcome and crucial intervention to help fix the existing patent system. Having addressed issues on the patent filing side, addressing patent litigation issues will also be crucial to ensuring that the patent system effectively rewards innovation.

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INDIA'S EXTERNAL SECTOR CONTINUES TO BE STRONG SAYS THE ECONOMIC SURVEY

JANUARY 29, 2018
Magha 9, 1939.

India's external sector continued to be resilient and strong in 2017-18, as observed in the Economic Survey 2017-18 which was tabled in Parliament today by the Union Finance & Corporate Affairs, Shri Arun Jaitley.

International Developments

The global economy is gathering pace and is expected to accelerate from 3.2 percent in 2016 to 3.6 percent in 2017 and 3.7 percent in 2018 which reflects an upward revision of the earlier projections by the International Monetary Fund (IMF).

India's balance of payments situation, which has been benign and comfortable since 2013-14, continued to be so in the first half of 2017-18, despite some rise in the Current Account Deficit (CAD) in the first quarter, with a relatively lower CAD in the second quarter. India's CAD stood at US$7.2 billion (1.2 percent of GDP) in Q2 of 2017-18, narrowing sharply from US$ 15.0 billion (2.5 percent of GDP) in the preceding quarter.

Trade Deficit

India's trade deficit (on custom basis) which had registered continuous decline since 2014-15, widened to US$ 74.5 billion in HI of 2017-18 from US$ 43.4 billion in HI of 2016-17. India's trade deficit was US$ 108.5 billion in 2016-17, with reduction in both POL deficit and non- POL deficit. In 2017-18 (April-December) trade deficit (on custom basis) shot up by 46.4 percent to US$ 114.9 billion with POL deficit growing by 27.4 percent and non-POL deficit by 65.0 per cent.

Composition of Trade

Export growth in 2016-17 was fairly broad based with positive growth in major categories except textiles & allied products and leather and leather manufactures. In 2017-18 (April-November) among the major sectors, there was good export growth in engineering goods and petroleum crude and products, moderate growth in chemicals & related products, and textiles & allied products; but negative growth in gems and jewellery.

The prospects for India's External Sector in this and coming year look bright with world trade projected to grow at 4.2 percent and 4 percent in 2017 and 2018 respectively from 2.4 percent in2016; trade of major partner countries improving and above all India's export growth also picking up. The downside risks lie in the rise in oil prices. However, this could also lead to higher inflow of remittances which have started picking up. The supportive policies like GST, logistics and trade facilitation policies of the government could help further.

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India Needs to be a net producer of Knowledge, says the Economic Survey

New Delhi, January 29,2018
Magha 9,1939.

As India emerges as one of the world’s largest economics, it needs to gradually move from being a net consumer of knowledge to becoming a net producer.

This has been emphasized in the Economic Survey 2017-18 tabled in the Parliament today, by the Union Finance & Corporate Affairs, Shri Arun Jaitley.

Given the dizzying pace and expansion of scientific research and knowledge on the one hand and a generally higher importance given to careers in engineering, medicine, management and government jobs amongst India’s youth on the other, India needs to rekindle the excitement and purpose that would attract more young people to scientific enterprise. Doing so would lay the knowledge foundations to address some of India’s most pressing development challenging in addition to maintain a decent, open society. Investing in science is also fundamental to India’s security, the human security of its populations, the resilience needed to address the multiple uncertainties stemming from climate change and the national security challenges stemming from new emerging threats, ranging from cyber warfare to autonomous military systems such as drones.

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