GS SCORE

An Institute for Civil Services

IAS PRELIMS

CONCEPTS in ECONOMICS SURVEY

For Civil Service Exam

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Dear Students,

Indian Economy holds an important place in the **UPSC Civil Service Examination**. If we analyse the Previous Year Question Papers (PYQs), we find that in Prelims as well as in Mains, questions are **concept-oriented** and mostly on the **applied part.** Hence it is necessary, as an aspirant to approach this subject in a holistic manner that is your knowledge base should contain both conceptual clarity and the recent trends related to that concept.

The **Special Download** on **Concepts of Economic Survey** by the **GS SCORE** reflects on the conceptual part as well as on the recent trends in sectors of the Indian economy that are relevant from the perspective of **UPSC Civil Service Examination 2020**. The data and the concepts are taken from the Economic Survey released by the government which forms an indispensable part of the preparation of a civil service aspirant.

Economic Survey Summary by **GS SCORE** has always received great support and feedback from the students and we are hopeful that this **Special Download** on **Concepts of Economic Survey** by the **GS SCORE** will be quite helpful in the preparation of UPSC Civil Service aspirants.

Best of luck!

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Fiscal Policy

1 Fiscal Programme

The year 2019-20 has been challenging for the Indian economy owing to the decelerating growth rate experienced in the first half of the year. The Medium Term Fiscal Policy (MTFP) Statement, pegged the fiscal deficit target for 2019-20 at 3.3 per cent of GDP, which was further expected to follow a gradual path of reduction and attain the targeted level of 3 per cent of GDP in 2020-21, and continue at the same level in 2021-22. It was further projected that Central Government liabilities will come down to 48.0 per cent of GDP in 2019-20. The declining path of Central government debt was expected to continue with debt reaching 46.2 per cent of GDP and 44.4 per cent of GDP in 2020-21 and 2021-22, respectively. This declining debt trajectory was expected based on a stable inflation regime and reduction in fiscal deficit.

Fiscal Policy

- Fiscal policy **refers to the policies of the government regarding its expenditure, investment spending and taxation.**
- The **objective is to find a balance between tax rates and public spending** to ensure a healthy economic growth without causing inflation to rise. The main objectives of Fiscal Policy in India:
  - **Economic growth:** To maintain the economy's growth rate so that certain economic goals can be achieved.
  - **Price stability:** To control the price level of the country so that when the inflation is too high, prices can be regulated.
  - **Full employment:** To achieve full employment, or near full employment, as a tool to recover from low economic activity.
- A **fiscal expansion aims to stimulate aggregate demand and growth** through reducing taxes and/or increasing government spending.
- A **contraction in fiscal policy decreases government spending and/or increases taxation** to reduce aggregate demand and output.
- Fiscal policies tend to **impact demand directly and quickly as compared to monetary policies** which have a lagged and uncertain impact.
- As annual budget affects it most; it takes the centre stage in formation of fiscal policy along with finance commission fiscal devolution policy.

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

Tax Revenue

- The direct taxes, comprising mainly of corporate and personal income tax, constitute around 54 per cent of Gross Tax Revenue (GTR). The indirect taxes were expected to grow at 7.3 per cent vis-a-vis 2018-19 RE and 20.6 per cent as against 2018-19 PA.

Non-Tax Revenue

- Non-Tax revenue comprises mainly of interest receipts on loans to States, Union Territories, dividends and profits from Public Sector Enterprises including surplus of Reserve Bank of India (RBI) transferred to Government of India, receipts from services provided by the Central Government and external grants.

Non-Debt Capital Receipts

- Non-debt Capital receipts mainly consist of recovery of loans and advances, and disinvestment receipts. Over the last few years, the contribution of Non-debt Capital receipts have improved in the total pool of Non-debt receipts .
- **Components:** The major component of Non-debt Capital receipts is disinvestment receipts that accrue to the government on sale of public sector enterprises owned by the government (including sale of strategic assets).

Trends in Expenditure

- It is imperative for any developing economy to optimally allocate the available resources without compromising on the crucial developmental and macroeconomic goals. As India's tax to GDP ratio is low, Government faces the challenge of providing sufficient funds for investment and infrastructure expansion while staying within the bounds of fiscal prudence. Therefore, improving the composition and quality of expenditure becomes significant.

Table: Major Items of Revenue Expenditure

Items	2014-15	2015-16	2016-17	2017-18	2018-19 PA*	2019-20 BE
						(in ₹ Lakh Crore)
Revenue Expenditure	14.67	15.38	16.91	18.79	20.07	24.48
	(6.9)	(4.8)	(9.9)	(11.2)	(6.8)	(21.9)
of which,						
a. Salaries (pay & allowances)	1.34	1.45	1.77	1.94	2.18	2.35
	(13.6)	(7.9)	(22.6)	(9.3)	(12.7)	(7.5)

b. Pensions	0.94	0.97	1.31	1.46	1.60	1.74
	(25.0)	(3.4)	(35.8)	(10.9)	(9.9)	(8.9)
c. Interest Payment	4.02	4.42	4.81	5.29	5.83	6.60
	(7.5)	(9.7)	(8.8)	(10.0)	(10.2)	(13.4)
d. Major subsidies	2.49	2.42	2.07	1.91	1.97	3.02
	(1.6)	(-2.7)	(-14.8)	(-7.5)	(3.1)	(53.1)
e. Defence Services	1.40	1.46	1.65	1.86	1.96	2.02
	(12.9)	(3.9)	(13.3)	(12.5)	(5.3)	(3.0)

Transfer of Fund to State:

- The Fourteenth Finance Commission (FFC) for the award period 2015-20 had made far-reaching changes to strengthen fiscal federalism in the country. Consequently, States have obtained larger fund transfers as well as greater autonomy to utilise fund per their needs.

Fiscal Indicators-Rolling Targets as a Percentage of GDP

		Revised Estimates	Budget Estimates	Projections	
		2018-19	2019-20	2020-21	2021-22
1.	Fiscal Deficit	3.4	3.4	3.0	3.0
2.	Revenue Deficit	2.2	2.2	1.7	1.5
3.	Primary Deficit	0.2	0.2	0.0	0.0
4.	Gross Tax Revenue	11.9	12.1	12.1	12.2
5.	Non-tax Revenue	1.3	1.3	1.3	1.3
6.	Central Government debt	48.9	47.3	45.4	43.4

2 Important Concepts

Off-budget Financing

What is Off-Budget Financing?

Off-Budget Financing refers to expenditure that's not funded through the budget. For example, the government sets up a special purpose vehicle (SPV) to construct a bridge. The SPV will likely borrow money to build the bridge on the strength of a government guarantee.

If it's not a toll bridge, the SPV will need government support to meet interest obligations. So, even though the borrowing and spending is outside the budget, it has implications for the budget and for all practical reasons should be included in that document. Since it's not, this doesn't reflect on the fiscal deficit number as well. Governments across the world use this to escape budget controls.

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

Examples of off-budget funding

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

- **What has CAG suggested?**

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

Fiscal Consolidation

- **What is Fiscal Consolidation?**

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

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

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

Types of Deficits : Different Types of Deficits are:

- **Budget deficit** = total expenditure – total receipts
- **Revenue deficit** = revenue expenditure – revenue receipts
- **Fiscal Deficit** = total expenditure – total receipts except borrowings (it tells amount of borrowing required)

- **Primary Deficit** = Fiscal deficit- interest payments
- **Effective revenue Deficit** = Revenue Deficit - grants for the creation of capital assets
- **Monetized Fiscal Deficit** = that part of the fiscal deficit covered by borrowing from the RBI.

3 Other Important Terms

Strategic Disinvestment or Strategic Sale

- When the government decides to transfer the ownership and control of a public sector entity to some other entity, either private or public, the process is called strategic disinvestment.
- The Department of Investment and Public Asset Management (DIPAM) which comes under the Finance Ministry defines Strategic disinvestment as follows:

"Strategic disinvestment would imply the sale of a substantial portion of the Government share-holding of a central public sector enterprises (CPSE) of up to 50%, or such higher percentage as the competent authority may determine, along with transfer of management control."

Disinvestment Receipts

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

The 'Asset Monetisation Framework',

- The framework is being drafted by the Department of Investment and Public Asset Management (DIPAM).
- It will help the administrative ministries to fast track hiving off and sale of non-core assets of central public sector enterprises (CPSEs) under their administrative control.

Fiscal Responsibility and Budget Management Act

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

Bond ETF

- Bond ETFs are a type of ETFs which may include government bonds, corporate bonds, and state and local bonds—called municipal bonds.
- A bond is an instrument that represents a loan made by an investor to a borrower (typically corporate or governmental).
- **Bharat Bond ETF:** The ETF will comprise a basket of bonds issued by the CPSEs, CPSUs, CPFIs, and other government organisations.
  - The unit size of the bond has been kept at just ₹1,000 so that even retail investors can invest.
  - Each ETF will have a fixed maturity date and initially they will be issued in two series, of 3 years and 10 years.
  - Each series will have a separate index of the same maturity series. Index will be constructed by an independent index provider – National Stock Exchange.

- **Dividend Distribution Tax**

  Dividend Distribution Tax is levied on companies that pay out dividends to its shareholders, i.e. share a portion of earnings with them.

- **Venture Capital Funds**

  These are funds that invest in start-ups and small to medium sized enterprises with strong growth potential. It is a financially riskier proposition than investing in established companies.

- **Securities Transaction Tax**

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

- **Wholesale Price Index (WPI)**

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

- **Consumer Price Index (CPI)**

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

- **Capital Gains Tax**

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

- **Ad Valorem Tax**

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

- **Advance Pricing Agreement (APA)**

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

- **Direct Tax**

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

- **Indirect Tax**

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

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

  The GST seeks to make the indirect tax structure simpler and efficient by replacing a slew of levies such as octroi, central sales tax, state sales tax, entry tax and so on.

- **External Commercial Borrowing (ECB)**

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

- **Macro-Economic Framework Statement:**

  It was presented to Parliament as per the Fiscal Responsibility and Budget Management Act, 2003.

The Framework Statement contains assessment regarding the GDP growth rate, fiscal balance of the Central Government and the external sector balance of the economy. It comprises an assessment of the overall growth prospects of the economy with specific underlying assumptions.

Medium Term Fiscal Policy Statement (MTFP)

It maintains a balance between revenue receipts and revenue expenditure and the use of capital receipts including market borrowings for generation of productive assets. It is a statement that is presented in the Parliament under Section 3(2) of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003.

Medium Term Expenditure Framework Statement

This document sets forth a three-year rolling target for the expenditure indicators with specification of underlying assumptions and risks involved.

Memorandum Explaining the Provisions in the Finance Bill

It deals with information to facilitate understanding of the taxation proposals in the Finance Bill.

Annual Financial Statement (AFS)

Under Article 112 of the Constitution, the government requires to present a statement of estimated receipts and expenditure in respect of every financial year in the Parliament.

Appropriation Bill

It is a document that empowers the government to withdraw funds from the Consolidated Fund for meeting its yearly expenses.

QR code (Quick Response code)

- QR code (Quick Response code) is a two-dimensional (matrix) machine-readable bar code made up of black and white square. This code can be read by the camera of a smartphone.
- It is used for storing URLs or other information that link directly to text, emails websites phone numbers. It is capable of 360 degrees (omni-directional), high speed reading.
- QR Code can store up to 7089 digits as compared to conventional bar codes which can store max 20 digits. It encodes same amount of data in one-tenth the space of a traditional bar code.
- It carries information both horizontally and vertically. It has error correction capability and data stored in it can be restored even if it is partially damaged or dirty.
- Bharat QR code- The Union Government has launched Bharat QR code, a quick response (QR) code to enable digital payments without card swiping machines.

An Advance Pricing Agreement

- An Advance Pricing Agreement is a contract, usually for multiple years, between a taxpayer and at least one tax authority specifying the pricing method that the taxpayer will apply to its related-company transactions.

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2

Monetary Policy, RBI & Banking

1 Twin Balance Sheet (TBS) challenge

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

2 Open Market Operations (OMO)

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

3 National Small Savings Fund (NSSF)

- National Small Savings Fund (NSSF) was **established in 1999** within the Public Account of India for pooling the **money from different small saving schemes (SSSs).**
- Collections from all small savings schemes are credited to the NSSF. Similarly, withdrawals under small savings schemes by the depositors are made out of this Fund

- The **money in the account is used by the centre and states to finance their fiscal deficit**. The balance in the Fund is invested in Central and State Government Securities.
- Pattern of utilization of the fund among the centre and states is decided from time to time by the Government of India.

4 Price-Earnings Ratio

- The PE ratio is **the market price per share divided by the earnings per share**. The market price per share is simply the stock price.
- The price-earnings ratio is an important stock market ratio, which **compares the current market price of a share in relation to the earnings per share.**
- The P/E ratio is calculated as follows:

P/E ratio = Market value of share / EPS

- **A high P/E ratio** indicates the stock market expects **a strong performance from the company in the future, and that its earnings will keep increasing.**
- A low P/E ratio may indicate the market is nervous about a company's future prospects.

5 Equity Risk Premium

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

6 Learning poverty headcount (LPC)

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

7 Liquidity Adjustment Facility

- Reserve Bank of India's liquidity adjustment facility of LAF **helps banks to adjust their daily liquidity mismatches.**

- LAF has two components -- **repo (repurchase agreement) and reverse repo**. When banks need liquidity to meet its daily requirement, they borrow from RBI through repo.
- The rate at which they borrow fund is called the repo rate.
- When banks are flush with fund, they park with RBI through the reverse repo mechanism at reverse repo rate.

8 Repos

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

9 Policy Rate

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

10 Bank Rate

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

11 Difference between Bank Rate and Repo Rate

Bank Rate and Repo Rate seem to be similar terms because in both of them RBI lends to the banks. However, both are different terms.

Repo rate	Bank rate
Repo Rate is a short-term measure and it refers to short-term loans.	Bank Rate is a long-term measure and is governed by the long-term monetary policies of the RBI.

It is used for controlling the amount of money in the market.	Bank rate is the rate of interest which a central bank charges on the loans and advances that it extends to commercial banks and other financial intermediaries. RBI uses this tool to control the money supply.

12 Marginal Standing Facility

- Marginal standing facility is a **window for banks to borrow from Reserve Bank of India in emergency situation when inter-bank liquidity dries up completely**.
- Banks borrow from the central bank by pledging government securities at a rate higher than the repo rate under liquidity adjustment facility or LAF in short. The MSF rate is pegged 100 basis points or a percentage point above the repo rate. Under MSF, banks can borrow funds up to one percentage of their net demand and time liabilities (NDTL).

13 Market Stabilization Scheme (MSS)

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

14 Non-Performing Asset (NPA)

- The assets of the banks which don't perform (that is - don't bring any return) are called Non Performing Assets (NPA) or bad loans.
- Bank's assets are the loans and advances given to customers. **If customers don't pay either interest or part of principal or both, the loan turns into bad loan**.
- According to RBI, terms loans on which **interest or instalment of principal remain overdue for a period of more than 90 days** from the end of a particular quarter is called a Non-performing Asset.
- However, in terms of Agriculture / Farm Loans; the NPA is defined as under-For short duration crop agriculture loans such as paddy, Jowar, Bajra etc. if the loan (installment / interest) is not paid for 2 crop seasons, it would be termed as a NPA. For Long Duration Crops, the above would be 1 Crop season from the due date.

15 Written off Assets

- Written off assets are those t**he bank or lender doesn't count the money borrower owes to it.** The financial statement of the bank will indicate that the written off loans are compensated through some other way. There is no meaning that the borrower is pardoned or got exempted from payment.
- The ratio of stressed assets to gross advances of the Indian banking system is increasing from 2013 onwards.

16 Restructured Loan

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

17 Producer Price Index

- The Producer Price Index (PPI) **measures the average change in the prices of goods and services,** either as they leave the place of production called Output PPI or as they enter the production process called Input PPI.
- Thus, the output indices measure the average change in prices that producers receive for their outputs while the input indices measure the average change in prices that producers pay for their inputs.
- PPI contrasts with other measures such as the Consumer Price Index (CPI) which measures changes in prices from buyers or consumers perspective.
- The Government had set up a Working Group under the Chairmanship of **Professor B. N. Goldar** on 2st August, 2014 to suggest the methodology for introducing **Producer Price Index (PPI)** in India.

18 Liquidity Coverage Ratio (LCR)

- LCR is a requirement under **Basel III** whereby banks are required to hold an amount of **high-quality liquid assets (HQLA)** that's enough to fund cash outflows for 30 days.
- HQLA are liquid assets that can be readily sold or immediately converted into cash at little or no loss of value or can be used as collateral for borrowing purposes.

19 Over the Counter (OTC)

OTC is a financial transaction that is not made on an organised exchange. Generally the parties must negotiate all the details of each transaction or agree to use simplifying market conventions

20 Housing Price Index

- The Housing Price Indices (HPIs) are a broad measure of movement of residential property prices observed within a geographic boundary.
- The first official housing price index for the country named 'NHB RESIDEX' was launched in July, 2007 by the National Housing Bank (NHB).

- Overtime, the base year has been revised to FY 2012-13 to ensure capturing the latest information and accurately reflect the current economic situation in the country.
- Currently, National Housing Bank is publishing NHB RESIDEX for 50 cities on quarterly basis with FY 2012-13 as base year. Among 50 cities covered are 18 State/UT capitals and 37 Smart Cities.

21 National Payments Corporation of India (NPCI)

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

22 Helicopter Drop (Helicopter Money)

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

23 Cash-to-GDP Ratio

- Cash-to-GDP Ratio or Currency in Circulation (CIC) to GDP Ratio or simply currency-to-GDP ratio shows the value of cash in circulation as a ratio of GDP.
- India's Cash-to-GDP Ratio vis-a-vis other countries:
  - For over a century, coins, currency notes and cheques have been the prominent form of payment in India. With the intervention of information technology, the use of paper cheques as well as cash has undergone a dramatic transformation yet the use of cash as a mean to settle transactions and making payments continues to be very high.
  - Despite of huge increase in usage of plastic cards and digital transactions in recent years, the currency in circulation as a proportion of GDP is highest in India among the emerging economies. In March 2016, the cash-to-GDP ratio of India stood at 10.6%, which was highest in 16 years. This was also highest cash-GDP ratio among BRICS countries.

- China's currency-to-GDP Ratio stood at 14.6% in 2000 and was at 9.1% at end of 2015. Similarly, for Russia it is high at 9% whole for Brazil it is 3% and South Africa it is 2.5% {lowest among BRICS}.
- The currency-GDP Ratio for developed countries such as US, UK and Japan has been much higher.

24 Ratan P. Watal committee

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

Recommendations:

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

25 Public Sector Asset Rehabilitation Agency (PARA)

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

- This agency has been proposed in Economic Survey 2016-17.

How would a PARA actually work?

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

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3

Financial Sector & SEBI

1 G-Sec

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

Types of G-Sec

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

1 Treasury Bills

- Treasury bills; generally shortened as T-bills, **have a maximum maturity of 364 days**. Hence, they are categorized as **money market instruments** (money market deals with funds with a maturity of less than one year).
- Treasury bills are presently issued in **three maturities, namely, 91 day, 182 day and 364 day**.

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

2 Bonds

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

3 Equity

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

4 Non-Convertible Debentures (NCDs)

- Non convertible debentures are **issued by the company so as to raise money from public**.

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

5 Bombay Stock Exchange

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

6 National Stock Exchange

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

7 SENSEX

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

8 NIFTY 50

- The NIFTY 50 is the flagship index on the National Stock Exchange of India Ltd. (NSE).
- The Index tracks the behavior of a portfolio of blue chip companies, the largest and most liquid Indian securities.

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

9 Demat Account

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

10 Mutual Funds

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

Table: Mobilization of Funds by Mutual Funds

Period	No. of Folios (crore)	Gross Mobilization (Rs. lakh crore)	Redemption (Rs. lakh crore)	Net Infllows (Rs. lakh crore)	Net AUM at the end of the period (Rs. lakh crore)
2018-20 (upto December 31, 2018)	8.03	139.30	138.50	0.80	22.20
2019-20 (upto December 31, 2019)	8.71	134.30	132.50	1.90	26.30

11 Commodity Trading

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

12 Futures Contract

- A futures contract is a legal agreement to buy or sell a particular commodity asset, or security at a predetermined price at a specified time in the future.
- Futures are standardized contracts that happen over exchange.
- Both the buyer and the seller have the obligation to fulfill the contract.
- As future prices change every day, the difference in prices is settled on daily basis through a process called marking to market.
- Future contracts are the best hedging tools and are used to limit the risk exposure faced by an investor

13 Return on Assets (RoA)

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

14 Return on Equity (RoE)

- Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity.
- Because shareholders' equity is equal to a company's assets minus its debt, ROE could be thought of as the return on net assets.
- ROE is considered a measure of how effectively management is using a company's assets to create profits.

RoE = Net Income divided by Average Shareholder's Equity

- **Net income** is the amount of income, net of expenses, and taxes that a company generates for a given period.
- **Average shareholder equity** is calculated by adding equity at the beginning of the period to equity at the end of the period and dividing by two.

15 Primary Market

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

16 Secondary Market

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

17 Underwriter

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

18 Rights Issue

- A rights offering is a group of rights offered to existing shareholders to purchase additional stock shares, known as subscription warrants, in proportion to their existing holdings.
- In a rights offering, the subscription price at which each share may be purchased is generally discounted relative to the current market price.
- Rights are often transferable, allowing the holder to sell them in the open market.

19 Private Placement

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

20 Initial Public Offering

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

21 Follow On Public Offer

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

22 Qualified Institutional Placement (QIP)

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

23 Institutional Placement Program (IPP)

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

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

24 Securities and Exchange Board of India

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

25 Sovereign Gold Bonds

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

26 Gold Monetisation Scheme

- Gold Monetisation Scheme (GMS) is in the nature of a term deposit in gold.
- The customers can deposit their idle gold under GMS which will provide them safety, interest earnings and a lot more.

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

27 Insurance Sector

- The insurance industry of India consists of 57 insurance companies of which 24 are in life insurance business and 33 are non-life insurers.
- Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company.
- Apart from that, among the non-life insurers there are six public sector insurers.
- In addition to these, there is sole national re-insurer, namely, General Insurance Corporation of India (GIC Re)
- The potential and performance of the insurance sector should be assessed on the basis of two parameters, viz., Insurance Penetration and Insurance Density. Insurance penetration is defined as the ratio of premium underwritten in a given year to the gross domestic product (GDP). Insurance density is defined as the ratio of premium underwritten in a given year to the total population.
- The insurance density in India which was US$ 11.5 in 2001, reached to US$ 74 in 2018 (Life- US$ 55 and Non-Life – US$ 19).

28 Financial Stability and Development Council

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

29 National Pension System (NPS)

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

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4

Agriculture & Food Management

Agriculture and its allied sectors still remain an important sector because of its continued role in employment, income and most importantly in national food security. Its contribution to national income has gradually declined, reflecting the development process and the structural transformation taking place in the economy. As high as 70 percent of its rural households still depend primarily on agriculture for their livelihood, with 82 percent of farmers being small and marginal.

1 Overview of Agriculture

Share in Gross Value Added in Agriculture

- The share of agriculture and allied sectors in the Gross Value Added (GVA) of the country at current prices has declined from 18.2 per cent in 2014-15 to 16.5 per cent in 2019-20.

Table: Share of Agriculture and Allied Sectors in total GVA of the Country at Current Prices

Items	Year					
	2014-15	2015-16*	2016-17#	2017-18@	2018-19**	2019-20
GVA of agriculture and allied sectors (Rs. in Crore)	2093612	2227533	2496358	2670147	2775852	3,047,187
Share of GVA of agriculture & allied sectors in GVA of total economy (per cent)	18.2	17.7	17.9	17.2	16.1	16.5
Share of crops	11.2	10.6	10.6	10.0	—	—
Share of livestock	4.4	4.6	4.8	4.9	—	—

Share of forestry & logging	1.5	1.5	1.4	1.2	—	—
Share of fishing	1.0	1.1	1.1	1.1	—	—

**As per the press note on Provisional Estimates of Annual National Income 2018-19 and Quarterly Estimates of Gross Domestic Product for the Fourth Quarter (Q4) of 2018-19 released by CSO on 31st May 2019.

@ As per the First Revised Estimates of National Income, Consumption Expenditure, Saving and Capital Formation for 2017-18 released on 31st January, 2019.

Second Revised Estimate.

* Third Revised Estimate

$ First Advance Estimate 2019-20

2 Growth in Agriculture & Allied Sectors

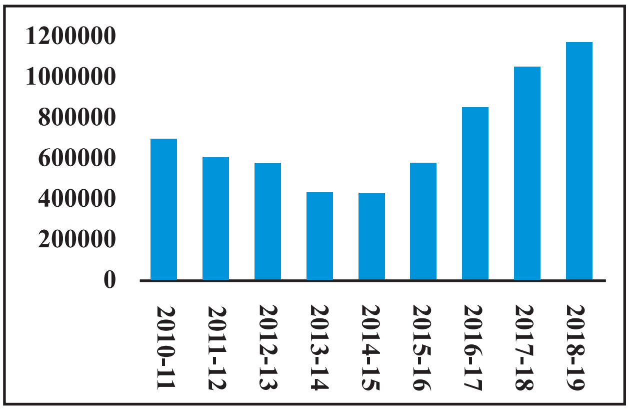
Minimum Support Prices

- With a view to encourage higher investment and production, the Government announced Minimum Support Prices (MSPs) for **twenty-two** mandated crops; and Fair and Remunerative Price for Sugarcane.
- Government had increased MSPs for all mandated kharif, rabi and other commercial crops with a return of 1.5 times over all India weighted average cost of production for the season 2018-19.
- Government has recently increased the MSPs for all mandated kharif and rabi crops for 2019-20 season in line with this principle. Further, direct income/investment support schemes have been introduced

Micro Irrigation

- Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) was launched on 1st July, 2015 with the motto of 'Har Khet Ko Paani' for providing end-to end solutions in irrigation supply chain, viz. water sources, distribution network and farm level applications. Per Drop More Crop component of PMKSY (PMKSY-PDMC) is operational from 2015-16 in the country focussing on water use efficiency at farm level.
- Micro Irrigation, which includes drip and sprinkler irrigation, is a proven technology which has gained immense popularity amongst the farmers.

Figure: Year-wise Area Covered under Micro Irrigation through Centrally Sponsored Scheme (inHa)



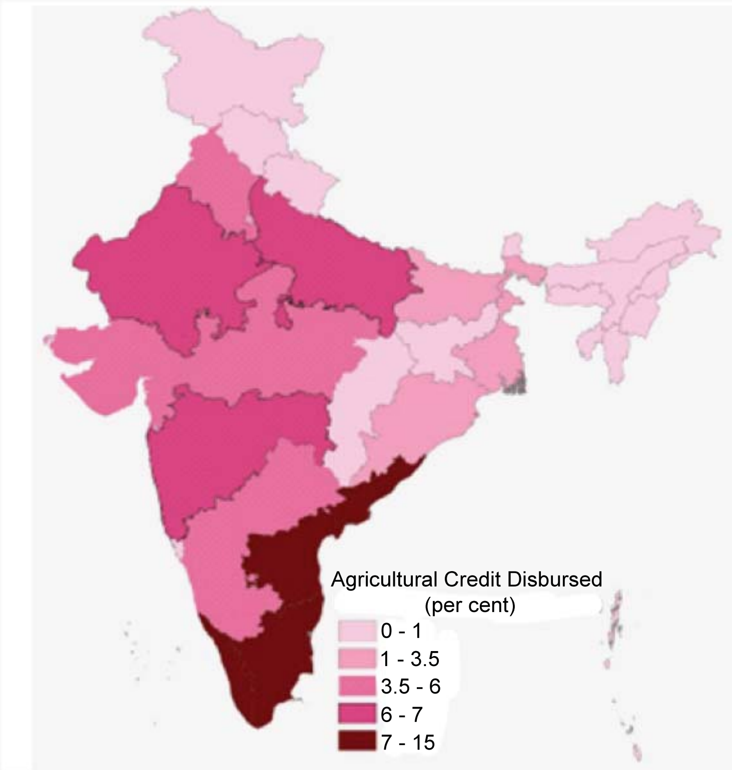
- Strengths of this technology include - efficient deployment of inputs such as water, electricity, fertilizers, labour, increase in crop productivity, better quality of produce leading to higher realization of sale price resulting in increased income of farmer. With this technology, additional area can be irrigated with the same amount.

- A dedicated **Micro Irrigation Fund (MIF) created with NABARD** has been approved with an initial corpus of Rs. 5000 crores facilitating the States in mobilizing the resources for expanding coverage of Micro Irrigation envisaged under PMKSY-PDMC and also in bringing additional coverage through special and innovative initiatives by State Governments.

The Agricultural Credit

- The regional distribution of agricultural credit in India is highly skewed. The share of North Eastern States has been less than one percent in total agricultural credit disbursement.

Figure: Districution of Agricultural Credit in India in 2018-19



Agricultural Trade

- India occupies a leading position in global trade of agricultural products. However, its total agricultural export basket accounts for a little over 2.15 per cent of the world agricultural trade.
- The major export destinations are USA, Saudi Arabia, Iran, Nepal and Bangladesh.
- What is noteworthy is that since the economic reforms began in 1991, India has remained consistently a net exporter of agri-products, touching ₹ 2.7 lakh crore exports and imports at ₹ 1.37 lakh crore in 2018-19.

Livestock Population

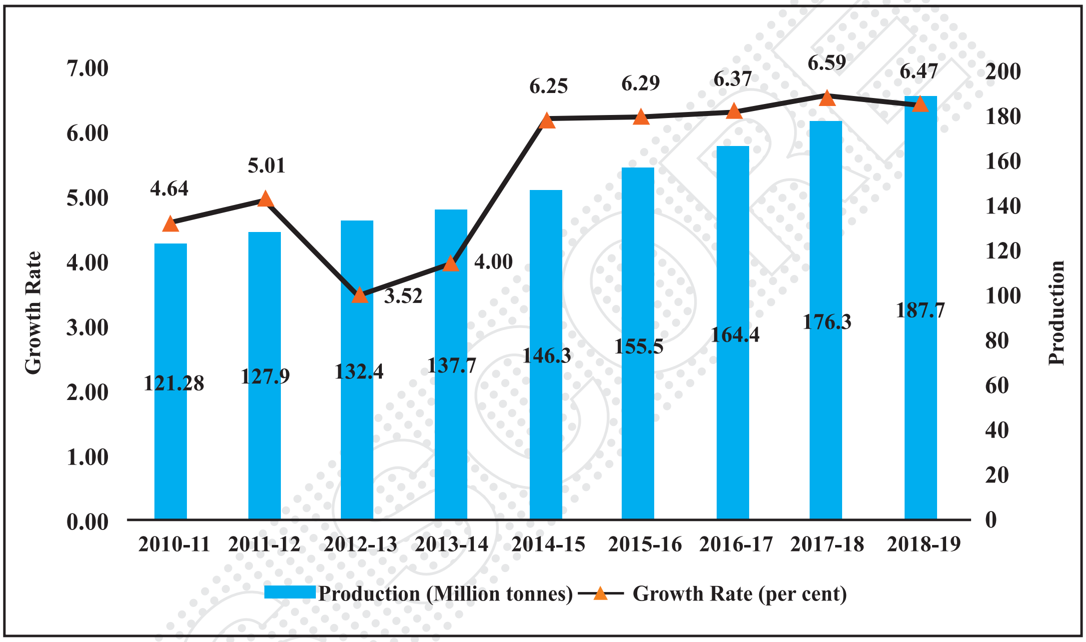
- The country possesses 535.78 million livestock population, which includes 192.49 million cattle, 109.85 million buffalo, 74.26 million sheep, 148.88 million goat and 9.06 million pig; and 851.81 million poultry population (Livestock Census, 2019). This vast and varied population of animals is mainly indigenous, while a sizeable population is crossbreds between exotic germplasm and native stock.

- Livestock sector has grown at a compound annual growth rate of 7.9 per cent during last five years.

Milk Production

- India continues to be the largest producer of milk in the world. Milk production in the country was 187.7 million tonnes in 2018-19 and registered a growth rate of 6.5 per cent over the previous year.
- Government has established ***Dairy Development and Infrastructure Development Fund*** with a total investment outlay of Rs. 10,881 crore for development of this sector.
- Apart from it has established ***Rashtriya Kamdhenu Ayog*** to conserve and protect bovines.
- It has also increased allocation for ***Rashtriya Gokul Mission*** up to ₹ 750 crore

Figure: Milk Production and its Growth Rate



Fisheries Sector

- The sector has been showing a steady growth in the total GVA and accounts for 6.58 per cent of GDP from agriculture, forestry and fishing.
- The fish production in India has registered an average annual growth rate of more than 7 per cent in the recent years.
- Apart from it, fisheries sector have been covered under PM-SAMPADA for forward linkages which has further benefitted the sector.

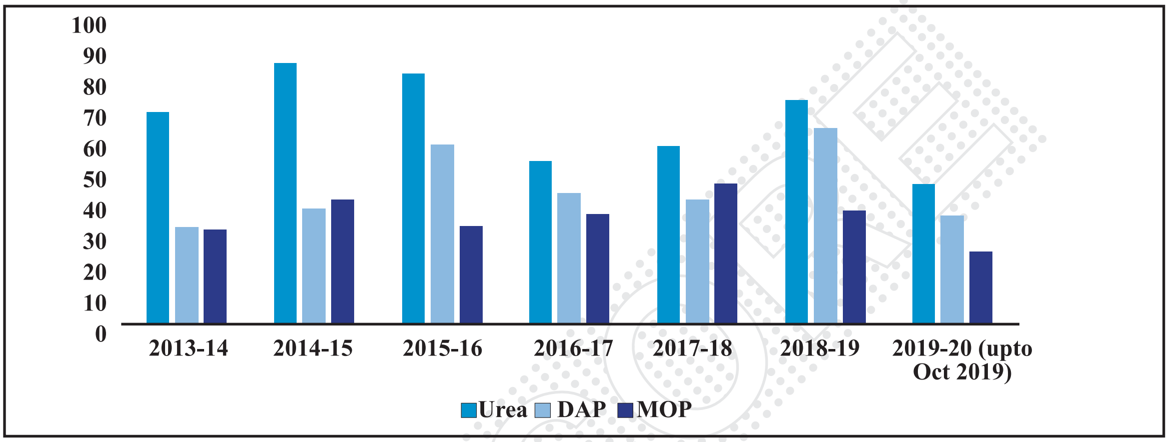
Food Processing Industries

- During the last 6 years ending 2017-18, Food Processing Industries sector has been growing at an average annual growth rate of around 5.06 per cent. The sector constituted as much as 8.83 per cent and 10.66 per cent of GVA in Manufacturing and Agriculture sector respectively in 2017-18 at 2011-12 prices.
- The value of import of processed food during 2018-19 was US $ 19.32 billion which is 3.76 per cent of India's total imports.

Fertilizers

- The New Urea Policy-2015 (NUP-2015) had been notified by Department of Fertilizers on 25th May, 2015 with the objectives of maximizing indigenous urea production; promoting energy efficiency in urea production; and rationalizing subsidy burden on the government.
- The Government of India has introduced Direct Benefit Transfer (DBT) system in Fertilizers w.e.f. October, 2016. Under the fertilizer DBT system, 100 per cent subsidy on various fertilizer grades is released to the fertilizer companies on the basis of actual sales made by the retailers to the beneficiaries. Sale of all subsidized fertilizers to farmers/buyers is being made through Point of Sale (PoS) devices installed at each retailer shop and the beneficiaries will be identified through Aadhaar Card, KCC, Voter Identity card etc.

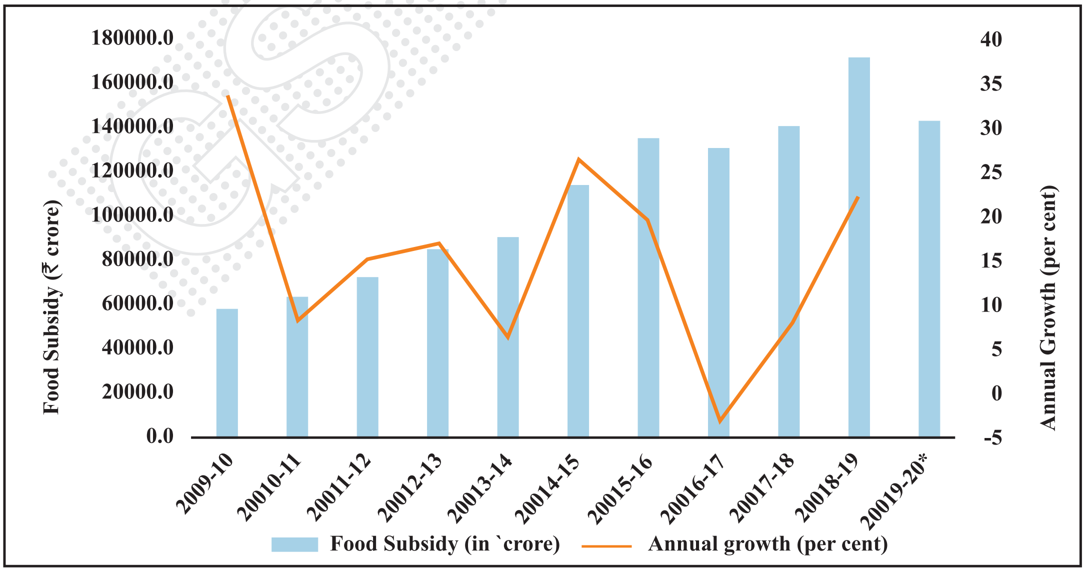
Figure: Import of Urea, DAP and Muriate of Potash (MOP) (in LMT)



Source: Department of Fertilizers

Food Subsidy

Figure: Food Subsidy Released and its Annual Growth



- Food subsidy comprises of (i) subsidy provided to FCI for procurement and distribution of wheat and rice under NFSA and other welfare schemes and for maintaining the strategic reserve of foodgrains and (ii) subsidy provided to States for undertaking decentralized procurement. The acquisition and distribution costs of foodgrains for the central pool together constitute the economic cost. The difference between the per quintal economic cost and the per quintal Central Issue Price (CIP) gives the quantum of food subsidy.

Price Control

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

Digital Agriculture Economy

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

Climate Smart Agriculture

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

Enabling Farmer Community

- This has been done through promotion of FPOs (farmer Producer Organization) , PM-KISAN etc.
- Currently there are over 900 FPO's (both registered and under process) supported by Small Farmer Agribusiness Consortium (SFAC) which have mobilised approximately 9 lakh farmers across India.

Irrigation

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

Innovative Farming Practices

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

Agriculture Research and Development

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

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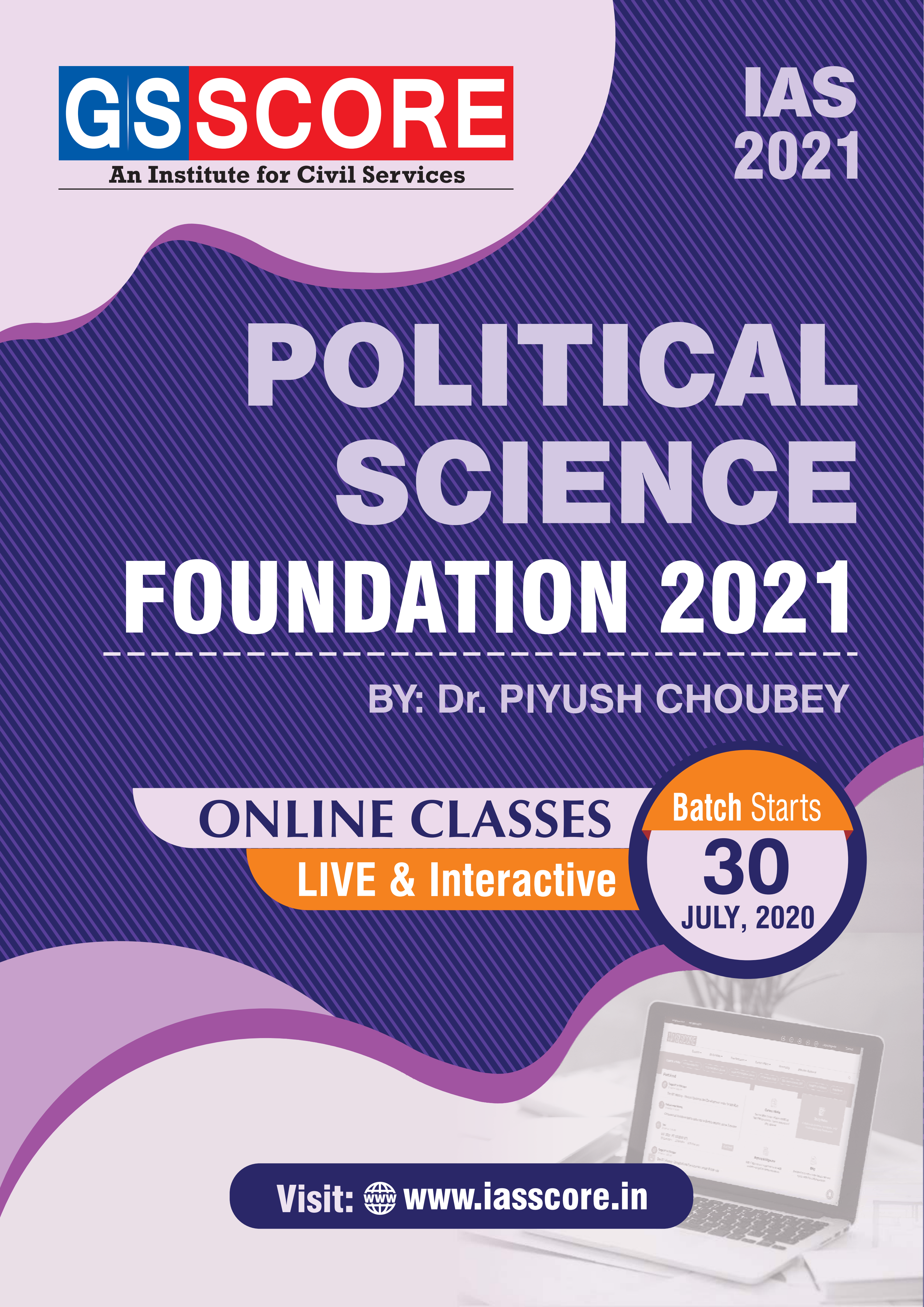

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5

Industry

Industrial sector performance is critical to achieving the ambitious goal of making India a five-trillion economy. Industrial sector performance in terms of its contribution in GVA improved in 2018-19 over 2017-18.

Trends in Industrial Sector

- The low growth in industrial sector is primarily due to manufacturing sector which registered a negative growth of 0.2 per cent in 2019-20.

Index of Industrial Production (IIP)

- The IIP is a measure of industrial performance. It assigns a weight of 77.6 per cent to manufacturing followed by 14.4 per cent to mining and 8.0 per cent to electricity.
- Overall, IIP growth has moderated to 3.8 per cent in 2018-19 compared to 4.4 per cent in 2017-18.
- During the current year 2019-20, it grew at 0.6 per cent as compared to 5.0 per cent in the corresponding period of previous year.
- Exports of key labour intensive sectors, such as gems & jewellery, basic metals, leather products and textile products under-performed during the current financial year.

Table: Index of Industrials Production (IIP) Growth Rates (in per cent)

	Weight	2015-16	2016-17	2017-18	2018-19	2018-19 (April-November)	2019-20 (April-November)
General Index	100.0	3.3	4.6	4.4	3.8	5.0	0.6
Sectoral Classification							
Mining	14.4	4.3	5.3	2.3	2.9	3.7	-0.1
Manufacturing	77.6	2.8	4.4	4.6	3.9	4.9	0.9
Electricity	8.0	5.7	5.8	5.4	5.2	6.6	0.8
Use Based Classification							

Primary goods	34.0	5.0	4.9	3.7	3.5	4.8	0.1
Capital goods	8.2	3.0	3.2	4.0	2.7	7.2	-11.6
Intermediate goods	17.2	1.5	3.3	2.3	0.9	0.7	12.2
Infrastructure/ construction goods	12.3	2.8	3.9	5.6	7.3	8.3	-2.7
Consumer durables	12.8	3.4	2.9	0.8	5.5	7.8	-6.5
Consumer non-durables	15.3	2.6	7.9	10.6	4.0	4.0	3.9
Source: NSO.							

Eight Core Industries

- The Index of Eight Core Industries measures the performance of eight core industries i.e., Coal, Crude Oil, Natural Gas, Refinery Products, Fertilizers, Steel, Cement and Electricity. The industries included in the Index of Eight Core Industries comprise 40.27 per cent weight in the Index of Industrial Production (IIP).

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

Sector	Weight	2016-17	2017-18	2018-19	2018-19 (April-November)	2019-20 (April-November)
Coal	10.3	3.2	2.6	7.4	9.0	-5.3
Crude Oil	9.0	-2.5	-0.9	-4.1	-3.6	-5.9
Natural Gas	6.9	-1.0	2.9	0.8	-0.7	-3.1
Refinery Products	28.0	4.9	4.6	3.1	5.3	-1.1
Fertilizers	2.6	0.2	0.0	0.3	-1.3	4.0
Steel	17.9	10.7	5.6	5.1	3.6	5.2
Cement	5.4	-1.2	6.3	13.3	14.2	0.0
Electricity	19.9	5.8	5.3	5.2	6.6	0.7
Overall Index	100	4.8	4.3	4.4	5.1	0.0

Gross Capital Formation in Industrial Sector

- As per the data on national income, consumption expenditure, saving and capital formation released by NSO on January 31, 2019, the rate of growth of Gross Capital Formation (GCF) in industry has registered a sharp rise from (-) 0.7 per cent in 2016-17 to 7.6 per cent in 2017-18, showing upward momentum of investment in industry.

- Mining & Quarrying, Manufacturing, Electricity, Gas, Water Supply & Other Utility Services and Construction had registered a growth rate of 7.1 per cent, 8.0 per cent, 6.1 per cent and 8.4 per cent respectively in 2017- 18

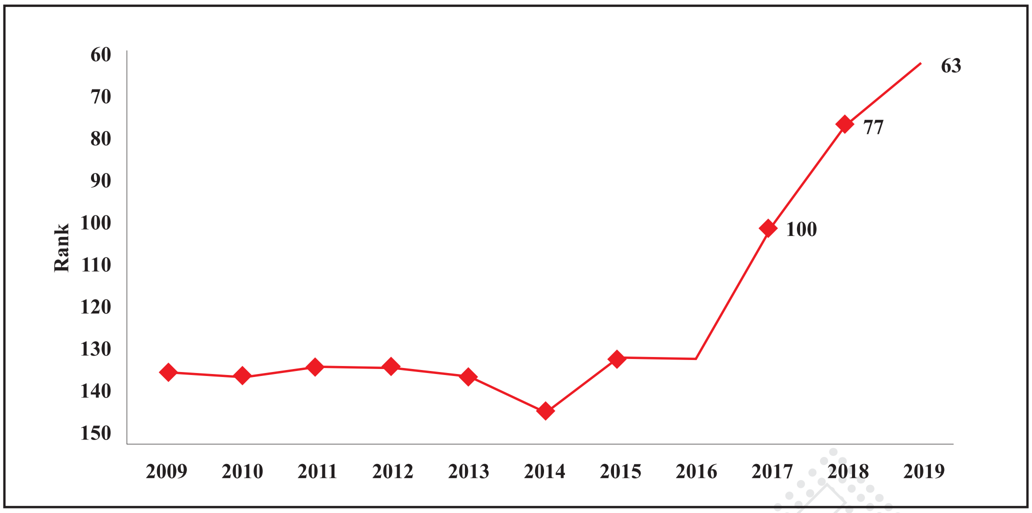
Table: Growth of Industry-wise deployment of Gross Bank Credit (in per cent) (Year-on-Year)

	March 2018	September 2018	March 2019	September 2019
Industry	0.7	2.3	6.9	2.7
Mining & Quarrying (incl. Coal)	19.7	29.8	1.1	-3.0
Food Processing	6.8	2.2	1.1	0.6
Textiles	6.9	1.3	-3.0	-5.7
Petroleum, Coal Products & Nuclear Fuels	9.4	18.5	-3.1	-4.2
Wood & Wood Products	3.3	6.4	10.2	7.1
Chemicals & Chemical Products	-5.5	11.7	17.5	2.6
Glass & Cement Products	6.5	30.3	17.0	-8.0
All Engineering	3.8	3.8	8.6	4.4
Cement & Cement Product	-3.1	-10.4	5.9	17.5
Basis Metal & Metal Product	-1.2	-7.9	-10.7	-7.9
Vehicles, Vehicle Parts & Transport Equipment	7.0	9.1	1.4	6.9
Construction	9.5	8.7	10.4	10.5
Infrastructure	-1.7	4.7	18.5	7.2
Other Industries	4.2	-1.8	6.8	7.4

Ease of Doing Business

- In order to improve ease of doing business, the emphasis has been on simplification and rationalization of the existing rules and introduction of information technology to make governance more efficient and effective.
- The improvement in the business environment as a result of these reforms is reflected in India's considerably improved ranking to 63rd position among the 190 countries in the World Bank's Doing Business 2020 Report. This is a jump of 14 ranks over its previous rank of 77.
- The ranking is based on 10 indicators which span the life-cycle of a business.
- India has improved its rank in 7 out of 10 indicators and has moved closer to international best practices.

Figure: India's ranking in World Bank Ease of Doing Business Reports

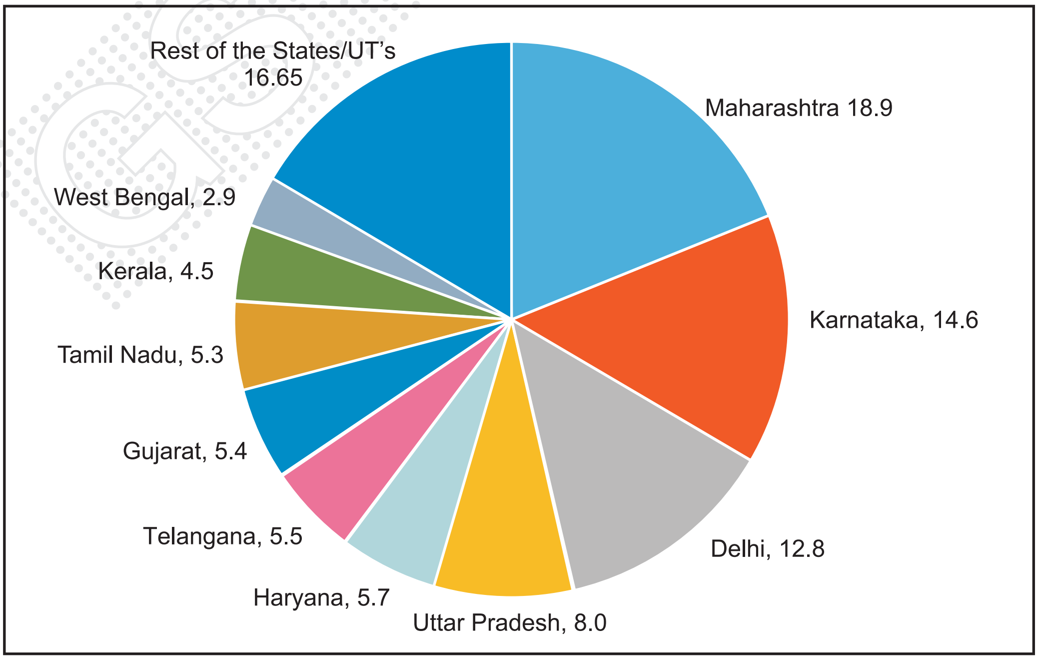


Source: World Bank

Start-up India

- Startups drive economic growth, create employment and foster a culture of innovation. In order to promote innovation and entrepreneurship among enterprising youth, the Hon'ble Prime Minister of India had announced the "Startup India, Stand-up India" initiative on August 15, 2015.
- The initiative aims to create an ecosystem that is conductive for the growth of startups. A plan comprising 19 action points was unveiled on January 16, 2016.
- Steps have been taken for easing regulations such as exemptions from Income tax on investments raised by startups; implementation of 32 regulatory reforms to improve Ease of Doing Business for startups; self-certification regime for six labour laws and three

Figure 4.8: Major State-wise distribution of recognized startups in India (in per cent)

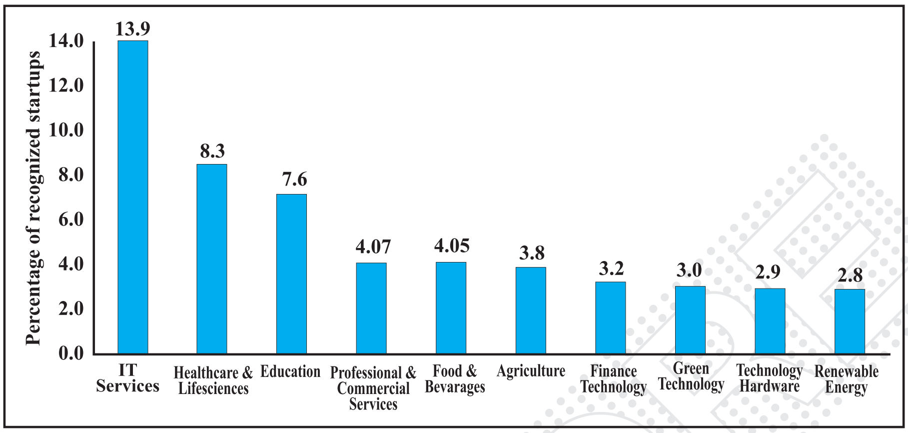


Source: DPIIT.

environmental laws; and Startup India Hub as 'One Stop Shop' for the startup ecosystem in which 3,67,773 users have availed free Startup India learning Program to build business plans, etc.

- Maharashtra, Karnataka and Delhi are the top three performers in terms of State-wise distribution of recognized startups in India .
- As per industry-wise distribution of recognized startups, IT Services accounted for 13.9 per cent followed by Healthcare and Life Sciences (8.3 per cent) and education (7.0 per cent)

Figure 4.9: Major Industry-wise distribution of recognized startsups in India (in per cent)



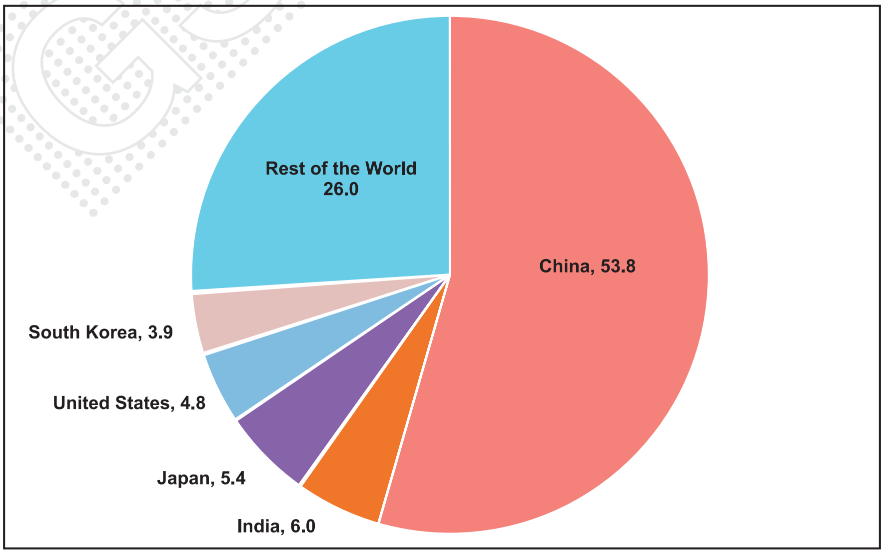
Source: DPIIT.

1 Sector Wise Issues & Initiatives

Steel Sector

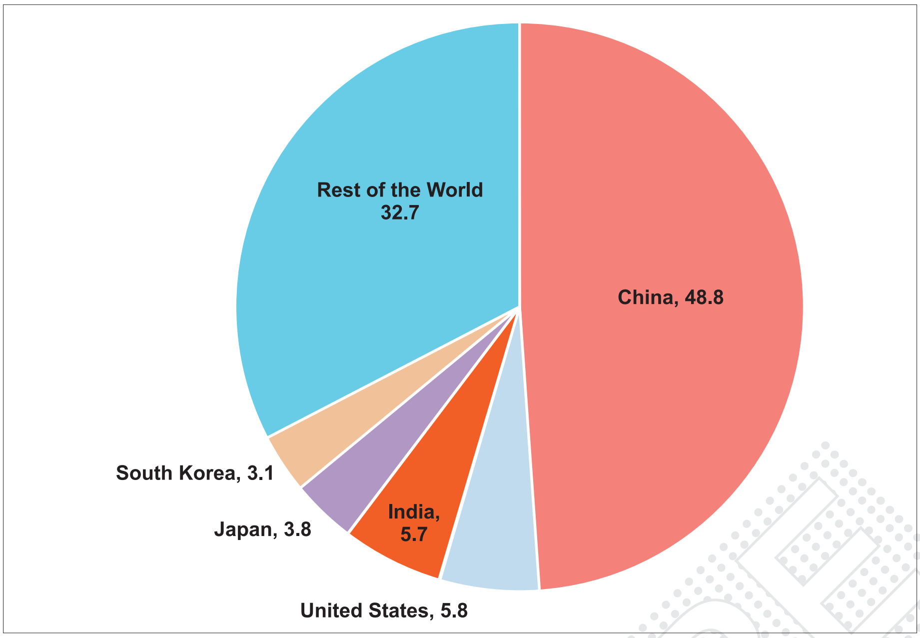
India stood at second position in the production of crude steel. It is also the third largest consumer of the finished steel after China and USA.

Figure 4.9: Country wise share of Crude Steel production for 2019 (January-November) (in per cent)



Source: World Steel Association.

Figure 4.10: Consumption of finished Steel (in per cent) for 2018

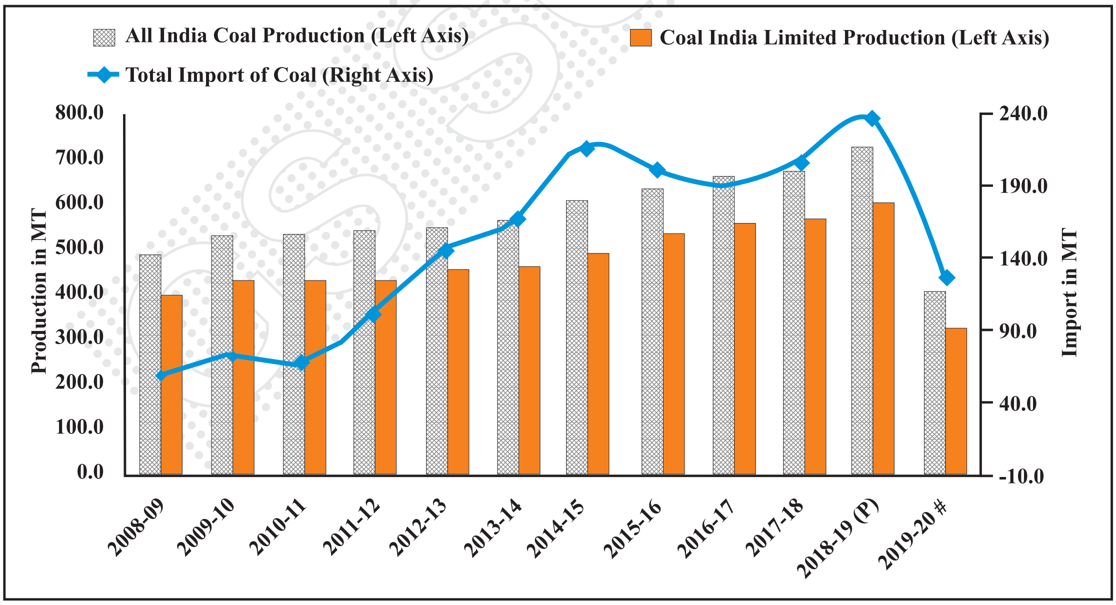


Source: World Steel Association.

Coal

- Overall production of raw coal in India during the year 2018-19 was 730.4 million tonnes (MT) displaying a growth of 8.1 per cent. In the current year 2019-20, all India coal production was 410.5 MT with a growth rate of (-) 5.3 per cent which is attributable to heavy and unseasonal rains.

Figure 4.12: Production and import of Coal in India (in million tonnes)



Textile and Apparels

- Textiles contributed 18.0 per cent of manufacturing and 2.0 per cent of GDP in 2017-18. The share of textiles and clothing in India's total exports was 12 per cent in 2018- 19.
- The sector is the biggest employer after agriculture and it employs 4.5 crore people directly and 6 crore people in allied sectors.

Services Sector

- The share of software services has declined by 4 percentage points over the past decade to reach 40 per cent of total services exports in 2018-19.
- India ranked 22nd in the world in terms of international tourist arrivals in 2018, improving from the 26th position in 2017.

Table: Services Sector Performance in GVA

Sector	Share in GVA (per cent)	Growth (per cent YoY)				
	2019-20 (1st AE)	2017-18 (RE)	2018-19 (PE)	2019-20 (1st AE)	2019-20	
					Q1	Q2
Total Services	**55.3**	**8.1**	**7.5**	**6.9**	**6.9**	**6.8**
Trade, hotels, transport, communication & services related to broadcasting	18.3	7.8	6.9	5.9	7.1	4.8
Financial, real estate & professional services	21.3	6.2	7.4	6.4	5.9	5.8
Public administration, defence & other services	15.6	11.9	8.6	9.1	8.5	11.6

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6

Infrastructure

1 Current Trends & State of Infrastructure in Indian Economy

- In order to ensure high and sustainable growth, there has been a substantial step up of investment in infrastructure mostly on transportation, energy, communication, housing & sanitation and urban infrastructure sector.
- Enhanced investment on infrastructure sector will certainly help in creating jobs both directly and indirectly.
- In period of 2019-2020 India has registered significant growth in infrastructure sector.
- There has been nine core infrastructure sector identified in India, they are:
  - Power
  - Oil And Gas
  - Ports and Shipping
  - Telecommunication
  - Railways
  - Urban Infrastructure
  - Mining
  - Aviation
  - Roads and Highways

2 Roads and Highways

- Road transport is the dominant mode of transportation in terms of its contribution to Gross Value Added (GVA) and traffic share.
- The share of transport sector in the GVA for 2017-18 was about 4.77 per cent of which the share of road transport is the largest at 3.06 per cent, followed by the share of the Railways (0.75 per cent), air transport (0.15 per cent) and water transport (0.06 per cent). Similarly, as per the National Transport Development Policy Committee Report, as of 2011-12, road transport is estimated to handle 69 per cent and 90 per cent of the countrywide freight and passenger traffic, respectively.

- Initiatives such as ***Bharatmala Pariyojana***, ***Pradhan Mantri Grameen Sadak Yojna,*** Expressways Such as Yamuna Express Way, Lucknow Express way and Delhi Merrut Express way has boosted up growth in this sector.
- Development of works in roadways such as development of ***BhoomiRashi portal*** has expedited the process of notification for land acquisition.
- The ***portal BIMS and BhoomiRashi portals*** have further been linked with Public Financial Management System(PFMS) to facilitate real time payment to beneficiaries.
- Under ***Setu Bhartam Project*** construction railways over bridges are being done.

3 Railways

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

Table: Rate of occurrence of rail accidents

Type of Accident	2016-17	2017-18	2018-19	2019-20 (April to October)
Collision	5	3	0	3
Derailments	78	54	46	29
Manned Level Crossing Accident	0	3	3	1
Unmanned Level Crossing Accidents	20	10	3	0
Fire in Trains	1	3	6	7
Miscellaneous	0	0	1	1
Total	104	73	59	41

Source: Ministry of Railways.

Government Initiatives:

- India is considering a ***High Speed Rail Corridor project*** between Mumbai and Nagpur.
- It has also envisaged to develop three ***Regional Rapid Transit System*** from Delhi to Panipat, Meerut and Alwar respectively.
- Indian Railways is planning to come out with a new ***export policy for railways.***
- The Government of India is going to come up with a ***'National Rail Plan'*** which will enable the country to integrate its rail network with other modes of transport and develop ***a multi-modal transportation network***.

- The Government of India has signed an agreement with the Government of Japan under which Japan will help India in the implementation of the ***Mumbai-Ahmedabad high speed rail corridor*** along with a financial assistance that would cover 81 per cent of the total project cost.

4 Aviation

- India is the third largest domestic market for civil aviation in the world.
- The civil aviation industry in India has emerged as one of the fastest growing industries in the country during the last three years. India is currently considered the third largest domestic civil aviation market in the world.
- The government has ***100 per cent FDI under automatic route*** in scheduled air transport service, regional air transport service and domestic scheduled passenger airline. However, ***FDI over 49 per cent would require government approval.***
- Initiatives such as ***UDAN (Ude Desh Ka Aam Nagrik)*** which is a regional connectivity scheme ***has boosted domestic passenger traffic*** in India.

5 Ports and Shipping

- Around 95 per cent of India's trade by volume and 68 per cent in terms of value is transported by sea.
- India has ***12 major and 200 notified minor and intermediate ports***.
- Under the National Perspective Plan for ***Sagarmala, six new mega ports*** will be developed in the country.
- India is the ***sixteenth largest maritime country*** in the world, with a coastline of about ***7,517 km***.
- Connection of major ports of country through ***Bharatmala*** road linkage project has provided ports logistics support which they needed.
- Government has allowed Foreign Direct Investment (FDI) of ***up to 100 per cent under the automatic route for port and harbour construction and maintenance projects.***
- It has also facilitated a ***10-year tax holiday to enterprises that develop, maintain and operate ports***, inland waterways and inland ports.

6 Power

- The utility electricity sector in India has one National Grid with an installed capacity of ***350.162 GW till February 2019.***
- Renewable power plants constituted 33.60% of total installed capacity.
- The gross electricity generated by utilities in India was ***1,303.49 TWh*** and the total electricity generation (utilities and non-utilities) in the country was ***1,486.5 TWh***, during 2017-2018.
- The gross electricity consumption was 1,149 kWh per capita in the year 2017-18.

- This had made India world's ***third largest producer and third largest consumer of electricity.***
- India has aimed to achieve India will add 227 GW of renewable energy capacity by March 2022, which was revised from previously 175 GW.

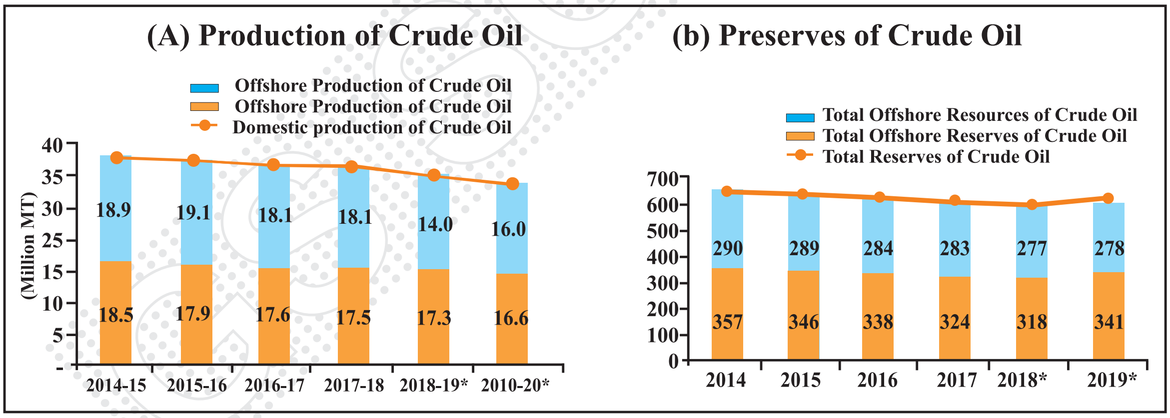
Initiatives in Power sector:

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

7 Oil And Gas

- India is the third largest energy consumer in the world after USA and China. With a share of 5.8 per cent of the world's primary energy consumption, India's energy requirement is fulfilled primarily by Coal, Crude Oil, Renewable Energy and Natural Gas.
- It is worthwhile to note that the proven reserves of crude oil have decreased concurrently since 2014, with the steeper fall in onshore reserves.
- India with a refining capacity of 249.4 MMTPA is the fourth largest in the world after the United States, China and Russia.

Figure 5.1: Onshore and Offshore Production and Reserves$ of Crude Oil



Source: Ministry of Petroleum and Natural Gas and Economic Survey calculations.
Note: *-Provisional.
#-The curde oil production for 2019-20 is estimated on the basis of figures available for 2019-20 (April-November).
$-The reserves are as on 1st April of the year.

8 Telecommunication

- Total telephone connections in India grew by 18.8 per cent from 9,961 lakh in 2014-2015 to 11,834 lakh in 2018-19.
- The overall tele-density in India stands at 90.45 per cent, the rural tele-density being 57.35 per cent and urban teledensity being 160.71 per cent

- India is currently the ***world's second-largest telecommunications market with a subscriber base of 1.17 billion*** and has registered strong growth in the past decade and half.
- Key trends:
  - India ranks as ***the world's second largest market in terms of total internet users*** with 512.26 million internet subscribers.
  - It is also world's second largest country in terms of application downloads.

9 Urban Infrastructure

- There were about 37.7 crore people residing in the urban habitats of India (Census 2011), comprising about 31 per cent of the total population which is expected to reach 60.6 crore by 2030 (2015:UN).
- Government initiatives has regularly supported Urban Infrastructure by implementing different schemes in this sector such as ***Smart Cities Mission,*** Passing of ***Solid Waste Management Act, 2016*** and development of sanitation facilities under ***Swacch Bharat Misson.***

10 Mining

- India produces 95 minerals– 4 fuel-related minerals, 10 metallic minerals, 23 non-metallic minerals, 3 atomic minerals and 55 minor minerals (including building and other minerals).
- Rise in infrastructure development and ***automotive production*** are driving growth in the sector.
- Currently, India is the 3rd largest producer of coal, 4th in terms of iron ore production and third largest crude steel producer in the world.

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7

External Sector

India's external sector gained further stability in the first half of 2019-20, witnessing improvement in Balance of Payments (BoP) position. Export growth remains subdued with external demand weakened by slowdown in global investment, output and heightened trade tensions, notwithstanding resilient service exports.

India's Balance of Payments

- Almost synchronous with the acceleration in GDP growth to 7.5 per cent in 2014-19, the Balance of Payments (BoP) position of India improved from accumulated foreign reserves of US$ 304.2 billion at end of 2013-14 to US$ 412.9 billion at end of 2018-2019.

Current Account Deficit (CAD)

- The improvement in BoP was anchored by narrowing of current account deficit (CAD) from 2.1 per cent in 2018-19 to 1.5 per cent of GDP in H1 of 2019-20.

Table-6.1: Current account deficit (CAD) as per cent of GDP

2009-14	2014-19	2018-19	2019-20 H1
-3.3	-1.4	-2.1	-1.5

Source: Reserve Bank Of India

1 Merchandise Trade

- Merchandise trade deficit is the largest component of India's current account deficit.
- An increase in merchandise exports to GDP ratio has a net positive impact on BOP position. Over the years the merchandise exports to GDP ratio has been declining, entailing a negative impact on the BoP position.

Table-6.2: Merchandise Trade Balance as per cent of GDP

2009-14	2014-19	2018-19	2019-20 H1
-8.6	-6.0	-6.8	-6.3

Source: Department of Commerce & Central Statistics Office (CSO)

Table-6.3: Merchandise Exports as per cent of GDP

2009-14	2014-19	2018-19	2019-20 H1
15.7	12.7	12.1	11.3

Source: Department of Commerce & Central Statistics Office (CSO)

- An increase in the merchandise imports to GDP ratio has a net negative impact on the BoP position.

Table-6.4: India's Merchandise Imports as percent of GDP

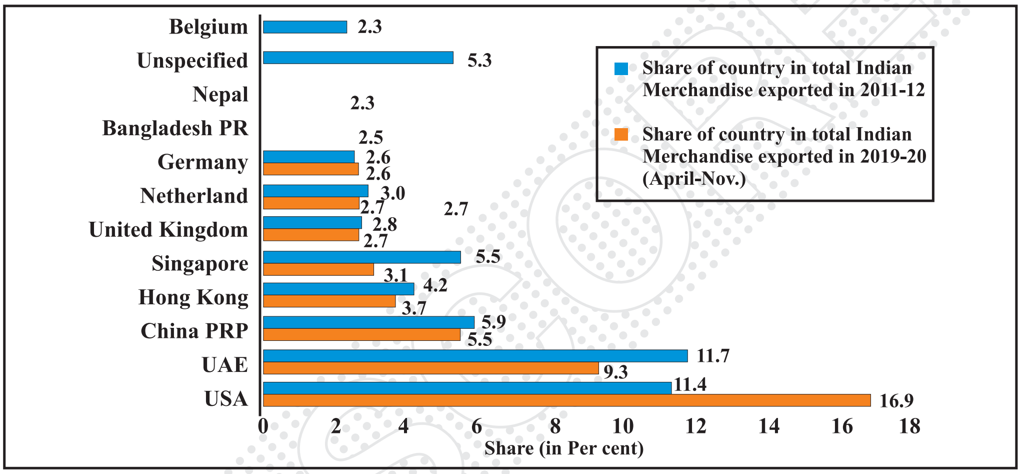
2009-14	2014-19	2018-19	2019-20 H1
24.3	18.7	18.9	17.6

Source: Department of Commerce & Central Statistics Office (CSO)

Exporting Destination

- India's largest export destination country continues to be the United States of America (USA) in 2019-20, followed by United Arab Emirates (UAE), China and Hong Kong. Between 2011-12 and 2019-20, India's exports to USA grew the highest.

Figure 6.1: Top 10 Export Destinations in 2011-12 and 2019-20 (April-November)

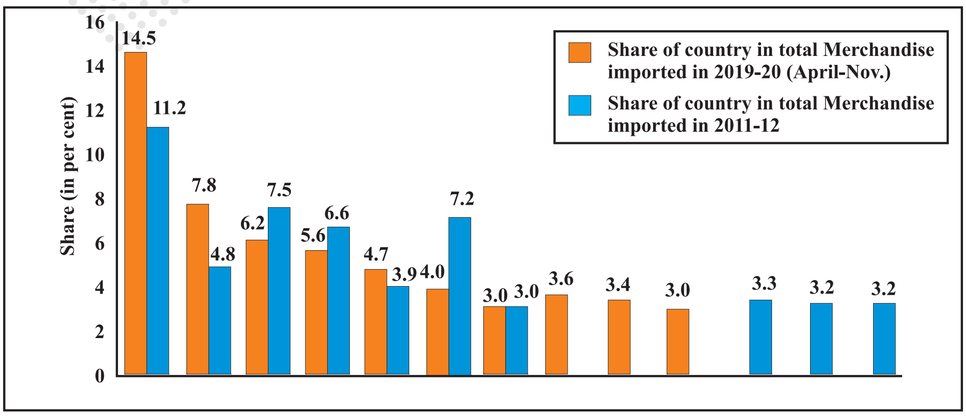


Source: Department of Commerce.

Importing Destination

- China continues to be the largest exporter to India followed by USA, UAE and Saudi Arabia. In recent times, Hong Kong, Korea and Singapore have also emerged as significant exporters to India.

Figure 6.2: Top 10 Import Origins of India in 2011-12 and 2019-20 (April-November) (By Share in Per cent)



Source: Department of Commerce.

Net Remittances

- An increase in net remittances improves the BoP position. Net remittances from Indians employed overseas has been constantly increasing year after year and has continued doing so with the amount received in the first half of 2019-20 being more than 50 per cent of the total receivables in 2018-19 .

Table-6.6: Net Remittances (US$ billion)

2009-14	2014-19	2018-19	2019-20 H1
298.21	319.53	70.60	38.4

Source: Reserve Bank Of India

Foreign Direct Investment (FDI)

- Net FDI in the first eight months of 2019-20 stood at US$ 24.4 billion. An increase in net FDI improves the BoP position. The impressive improvement in BoP position from March, 2014 to March, 2019 is mainly attributed to almost doubling of net FDI into the country from 2009-14 to 2014-19.

Table-6.7: Net FDI (US$ billion)

2009-14	2014-19	2018-19	2019-20 H1
92.51	163.87	30.7	21.3

Source: Reserve Bank Of India

- Net FDI inflows have continued to be buoyant in 2019- 20 attracting in the first half itself an amount more than 50 per cent of the previous year level. Continuous liberalization of FDI guidelines has been responsible for rising inflows of foreign investment into the country.

Foreign Portfolio Investment (FPI)

- Net FPI in the first eight months of 2019- 20 stood at US$ 12.6 billion. An increase in net FPI flows improves the BoP position and arises on account of cross-border transactions involving debt or equity securities, other than those included in direct investment or reserve assets

Table-6.8: Net FPI (US$ billion)

2009-14	2014-19	2018-19	2019-20 H1
59.1	67.18	-0.62	7.3

Source: Reserve Bank Of India

- In relation to net FDI, dependence on net FPI to finance the CAD was less in 2014-19 at 17.1 per cent as compared to 45.6 per cent in 2009- 14 .

External Commercial Borrowings (ECBs)

- An increase in net ECBs improves the BoP position but it worsened the BoP by turning negative during 2014-19, from a healthy positive level in 2009-14 . In 2018-19 however there was a surge in net ECB inflows and almost a matching amount has already flowed into the country in the first half of 2019-20.

Table-6.9: Net ECB (US$ billion)

2009-14	2014-19	2018-19	2019-20 H1
42.80	-4.24	9.77	9.76

Source: Reserve Bank Of India

External Debt

- An increase in external debt to GDP ratio increases debt servicing and draws down on forex reserves worsening BoP position. After a significant reduction in 2014-19 relative to 2009-

14, India's external debt to GDP ratio slightly increased by 0.3 per cent at the end of first half of 2020 over its level at end-March 2019, primarily on account of an increase in commercial borrowings, non-resident deposits and short-term trade credit .

Table-6.10: External Debt (Per cent of GDP)

2009-14	2014-19	2018-19	2019-20 H1
23.9	19.7	19.8	20.1

Source: Reserve Bank Of India, Quarterly external debit report, DEA, M/o Finance.

3 Free Trade Agreement (FTA)

Free Trade Agreements (FTAs) already in force

S. No.	Name of the Agreement	Date of Signing of the Agreement	Date of Implementation of the Agreement & Recent Developments
1.	India-Sri Lanka FTA	28th December, 1998	Date of implementation of treaty was 1st March, 2000. The negotiations for the proposed Economic and Technology Cooperation Agreement (ETCA) between India and Sri Lanka, covering trades in goods, trade in services, investment and economic and technology cooperation are in progress. Eleven Round of Negotiations have been completed.
2.	Agreement on SAFTA (India, Pakistan, Nepal Sri Lanka, Bangladesh, Bhutan, the Maldives and Afghanistan)	4th January, 2004	Date of implementation of treaty was 1st January, 2006 (Tariff concessions implemented from 1st July, 2006)
3.	India Nepal Treaty of Trade	27th October, 2009	The Treaty has been extended for a furthered period of seven years and is currently in force till 26th October 2023. A Comprehensive Review of the India-Nepal Treaty of Trade, initiated in 2018, is in progress.
4.	India-Bhutan Agreement on Trade Commerce and Transit	17th January, 1972	Renewed periodically, with mutually agreed modifications. Agreement dated 29th July 2006 was valid for ten years. With mutual consent, the validity was

			extended for a period of one year or the period till the proposed new Agreement comes into force. The renewed Agreement has been signed on 12th November, 2016 and came into force with effect from 29th July, 2017.
5.	India-Thailand FTA – Early Harvest Scheme (EHS)	9th October, 2003	Date of implementation of treaty was 1st September, 2004
6.	India-Singapore CECA	29th June, 2005	Date of implementation of treaty was 1st August, 2005. The second review of India Singapore CECA was jointly concluded and announced on 1st June, 2018 during the state visit of Prime Minister of India to Singapore.
7.	India-ASEAN-CECA – Trade in Goods, Services and Investment Agreement (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam)	13th August, 2009 for goods and November, 2014 for Services and Investment	Date of implementation of treaty for Goods • 1st January, 2010 in respect of India and Malaysia, Singapore, Thailand. • 1st June, 2020 in respect of India and Vietnam. • 1st September, 2010 in respect of India and Myanmar. • 1st October, 2010 in respect of India and Indonesia. • 1st November, 2010 in respect of India and Brunei. • 24th January, 2011 in respect of India and Laos. • 1st June, 2011 in respect of India and the Philippines. • 1st August, 2011 in respect of India and Cambodia. **Services and Investment** For Services and Investment, date of implementation of treaty was 1st July, 2015.
8.	India-South Korea CEPA	7th August, 2009	Date of implementation of treaty was 1st January, 2010. The two sides have commenced negotiations for up-gradation of CEPA in 2016 to explore the possibility of providing further tariff concessions/

			simplification negotiations for upgrading India-Korea CEPA was held in June, 2019 in India.
9.	India-Japan CEPA	16th February, 2011	Date of implementation of treaty was 1st August, 2011.
10.	India-Malaysia CECA	18th February, 2011	Date of implementation of treaty was 1st July, 2011.

Preferential Trade Agreement (PTAs) already in force			
S. No.	**Name of the Agreement**	**Date of Signing of the Agreement**	**Date of Implementation of the Agreement & Recent Development**
1.	Asia Pacific Trade Agreement (APTA) (Bangladesh, China, India, Republic of Korea, Lao People's Democratic Republic and Sri Lanka)	July, 1975 (revised on 2nd November, 2005)	Date of implementation of treaty was 1st November, 1976.
2.	Global Systems of Trade Preferences (GSTP) (Algeria, Argentina, Bangladesh, Benin, Bolivia, Brazil, Cameroon, Chile, Colombia, Cuba, Democratic People's Republic of Korea, Ecuador, Egypt, Ghana, Guinea, Guyana, India, Indonesia, Iran, Iraq, Libya, Malaysia, Mexico, Morocco, Mozambique, Myanmar, Nicaragua, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Romania, Singapore, Sri Lanka, Sudan, Thailand, Trinidad and Tobago, Tunisia, Tanzania, Venezuela, Viet Nam, Yugoslavia, Zimbabwe)	13th April, 1988	Date of implementation of treaty was 19th April, 1989.
3.	SAARC Preferential Trading Agreement (SAPTA) (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka)	11th April, 1993	Date of implementation of treaty was 7th December, 1995

4.	India-Afghanistan	6^{th} March, 2005	Date of implementation of treaty was 13^{th} May, 2003
5.	India-MERCOSUR (Argentina, Brazil, Paraguay and Uruguay)	25^{th} January, 2004	Date of implementation of treaty was 1^{st} June, 2009
6.	India-Chile	8^{th} March, 2006	Date of implementation of treaty was 11^{th} September, 2007. The agreement has bee expanded on 6^{th} September, 2016 and came into force w.e.f. 16^{th} May, 2017.
Source: Department of Commerce.			

4 Institutional; Framework for Trade Promotion and Research

High Level Advisory Group (HLAG):

- A HLAG has been set up DoC to make recommendations on pursuing opportunities addressing challenges and finding a way forward amidst emergent issues in the contemporary global trade scenario.
- The HLAG will consider ways for boosting India's share and importance in global merchandise and services trade, managing pressing bilateral trade relations and mainstreaming new age policy making.

Indian Institute Of Foreign Trade (IIFT):

- IIFT is an autonomous public business school under the Ministry of Commerce and Industry to help professionalize the country's foreign trade management and increase exports by developing human resources, generating, analysing and disseminating data and conducting research.

Centre for WTO Studies:

- The Centre for WTO Studies was set up in the year 1999 to be a permanent repository of WTO negotiations-related knowledge and documentation. It was also envisaged that the Centre would evolve into a research unit with interest in trade in general and WTO in particular to finally develop into an independent think tank in the area.
- Over the years, the Centre has conducted a robust research programme with a series of papers in all spheres of interest at the WTO. It has also created a specialized e-repository of important WTO documents, especially related to India, in its Trade Resource Centre.

Centre for Regional Trade (CRT):

- CRT is an autonomous Think-Tank established by the Department of Commerce under the Centre for Research on International Trade (CRIT) at the Indian Institute of Foreign Trade.
- It undertakes research in economics with a focus on trade and investment related issues relevant to international cooperation of India with specific regions and countries, including Latin America, Africa, South Asia, ASEAN, China, EU, Japan, Korea and USA.

The Centre for Trade and Investment Law (CTIL):

- Established in the year 2016 by the Ministry of Commerce and Industry, at the Indian Institute of Foreign Trade (IIFT) its primary objective is to provide sound and rigorous analysis of legal issues pertaining to international trade and investment law to the Government of India and other governmental agencies.
- The Centre aims to create a dedicated pool of legal experts that who could provide technical inputs for enhancing India's participation in international trade and investment negotiations and dispute settlement.
- The Centre also aims to be a thought leader in the various domains of international economic law such as WTO law, international investment law and legal issues relating to economic integration.

Quality Council of India:

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

Single Window Interface for Facilitating Trade (SWIFT)

- Single Window Interface for Facilitating Trade (SWIFT) provides a single-point interface for clearance and is expected to reduce documentation and costs.
- It is expected to cover and benefit over 97 per cent of India's imports. Importers will not need to run around to get approvals from multiple government agencies for their consignments.

The World Integrated Trade Solution (WITS)

- The World Integrated Trade Solution (WITS) is a trade software provided by the World Bank for users to query several international trade databases.
- WITS allows the user to query trade statistics (export, import, re-exports and re-imports) from UN COMTRADE, tariff and non-tariff measures (NTM) data from UNCTAD TRAINS and tariff and bound tariff information from WTO, IDB and CTS databases. WITS also have a module called Global Preferential Trade Agreement (GPTAD) to search and browse Free Trade Agreements (FTA). It also has modules to calculate several trade indicators and perform tariff cut simulation.
- WITS now has two sections. One that provides summary Trade Statistics by Country on total exports, imports, export/import partners, top product groups exported/imported, top exporters and importers in the World.

Currency War: An Analysis

What is currency war?

- A currency war refers to a situation where a number of nations seek to deliberately depreciate the value of their domestic currencies in order to stimulate their economies. Although currency depreciation or devaluation is a common occurrence in the foreign exchange market, the hallmark of a currency war is the significant number of nations that may be simultaneously engaged in attempts to devalue their currency at the same time.

- **Why do countries indulge in Currency War?**
  - It may seem counter-intuitive, but a strong currency is not necessarily in a nation's best interests. A weak domestic currency makes a nation's exports more competitive in global markets and simultaneously makes imports more expensive. Higher export volumes spur economic growth, while pricey imports also have a similar effect because consumers opt for local alternatives to imported products. This improvement in terms of trade generally translates into a lower current account deficit (or a greater current account surplus), higher employment, and faster GDP growth. The stimulative monetary policies that usually result in a weak currency also have a positive impact on the nation's capital and housing markets, which in turn boosts domestic consumption through the wealth effect.

So what are the negative effects of a currency war?

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

4 Terms

Current Account Deficit	Current account deficit is a measurement of a country's trade where the value of the goods and services it imports exceeds the value of the goods and services it exports. The current account also includes net income, such as interest and dividends, as well as transfers, such as foreign aid, though these components make up only a small percentage of the current account when compared to exports and imports.
Nominal Effective Exchange Rate	The Nominal Effective Exchange Rate (NEER) is an unadjusted weighted average rate at which one country's currency exchanges for a basket of multiple foreign currencies i.e. it is the value of basket of foreign currencies in terms of Indian rupee. If NEER value is high, then other country currency could buy more of Indian products, then exports would increase. In economics, the NEER is an indicator of a country's international competitiveness.

Real Effective Exchange Rate	The Real Effective Exchange Rate (REER) is the weighted average of a country's currency relative to an index or basket of other major currencies, adjusted for the effects of inflation.

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8

Foreign Investment in India

TYPES OF FOREIGN INVESTMENT

1 Foreign Direct Investment (FDI)

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

2 Foreign Institutional Investment (FII)

- FII is when foreign institutional investors invest in the shares of an Indian company, or in bonds offered by an Indian company. So, if a foreign investor buys shares in Reliance, it is an FII.
- Only institutional investors like Investment companies, Insurance funds etc. are allowed to invest in Indian stock market directly. These investors have to get a license from SEBI.
- However, if foreign individuals want to invest in India's markets, they have to get themselves registered as a sub-account of an FII. The FII will buy shares/ bonds from the India markets on their behalf.
- India allows only wealthy foreign individuals or high net worth individuals (HNIs) who have a minimum net worth of $50 million to be registered as a sub-account of a foreign institutional investor (FII).

- Foreign institutional investors are also known as 'hot money' because it is not stable in nature. The FIIs can pull out money from a country's stock market/ bond market overnight.

3 Qualified Foreign Investment (QFI)

- As we know, foreign individuals cannot invest directly in India's markets without sub-accounts with an FII.
- As an alternative, QFI was introduced in the year 2002. A Qualified Foreign Investor can invest in India without sub-account.
- However, they have to open a Demat account and Trade account with a depository participant in India.
  - The Qualified foreign investor (QFI) can be an individual, group or an association.
  - The QFI should be resident in a foreign country that is compliant with the standards of Financial Action Task Force (FATF).
  - In addition, the QFI must be a signatory to International Organization of Securities Commission's Multilateral Memorandum of Understanding. (MMOU).

4 Foreign Portfolio Investment (FPI)

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

- **What are P-Notes?**

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

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

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

- **What has SEBI done to regulate P-Notes?**

  SEBI has taken a number of steps to tighten rules on P-Notes. In 2007, P-Notes were banned for a while due to a surge in capital flows and excess liquidity. After this, markets crashed immediately, but recovered after the regulator said FIIs could not take any fresh exposure, and their existing investments would have to be wound up in 18 months. But a year later, all restrictions on P-Notes were removed during the financial crisis, only to be tightened again later.

  From January 2011, FIIs have had to follow KYC norms and submit details of transactions. In 2014, new rules on foreign portfolio investors (FPIs) made it mandatory for those issuing P-Notes to submit a monthly report disclosing their portfolios. This led to a decline in the number of entities issuing P-Notes. More recently, Sebi mandated that in addition to KYC, the anti-money laundering rules (AML) will also be applicable to P-Note holders. Earlier, a P-Note holder had to adhere to KYC or AML norms of just their home jurisdiction. Sebi also issued norms on transferability of P-Notes between two foreign investors and increased the frequency of reporting by P-Note issuers.

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

5 Hot Money

- Capital which is frequently transferred between financial institutions in an attempt to maximize interest or capital gain.
- Hot money is capital that investors regularly move between economies and financial markets to profit from highest short-term interest rates.
- Banks bring hot money into an economy by providing short-term certificates of deposit with higher-than-average rates.

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9

Social Development:

Social Infrastructure & Human Development

1 Social Sector

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

2 What is Human Capital?

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

3 United Nations Development Programme (UNDP)

- It is the UN's global development network, an organization advocating for change and connecting countries to knowledge, experience and resources to help people build a better life.

- UNDP got birth after the merging of the United Nations Expanded Programme of Technical Assistance, created in 1949, and the United Nations Special Fund, established in 1958. UNDP was established in 1965 by the General Assembly of the United Nations.
- UNDP operates in 177 countries, working with nations on their own solutions to global and national development challenges. UNDP's work is concentrated on four main focus areas: Poverty Reduction and Achievement of the MDGs, Democratic Governance, Crisis Prevention and Recovery, Environment and Energy for Sustainable Development
- UNDP provides expert advice, training, and grant support to developing countries, with increasing emphasis on assistance to the least developed countries.
- To accomplish the SDGs and encourage global development, UNDP focuses on poverty reduction, HIV/AIDS, democratic governance, energy and environment, social development, and crisis prevention and recovery.
- UNDP also encourages the protection of human rights and the empowerment of women in all of its programs.

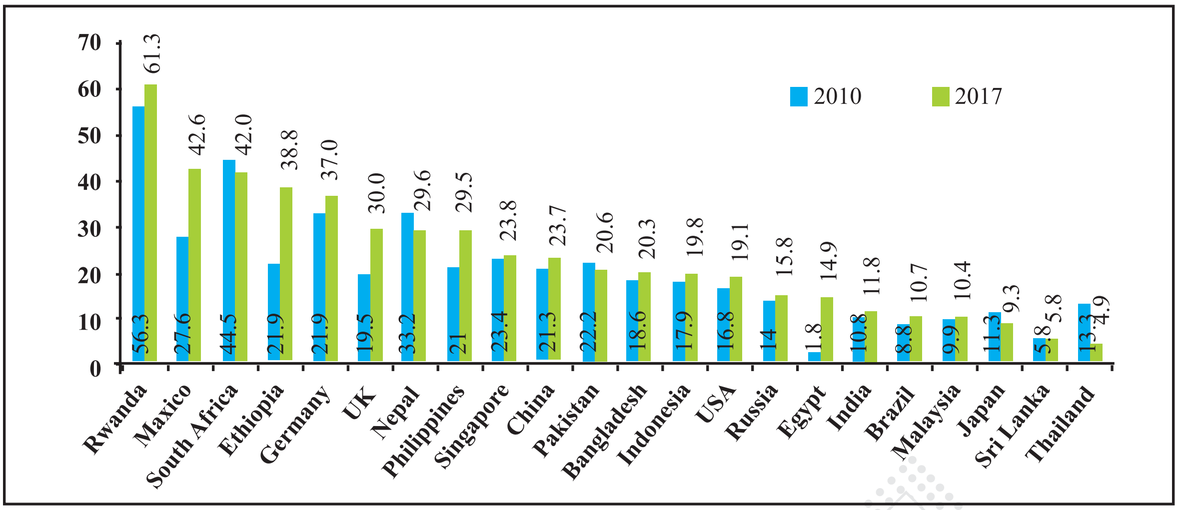
4 Gender Justice

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

5 Political Empowerment of Women

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

Figure 8.1: Representation of Women in Parliament in Select Countries



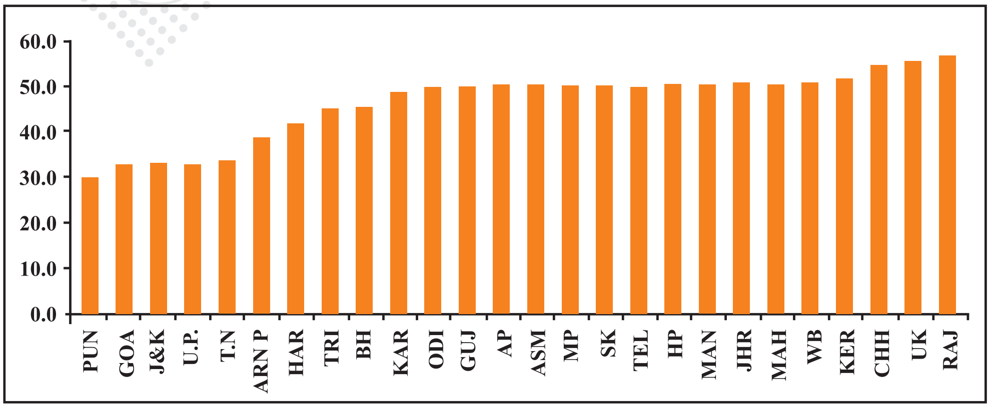
Source: Women inPolitics 2010 and 2017 published by the Inter-Parliamentary Union (IPU) and UN Women

- In a country like India with around 49 per cent of women in the population, the political participation of women has been low.
- There are various factors that determine women's participation in public services, especially in societies that follow patriarchal norms and prejudices.

Table 8.1: Top 5 Factors that deter Men and Women from entering Politics	
Deterrents for Women	Deterrents for Men
Domestic responsibilities	Lack of support from electorate
Prevailing cultural attitudes regarding the roles of women in society	Lack of Finance
Lack of support from family	Lack of support of political parties
Lack of confidence	Lack of experience in 'representative functions' public speaking, constituency relations
Lack of Finance	Lack of confidence

Source: IPU, Equality in Politics: A survey of Women and Men in Politics, 2008.

Figure 8.2: Elected Women Representatives in PRIs (per cent)



Source: **Ministry of Panchayati Raj (As on 31.12.2017)**

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

6 Child Sex Ratio (CSR) In India

Child Sex Ratio in India (2001-2011 Census)

S. No	State/UTs	Child Sex Ratio (0-6)	
		2001	2011
	INDIA	927	919
1	Jammu & Kashmir	941	862
2	Himachal Pradesh	896	909
3	Punjab	798	846
4	Chandigarh	845	880
5	Uttarakhand	908	890
6	Haryana	819	834
7	NCT Of Delhi	868	871
8	Rajasthan	909	888
9	Uttar Pradesh	916	902
10	Bihar	942	935
11	Sikkim	963	957
12	Arunachal Pradesh	964	972
13	Nagaland	964	943
14	Manipur	957	936
15	Mizoram	964	970
16	Tripura	966	957
17	Meghalaya	973	970
18	Assam	965	962

19	West Bengal	950	956
20	Jharkhand	965	948
21	Odisha	953	941
22	Chattisgarh	975	969
23	Madhya Pradesh	932	918
24	Gujarat	883	890
25	Daman & Diu	926	904
26	Dadra & Nagar Haveli	979	926
27	Maharashtra	913	894
28	Andhra Pradesh	961	939
29	Karnataka	946	948
30	Goa	938	942
31	Lakshadweep	959	911
32	Kerala	960	964
33	Tamil Nadu	942	943
34	Puducherry	967	967
35	A & N Islands	957	968
Source: Census of India 2011.			

Figure 8.3a: Sex Ratio by Birth when Child is not the Last

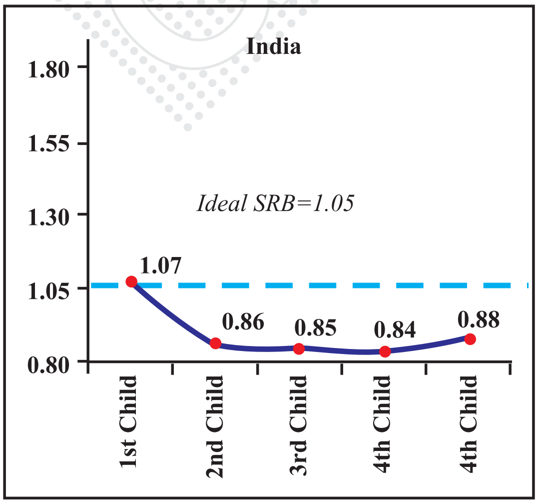
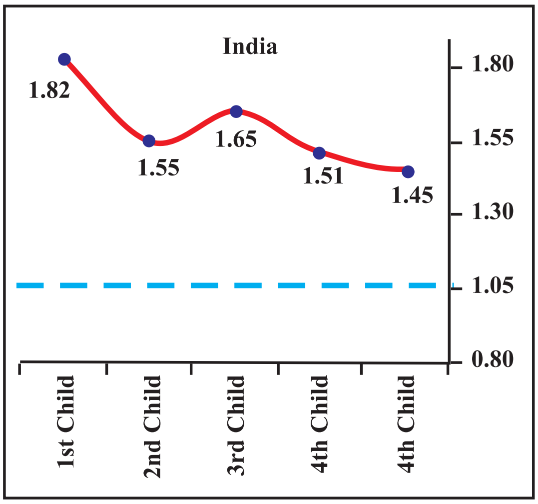
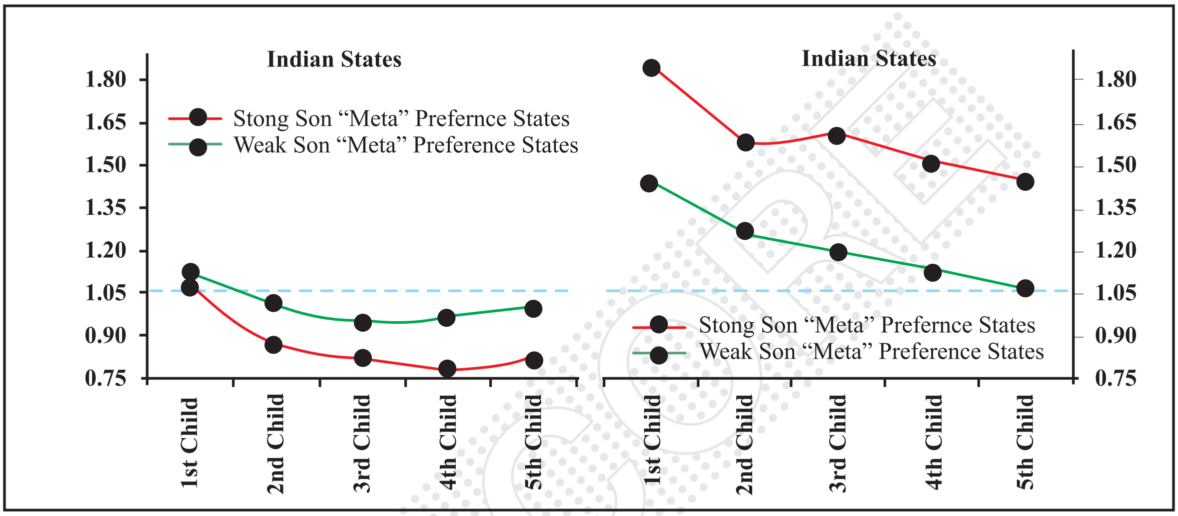


Figure 8.3b: Sex Ratio by Birth when Child is the Last



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



Source: Survey calculations based on DHS and NFHS 4.

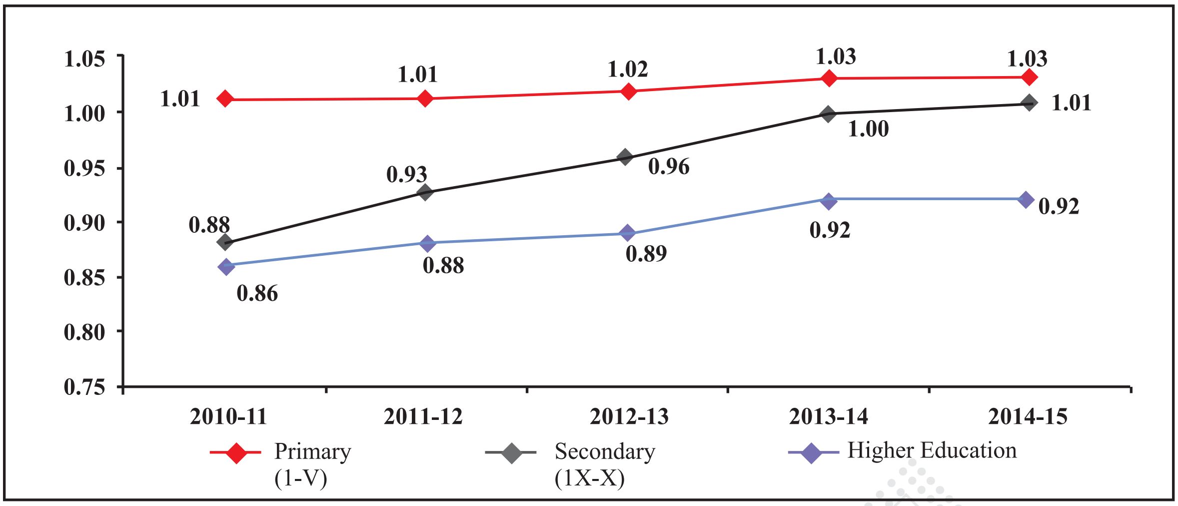
- Such meta preference gives rise to "unwanted" girls–girls whose parents wanted a boy, but instead had a girl. This chapter presents the first estimate of such notionally "unwanted" girls. This is computed as the gap between the benchmark sex ratio (dotted line) and the actual sex ratio among families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

Some Concept/Definition/Schemes/Acts related to Gender Justice

1 Gender Parity Index (GPI)

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

Figure 8.5: Gender Parity Index in Enrolment



Source: Educational Statistics at a Glance, 2016, Ministry of Human Resource Development, Government of India (website: http://mhrd.gov.in/statist)

Note: *Figures related to School Education are provisional.

2 Mahila E-Haat

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

3 Pradhan Mantri Mahila Shakti Kendra (MSK)

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

4 Maternity Benefit (Amendment) Act, 2017

- The Maternity Benefit (Amendment) Act 2017 had received Presidential assent on 27 March 2017 after being passed by the Parliament. The Act has made amendments to the Maternity Benefits

Act, 1961.The majority of the provisions of the Maternity Benefit (Amendment) Act has come into force with effect from 1st April, 2017.

- The main aim of the Act is to regulate the employment of women during the period of child birth. It has amended the provisions related to the duration and applicability of maternity leave, and other facilities.

Key Amendments

- The Maternity Benefit (Amendment) Act 2017 has increased the duration of paid maternity leave available for women employees to 26 weeks from 12 weeks. However for those women who are expecting after having 2 children, the duration of the leave remains unaltered at 12 weeks.
- The paid maternity leave can be availed 8 weeks before the expected date of delivery. Before the amendment, it was 6 weeks.
- The Maternity Benefit (Amendment) Act 2017 has extended the benefits applicable to the adoptive and commissioning mothers and provides that woman who adopts a child will be given 12 weeks of maternity leave from the date of adoption.
- The Act has introduced an enabling provision relating to "work from home" that can be exercised after the expiry of 26 weeks' leave period. Depending upon the nature of work, a woman can avail of this provision on such terms that are mutually agreed with the employer.
- The amended Act has mandated crèche facility for every establishment employing 50 or more employees. The women employees should be permitted to visit the facility 4 times during the day.
- The amended act makes it compulsory for the employers to educate women about the maternity benefits available to them at the time of their appointment.

5 Global Gender Gap Report

- The Global Gender Gap Report was first published in 2006 by the World Economic Forum. The Global Gender Gap Index is an index designed to measure gender equality.
- The report's Gender Gap Index ranks countries according to calculated gender gap between women and men in four key areas: health, education, economy and politics to gauge the state of gender equality in a country.
- The report measures women's disadvantage compared to men, and is not strictly a measure of equality.

6 Pre-Natal Diagnostic Techniques (PNDT) Act

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

Its main provisions

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

Amendments:

- Pre-Natal Diagnostic Techniques (Regulation and Prevention of Misuse) Act, 1994 (PNDT), was amended in 2003 to The Pre-Conception and Pre-Natal Diagnostic Techniques (Prohibition Of Sex Selection) Act (PCPNDT Act) to improve the regulation of the technology used in sex selection.
- The Act was amended to bring the technique of pre conception sex selection and ultrasound technique within the ambit of the act.
- The amendment also empowered the central supervisory board and state level supervisory board was constituted.
- In 1988, the State of Maharashtra became the first in the country to ban pre-natal sex determination through enacting the Maharashtra Regulation of Pre-natal Diagnostic Techniques Act.

7 Beti Bachao Beti Padhao Campaign

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

8 Sukanya Samriddhi Yojana (SSY)

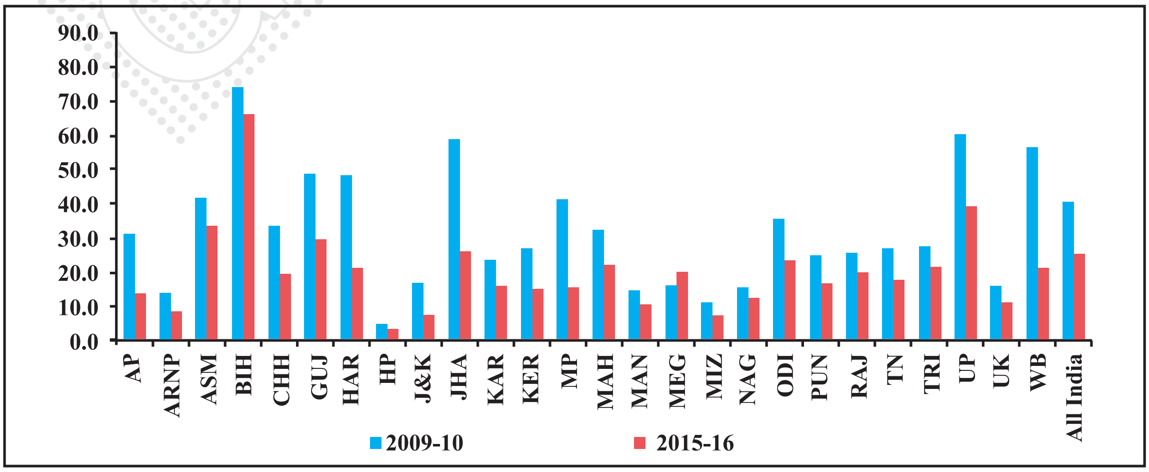
- It is a small deposit scheme for the girl child launched as a part of the 'Beti Bachao Beti Padhao' campaign. Its interest is currently 8.40 per cent and provides income-tax benefit under section 80 C of the Income Tax Act, 1961. The returns are tax free in the scheme.
- A Sukanya Samriddhi Account can be opened any time after the birth of a girl till she turns 10, with a minimum deposit of Rs 250 (Earlier it was Rs 1,000). In subsequent years, a minimum of Rs 250 and a maximum of Rs 1.5 lakh can be deposited during the ongoing financial year.
- The account can be opened in any post office or authorised branches of commercial banks.
- The account will remain operative for 21 years from the date of its opening or till the marriage of the girl after she turns 18.
- To meet the requirement of her higher education expenses, partial withdrawal of 50 per cent of the balance is allowed after she turns 18

Education

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

Student Classroom Ratio (SCR)

Figure 8.6: State-wise Primary Schools with Student Classroom Ration >30 (per cent)



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

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

Pupil Teacher Ratio (PTR)

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

Health

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

Expenditure on Health

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

Burden of Diseases: India and States

- The report **'India: Health of the Nation's States',** 2017 provides the first comprehensive set of findings for the distribution of diseases and risk factors across all States from 1990 to 2016. The concept of **Disability Adjusted Life Years (DALYs)** provides a framework for analyzing the disease burden and risk factors.
- DALYs is the sum of years of potential life lost due to premature mortality and the years of productive life lost due to disability.
- One DALY represents the loss of the equivalent of one year of full health. Using DALYs, the burden of diseases that cause premature death but little disability can be compared to that of diseases that do not cause death but do cause disability.

- The information and data base about changing disease patterns and the use of DALYs to quickly compare the impact caused by very different conditions, such as cancer and depression, in a single, comparable metric are crucial inputs for decision-making, effective resource allocation and policy planning.
- There has been significant improvement in the health status of the individual as life expectancy at birth (LEB) has increased by approximately 10 years during the period 1990 to 2015.
- The significance of DALYs as a critical health policy indicator is reflected by the inverse relationship between life expectancy and DALYs rates. The all India trends in LEB and DALYs echo the inverse relation between the two over time from 1990 to 2015.
- The behavioural and metabolic risk factors associated with the rising burden of Non Communicable Diseases (NCDs) have become quite prominent in India. In 2016, the dietary risks, which include diets low in fruit, vegetables, and whole grains, but high in salt and fat, were India's third leading risk factor, followed closely by high blood pressure and high blood sugar (high fasting plasma glucose).
- Unsafe water, sanitation, and handwashing (WaSH) was the second leading risk factor in 1990, but its ranking has dropped to seventh position in 2016. Around 5 per cent of health loss is still attributable to this factor which is being addressed successfully by the government through the Swachh Bharat Mission (SBM), the details are explained in section under SBM.

National Nutrition Mission (NNM)

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

Pradhan Mantri Ujjwala Yojana (PMUY)

- PMUY was launched in May 2016, for providing LPG connections to 5 crore women belonging to the BPL families over a period of 3 years from 2016-17.
- The scheme aims to safeguard the health of women & children by providing them with a clean cooking fuel – LPG, so that they do not have to compromise their health in smoky kitchens or wander in unsafe areas collecting firewood.

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

National Free Drug Initiative

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

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

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

Medical Council of India (MCI)

- The Medical Council of India (MCI) Indian Medical Council (Amendment) Ordinance, 2018 (Ordinance 8 of 2018), the Medical Council of India shall stand superseded now is not a statutory body for establishing uniform and high standards of medical education in India.
- The Council grants recognition of medical qualifications, gives accreditation to medical schools, grants registration to medical practitioners, and monitors medical practice in India.
- Now the Supreme Court has allowed the Central Government to replace the medical council and with the help of five specialized doctors monitor the medical education system in India, from July 2017.
- The NITI Aayog has recommended the replacement of Medical Council of India (MCI) with National Medical Commission (NMC). The decision has been approved by most states and after its approval by the Prime Minister and NMC bill was passed by parliament and approved by President on 8 August 2019.

Combating Antimicrobial Resistance (AMR) in India

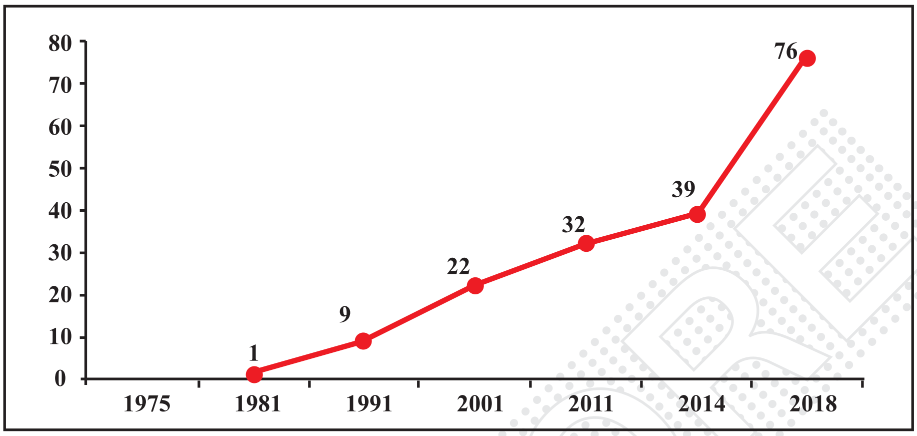
- Antimicrobial resistance (AMR) occurs when microorganisms such as bacteria, viruses, fungi and parasites change in ways that render the medications used to cure the infections they cause ineffective.
- It occurs naturally but is facilitated by the inappropriate use of medicines, for example using antibiotics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

Health and Economic Impact of Sanitation

- The quality of hygiene and sanitation has significant impact on improving the health outcomes which is a well-established fact.

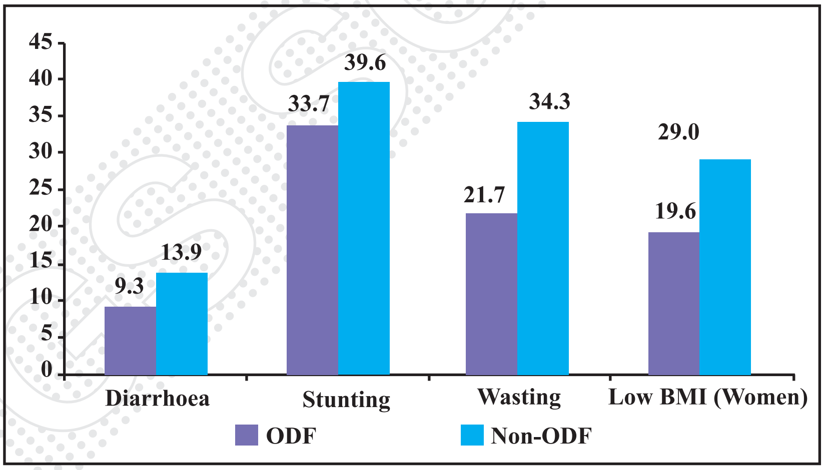
- According to UNICEF, the lack of sanitation is responsible for the deaths of over 100,000 children in India annually and for stunting of 48 per cent children.
- In order to assess the impact of sanitation programme on health status, a pilot study was undertaken by the Bill & Melinda Gates Foundation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

Figure 8.7: Rural Sanitation Coverage in India overs the years (per cent)



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

Figure 8.8: Performance of ODF and non-ODF districts in select Health indicators (per cent)



***Source:* Ministry of Drinking Water & Sanitation.**

Infant Mortality rate (IMR)

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

Total Fertility Rate (TFR)

- Total fertility rate (TFR) in simple terms refers to total number of children born or likely to be born to a woman in her life time if she were subject to the prevailing rate of age-specific fertility in the population.
- TFR of about 2.1 children per woman is called Replacement-level fertility (UN, Population Division). This value represents the average number of children a woman would need to have to reproduce herself by bearing a daughter who survives to childbearing age.
- If replacement level fertility is sustained over a sufficiently long period, each generation will exactly replace itself without any need for the country to balance the population by international migration

Global Hunger Index (GHI)

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

11 Annual Status of Education Report (ASER)

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

The 'Digital Gender Atlas for Advancing Girls' Education

- The Atlas is placed on the MHRD website and available and ready to use by States/Districts/ Blocks education administrators or any other interested group.
- In order to plan and execute educational interventions, the purpose of the Gender Atlas is to help identify and ensure equitable education with a focus on vulnerable girls, including girls with disabilities.
- To ensure this is feasible, the Gender Atlas has been developed as a hands on management tool to enable critical decisions and actions in pockets where gaps are to be met.

- Using available Government data such as the Unified District Information System for Education (U-DISE) data (2011-2014), Census 2011 data and District Level Health Survey (DLHS) 2007-08, the Gender Atlas enables the user to navigate between geographical representation and numeric data at state, district and block levels and gives information on key indicators for girls' education at primary, upper primary and secondary level. No primary data has been generated for the development of the atlas.
- India has achieved high enrolment rates for girls at primary and upper primary levels of schooling. However, at the secondary level girls' enrolment remains low

12 National Skills Qualifications Framework (NSQF)

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

13 National e-Health Authority

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

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