MAHRASHTRA ECONOMIC DEVELOPEMENT COUNCIL MONTHLY

ECONOMIC Digest

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OPPORTUNITIES WITH INDONESIA

"Budget 2017: Economic & Political Fall Out"

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From the Presidents....

A remarkable activity is on the anvil in the beginning of March is that the "Indian Ocean Rim Association (IORA)" will be celebrating its 20th Anniversary in March 2017. Indonesia, as the current Chair of IORA, will host thee IORA Leaders' Summit on 7 March 2017 in Jakarta under the theme"Strengthening Maritime Cooperation for a Peaceful, Stable, and Prosperous Indian Ocean". The Summit will bring together twenty one IORA Member nations and seven of its dialogue partners. It is coincidental but very apt that this month's digest caries an article by the consul general of Indonesia. Our two countries share very deep rooted cultural, trade and religious ties for many centuries in the past and will do so for many centuries to come.

Every year the novelty and newsworthiness of the budget normally subsides within a week or two and the nation reverts to its state of business as usual. The budget this year which followed the best kept national secret of demonetization has continued to reverberate through markets, conferences and through discussions in academic circles well after the month is over. We therefore thought of bringing out the well thought out reactions of economists about the aftermath of this budget.This issue of the Economic Digest therefore carries more weight of content as well as the number of pages. Most of the studied opinions are much in line with MEDC's stated reaction on the day of the budget. We had stated that,"MEDC is of the view that the budget presented by Hon'ble Finance Minister today is path breaking in many ways. Indian subcontinent is undergoing a sea change of fiscal policies and consolidation. Demonetization, changing global scenario, protectionist policies of USA, need to ensure poverty reduction and necessary attention to sectoral needs is very well addressed in this national budget. We expect that it will take some time for implementation of the policy initiatives and therefore for the results to be felt and seen. In MEDC's view this budget is progressive and growth oriented like simultaneously clearing up the menace of parallel economy". Our learned authors have expressed views such as ,"Long term benefits will over shadow the short term losses;" Combination of faster growth of digital economy with GST and good governance augurs well for the future of our country." Some have appreciated the application of mind and large fiscal effort made for farm credit, crop insurance and soil improvements. Some authors have rungthe caution alarm and have called it ambitious in sofar as pronouncements such as house for all by 2020 and doubling farmer's income. One indicator that came straight out of the ballot box is that most urban population has supported the demonetization and cleaner corruption free governance as was seen from the municipal elections in our state.

On the last day of February we had a pleasant duty to perform. MEDC had proposed to the government that we in Maharashtra must hold an "AERO Business Show and MRO" event to promote regional connectivity and to improve our share of manufacture and supplies for the global aviation industry. We are pleased to state that this much needed high technology, high connectivity and therefore high potential economic activity will take off in end November from MIHAN in Nagpur…….but more about it when the event crystalizes further.

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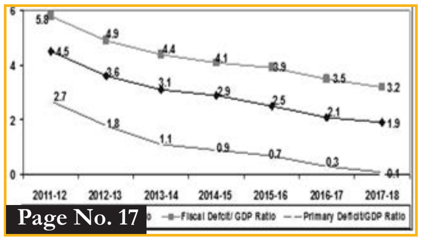

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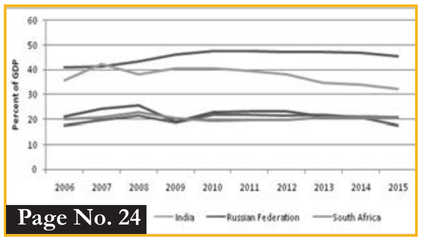

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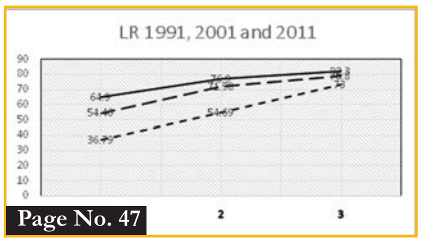

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INDONESIA COUNTRY PROFILE
TRADE & INVESTMENT OPPORTUNITIES

Facts & Figures: A snapshot glance of relevant statistics like Population, Land Area, Climate, Form of Government, GDP, GDP per capita, Inflation & Currency

Head of State	:	President Joko Widodo
Capital	:	Jakarta
Total area	:	1,919,440 sq km
Population	:	252.2 million (2014)
Language	:	Bahasa Indonesia
Religion	:	Muslim, Christian, Catholic, Buddhism, Hinduism
Currency	:	US $1 = Rp. 13,200 (February 2017)
GDP Growth rate	:	5.0 % (2016)
Main Islands	:	Java, Sumatra, Sulawesi, Kalimantan, Papua.
Main Cities	:	Jakarta, Capital City of Indonesia is the government and an economic center of Indonesia. Surabaya, Indonesia's Second largest city from East Java, is leading industrial centre and seaport. other important cities are Bandung, Semarang, Yogyakarta, Padang, Medan, Palembang, Makassar, Banjarmasin, Bandar Lampung and Manado.
Natural Resources	:	Petroleum, Tin, Natural Gas, Nickel, Timber, Bauxite, Copper, Fertile Soils, Coal, Gold, Silver
Agriculture Products	:	Rice, cassava (tapioca), peanuts, rubber, cocoa, coffee, palm oil, Copra
Major Industries	:	Pulp and paper, cement, basic metals and fertilizer, power generation, telecommunication, transportation
Major Exports	:	Textile, electroni goods, footwear, oil & gas, plywood, sawn timber
Major Imports	:	Chemical and pharm ceutical, fertilizer, cotton yarns, textile fabric, machines, motor vehicles.

REVIEW OF INDONESIAN ECONOMY

• The Republic of Indonesia is a nation blessed with almost all of the prerequisites for transformation into a great economic power. With its abundant natural resources, large, productive and young population, and strategic access to the global mobility network, these assets and access empower Indonesia to be among the leading economies of the world.

• Indonesia is an emerging global powerhouse and member of the prestigious G20. In 2015, with a Gross Domestic Product or GDP (Product Domestic Bruto or PDB) growth rate of 4.79%, Indonesia was the group's third fastest-growing economy, only behind India and China. Today, Indonesia is the largest economy in Southeast Asia and the world's 16th largest economy with almost a trillion dollar of GDP.

Contributors to GDP Growth by Sector

GDP growth by sectors (YoY) (%)	2014					2015					2016		
	Q1	Q2	Q3	Q4	Yearly	Q1	Q2	Q3	Q4	Yearly	Q1	Q2	Q3
Agriculture, forestry, and fishery	5.2	4.9	3.6	3.3	4.2	4.0	6.9	3.3	1.6	4.0	1.8	3.4	2.8
Mining	(1.0)	1.1	1.2	1.5	0.7	(1.3)	(5.2)	(5.7)	(7.9)	(5.1)	(0.8)	(0.1)	0.1
Industrial processing	4.5	4.8	5.0	4.2	4.6	4.0	4.1	4.5	4.4	4.2	4.6	4.7	4.6
Construction	7.2	6.5	6.5	7.7	7.0	6.0	5.4	6.8	8.2	6.6	7.9	6.2	5.7
Big traders, wholesale, retail	6.1	5.0	5.2	4.5	5.2	4.1	1.7	1.4	2.8	2.5	4.0	4.0	3.7
Transportation and warehousing	7.0	7.6	7.7	7.2	7.4	5.8	5.9	7.3	7.7	6.7	7.9	6.9	8.2
Information and communication	9.8	10.5	9.8	10.3	10.1	10.1	9.7	10.7	9.7	10.1	8.1	9.9	9.2
Financial service and insurance	3.6	5.5	1.9	7.9	4.7	8.6	2.6	10.4	12.5	8.5	9.3	13.6	8.8
Other	5.4	4.7	5.9	6.5	5.7	5.1	6.5	5.0	5.9	5.6	6.0	5.4	4.3
GDP	5.1	5.0	5.0	5.0	5.0	4.7	4.7	4.7	5.0	4.8	4.9	5.2	5.0

MACROECONOMIC INDICATORS OF INDONESIA

Last Update: 09 February 2017

	2011	2012	2013	2014	2015	2016	2017[1]
• Gross Domestic Product[2] (annual percent change)	6.2	6.0	5.6	5.0	4.8	5.0	5.3
• Consumer Price Index (annual percent change)	5.4	4.3	8.4	8.4	3.4	3.0	4.0
• Public Debt (percent of GDP)	26.6	27.3	28.7	24.7	27.0		
• Exchange Rate (IDR/USD)	8,773	9,419	11,563	11,800	13,389	13,300[1]	13,300
• Current Account Balance (percent of GDP)	0.2	-2.8	-3.3	-3.1	-2.1	-1.8	-2.3
• Population (in millions)	244	247	250	253	255	258	260

	2011	2012	2013	2014	2015	2016	2017[1]
• **Poverty** (percent of population)	12.5	11.7	11.5	11.0	11.1	10.9	
• **Unemployment** (percent of work force)	6.6	6.1	6.3	5.9	6.2	5.6	
• **Foreign Exchange Reserves** (in billion USD)	110.1	112.8	99.4	111.9	105.9	116.4	

[1] indicates a forecast

[2] Statistics Indonesia (BPS) shifted the basis of the computation from the year 2000 to 2010 and adopted a significantly updated methodology, hence GDP growth results between 2010 and 2014 have been revised in early 2015

Sources : World Bank, Statistics Indonesia, Bank Indonesia and International Monetary Fund (IMF)

• Underlying Indonesia's vibrant economy is political stability. Indonesia has succeeded maintaining political stability as the world's third-largest democracy.

• Indonesia ranks the fourth most populous country in the world. Its 250 million population and the rapidly increasing buying power of its population is creating a significant market. Moreover, the young population is also increasing in the quality of its human resources, thus providing a desirable competitive edge.

• Indonesia has an abundance of renewable (agricultural products) and un-renewable (mining and minerals) natural resources. It is the world's largest producer of palm oil, and the world's second largest cocoa and rubber producer. The country also produces tin, nickel, coal, natural gas, bauxite, copper and gold in large quantities. It must be able to optimize the handling of its natural resources by increasing a processing industry that will provide high added value.

• Following the abundance opportunities Indonesia has to offer, the government continues reforming investment climate to make a safer and more attractive investment destination. President Joko Widodo has mandated the implementation of far-reaching fundamental reforms to create a solid foundation for businesses to grow and prosper for the long-term. Indonesia is at the beginning of a promising new era.

• The strength of Indonesian economy rest on the country's enormous natural resources (oil and gas, coal, copper, gold, forestry and plantation products) and manufacturing for the domestic and export markets (textiles, footwear, electronics, automotive, pulp and paper). Major sector of the economy include oil and gas, mining, agriculture, plantations, fisheries, transport and communications, banking and financial services and tourism.

Natural Resources : *Petroleum, Tin, Natural Gas, Nickel, Timber, Bauxite, Copper, Fertile Soils, Coal, Gold, Silver*
Agriculture Products: *Rice, cassava (tapioca), peanuts, rubber, cocoa, coffee, palm oil, Copra*
Major Industries : *Pulp and paper, cement, basic metals and fertilizer, power generation, telecommunication, transportation*
Major Exports : *Textile, electronic goods, footwear, oil & gas, plywood, sawn timber*
Major Imports : *Chemical and pharmaceutical, fertilizer, cotton yarns, textile fabric, machines, motor vehicles.*
10 Major Products for Exports : *Textile and Textile Products, Electronic, Rubber and Article thereof, Palm Oil, Forest Products, Footwear, Automotive, Shrimps, Cocoa, Coffee*
10 Potential Products for Exports : *Leather & Leather Products, Medical Instrument and Appliance, Medicinal Herb, Processed Food, Essential Oil, Fish & Fish Products, Handicraft, Jewellery, Spices, Stationery Non Paper.*

BALANCE OF TRADE OF INDONESIA - Period : 2011-2016

(Value : Million US$)

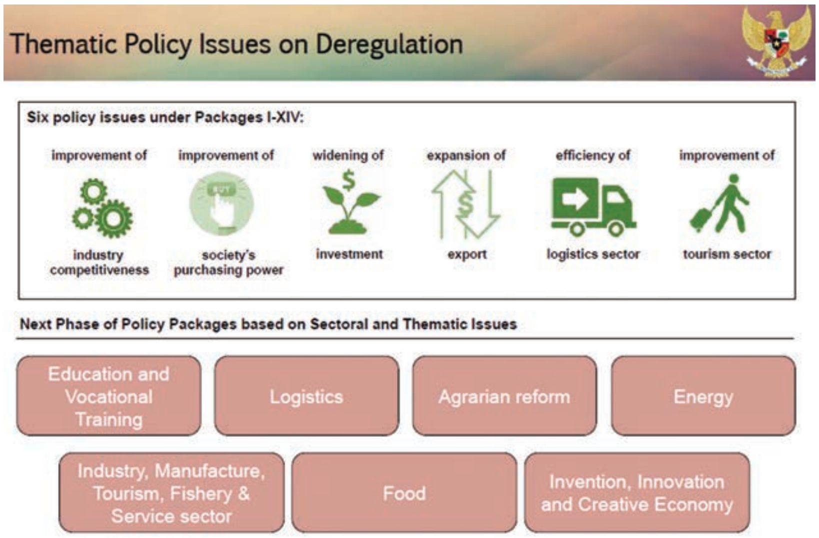
NO	Description	2011	2012	2013	2014	2015	TREND (%) 2011-2015	Jan-Dec*		CHANGE (%) 2016/2015
								2015	2016	
I	**EXPORT**	**203.496,6**	**190.020,3**	**182.551,8**	**175.980,0**	**150.366,3**	**-6,59**	**150.366,3**	**144.433,5**	**-3,95**
	- OIL & GAS	41.477,0	36.977,3	32.633,0	30.018,8	18.574,4	-16,60	18.574,4	13.087,0	-29,54
	- NON OIL & GAS	162.019,6	153.043,0	149.918,8	145.961,2	131.791,9	-4,50	131.791,9	131.346,5	-0,34
II	**IMPORT**	**177.435,6**	**191.689,5**	**186.628,7**	**178.178,8**	**142.695,6**	**-4,96**	**142.694,8**	**135.650,7**	**-4,94**
	- OIL & GAS	40.701,5	42.564,2	45.266,4	43.459,9	24.613,2	-9,38	24.613,2	18.724,8	-23,92
	- NON OIL & GAS	136.734,0	149.125,3	141.362,3	134.718,9	118.082,4	-3,87	118.081,6	116.925,9	-0,98
III	**TOTAL**	**380.932,2**	**381.709,7**	**369.180,5**	**354.158,8**	**293.061,9**	**-5,82**	**293.061,1**	**280.084,2**	**-4,43**
	- OIL & GAS	82.178,6	79.541,4	77.899,4	73.478,7	43.187,5	-12,77	43.187,6	31.811,8	-26,34
	- NON OIL & GAS	298.753,6	302.168,3	291.281,1	280.680,1	249.874,3	-4,22	249.873,5	248.272,4	-0,64
IV	BALANCE	26.061,1	-1.669,2	-4.076,9	-2.198,8	7.670,7		7.671,5	8.782,8	14,49
	- OIL & GAS	775,5	-5.586,9	-12.633,3	-13.441,1	-6.038,8		-6.038,8	-5.637,8	-6,64
	- NON OIL & GAS	25.285,5	3.917,7	8.556,4	11.242,3	13.709,5	-1,69	13.710,3	14.420,6	5,18

Source: BPS, Processed by Trade Data and Information Center, Ministry of Trade

Economic Stimulus Packages of the Indonesian Government:

Since September 2015 the Indonesian government has unveiled fourteen thirteen economic stimulus packages. These packages aim to boost economic growth in Indonesia through deregulation, tax incentives and by opening room for foreign investment.

Package	Unveiled	Main Points
1st	9 September 2015	• Boost industrial competitiveness through deregulation • Curtail red tape • Enhance law enforcement & business certainty
2nd	30 September 2015	• Interest rate tax cuts for exporters • Speed up investment licensing for investment in industrial estates • Relaxation import taxes on capital goods in industrial estates & aviation
3rd	7 October 2015	• Cut energy tariffs for labor-intensive industries
4th	15 October 2015	• Fixed formula to determine increases in labor wages • Soft micro loans for >30 small & medium, export-oriented, labor-intensive businesses
5th	22 October 2015	• Tax incentive for asset revaluation • Scrap double taxation on real estate investment trusts • Deregulation in Islamic banking
6th	5 November 2015	• Tax incentives for investment in special economic zones
7th	4 December 2015	• Waive income tax for workers in the nation's labor-intensive industries • Free leasehold certificates for street vendors operating in 34 state-owned designated areas
8th	21 December 2015	• Scrap income tax for 21 categories of airplane spare parts • Incentives for the development of oil refineries by the private sector • One-map policy to harmonize the utilization of land
9th	27 January 2016	• Single billing system for port services conducted by SOEs • Integrate National Single Window system with 'inaportnet' system • Mandatory use of Indonesian rupiah for payments related to transportation activities • Remove price difference between private commercial and state postal services
10th	11 February 2016	• Removing foreign ownership cap on 35 businesses • Protecting small & medium enterprises as well as cooperatives
11th	29 March 2016	• Lower tax rate on property acquired by local real estate investment trusts • Harmonization of customs checks at ports (to curtail dwell time) • Government subsidizes loans for export-oriented small & medium enterprises • Roadmap for the pharmaceutical industry
12th	28 April 2016	• Enhancing the ease of doing business in Indonesia by cutting procedures, permits and costs
13th	24 August 2016	• Deregulation for residential property projects for low-income families
14th	10 November 2016	• Creating a roadmap for the nation's e-commerce industry: - easing and widening access to funding - offer tax incentives - harmonize regulations and gradually develop a national payment gateway - promote e-commerce awareness campaigns and improve e-commerce education - accelerate the development of high-speed broadband network - improve the e-commerce logistics system



Strong Improvement in Ease of Doing Business Rank*

	EODB 2017 Rank	EODB 2016 Rank	Change in Rank	EODB 2017 Points	EODB 2016 Points	Change in Points
Overall	91	106	↑ 15	61.52	58.51	↑ 3.01
Starting a business	151	167	↑ 16	76.43	67.51	↑ 8.92
Dealing with Construction Permit	116	113	↓ 3	65.73	65.26	↑ 0.47
Getting Electricity	49	61	↑ 12	80.92	77.60	↑ 3.32
Registering Property	118	123	↑ 5	55.72	53.24	↑ 2.48
Getting Credit	62	70	↑ 8	60.00	55.00	↑ 5.00
Protecting Minority Investors	70	69	↓ 1	56.67	56.67	= 0
Paying Taxes	104	115	↑ 11	69.25	64.47	↑ 4.78
Trading Across Borders	108	113	↑ 5	65.87	63.53	↑ 2.34
Enforcing Contracts	166	171	↑ 5	38.15	35.37	↑ 2.78
Resolving Insolvency	76	74	↓ 2	46.46	46.48	↓ 0.02

* Higher rank is better, EoDB 2017 is published in October 2016

- Government efforts to boost business growth through deregulations and de-bureaucratization have been recognized by the improvement of EODB.
- Structural reforms will continue including in the budget and real sectors

Source: World Bank

Indonesia's Foreign Policy

• Indonesia's foreign policy in the next five years will be based on the following priorities: 1). Maintaining Indonesia's sovereignty: Indonesia diplomacy will protect the territorial sovereignty of the Republic of Indonesia. 2). Enhancing the protection of Indonesian citizens and legal entities: Protection of Indonesian citizens (including migrant workers) and legal entities will be further improved 3). Intensifying Economic Diplomacy : Regional and international cooperation in the fields of maritime infrastructure, energy, fishery and the protection of the marine environment will be intensified.

Indonesia's New Government - Economic and Security Challenges

• Indonesia's new president, H.E. Mr. Joko "Jokowi" Widodo, wants to tackle Economic and Security challenges and embrace Indonesia's geography as an asset. Maritime policy will be a top priority for Indonesia's new government for first few years, which offers other countries opportunities for cooperation on maritime security. Indonesia's new President have made reference to his vision for Indonesia as a "global maritime nex-us".

• Indonesia being an archipelagic state will develop marine-based economic activities through bilateral, regional and global co-operations. Will encourage FDI in maritime infrastructure development, dockyards, fisheries industries, improvement of maritime connectivitythat will support logistical movement.

• Indonesia will boost bilateral cooperation aimed at among other : Transfer of Technology and know-how, research and capacity building in the field of ship industry, fishery industry.

• Indonesia will improve fishery products to meet international standard through the establishment of mutual recognition arrangement

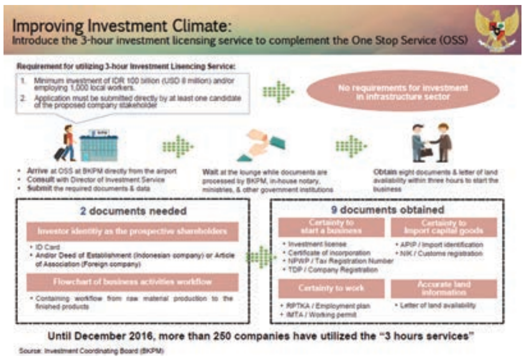
• Indonesia will promote Trade, Tourism and Investment (TTI) including inward investment and outward investment.

• Indonesia will support the achievement of food and energy resilience.

Foreign Direct Investment in Indonesia

• Investment has a large multiplier effect in boosting economic growth, creating job opportunities, and shifting the current consumption -based economy to an economy driven by production. Therefore, as a government agency and primary interface between the government and investors, as well as service provider related to investment, it is the roles of The Indonesia Investment Coordinating Board (Badan Koordinasi Penanaman Modal or BKPM) to improve investment climate and to invite "smart investment" to the archipelago. Government of Indonesia has a strong reform agenda and since January 2015, several policies have been implemented. First, the One-Stop Service-Center (Pelayanan Terpadu Satu Pintu or PTSP) at BKPM aimed at providing a faster, simpler, and more transparent investment licensing service. Second, an end-to-end service for investors, starting from earlier until commercial stage, including facilitation during the process of investment realization. And finally, improvements of investment climate, among others by providing more attractive incentives and facilities for investors.

• International recognition regarding Indonesia's economy are the recent upgrades of the country's credit ratings by international financial services companies such as Standard & Poor's, Fitch Ratings and Moody's. Resilient economic growth, low government debt and prudent fiscal management have been cited as reasons for the upgrades and are key in attracting financial inflows into Indonesia: both portfolio flows and foreign direct investment (FDI).



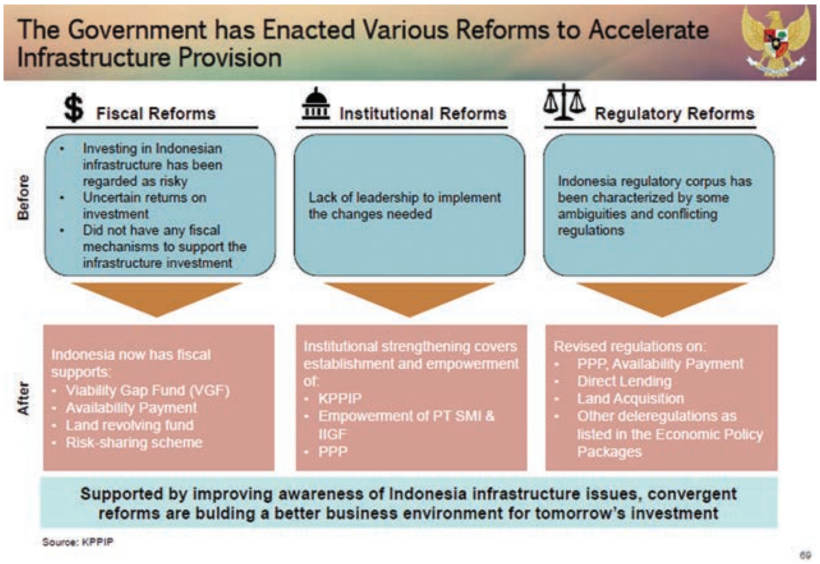
Foreign Direct Investment (FDI) in Indonesia in 2016

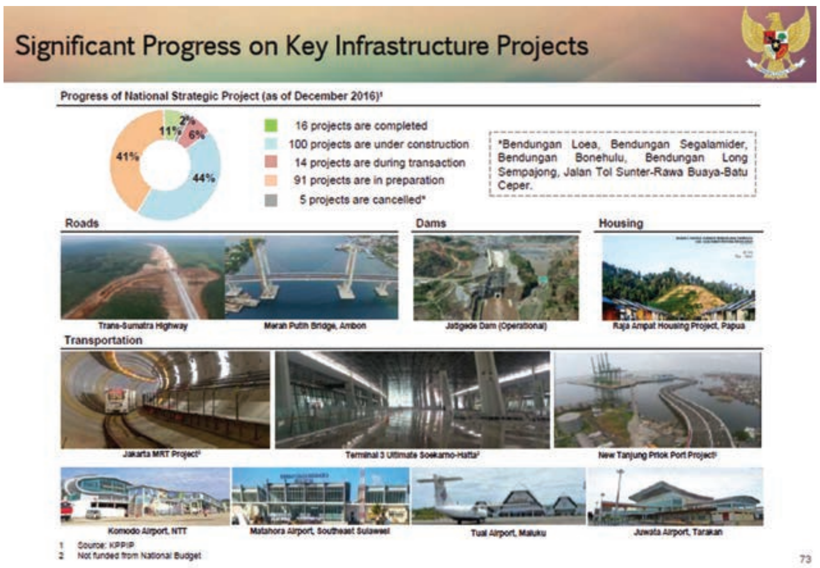
• Foreign Direct Investment Realization for year 2016 : US $ 28.9 billion

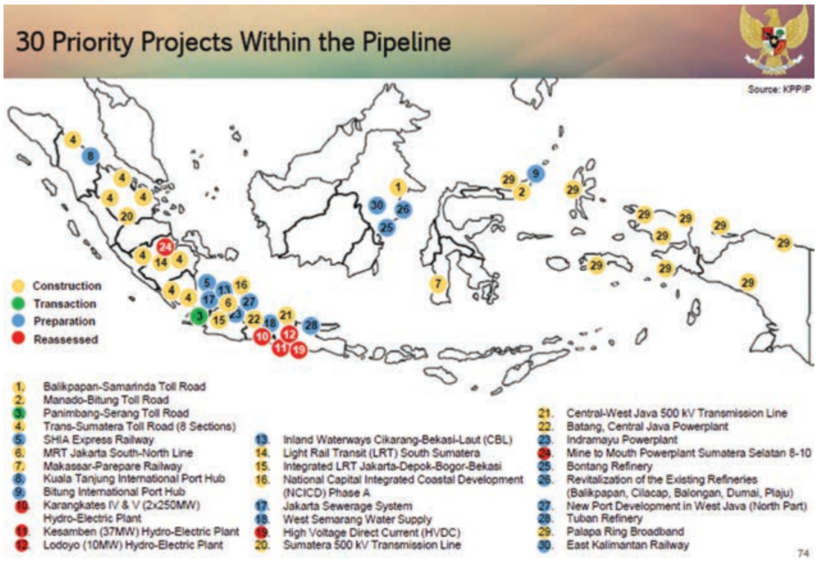
• The FDI realization (five leading countries) : Singapore (US$ 9.2 billion); Japan (US$ 5.4 billion); People's Republic of China (US$ 2.7 billion); Hong Kong (US$ 2.2 billion); and Netherlands (US$ 1.5 billion).

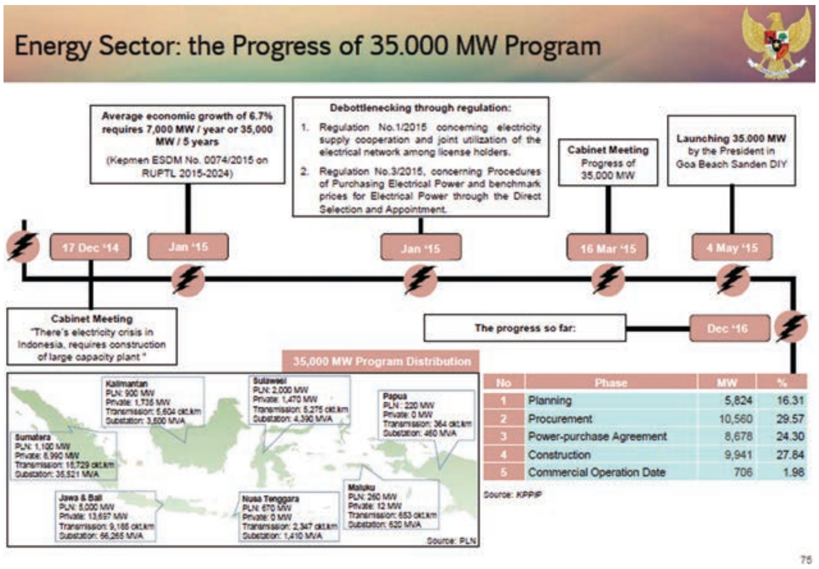
• FDI realization (five leading sectors) : Metal, Machinery and Electronic Industry (US$ 3.9 billion); Chemical and Pharmaceutical Industry (US$ 2.9 billion); Paper and Printing Industry (US$ 2.8 billion); Mining (US$ 2.7 billion); and Transport Equipment and Other Transport Industry (US$ 2.4 billion). Meanwhile if the industrial sectors are combined, it can be seen that the industrial sectors contribute US$ 16.7 billion atau 57.6% to the total FDI realization.

• FDI realization based on locations (five biggest locations) are West Java (US$ 5.5 billion); Special Territory of Jakarta (US$ 3.4 billion); Banten (US$ 2.9 billion); South Sumatera (US$ 2.8 billion); and East Java (US$ 1.9 billion).









State Visit of President Joko Widodo to India

• H.E. Mr. Joko Widodo, President of the Republic of Indonesia paid a State visit to India from 12-13 December, 2016 at the invitation of Prime Minister of India H.E. Mr. Narendra Modi. President Joko Widodo and Prime Minister Narendra Modi held talks and reviewed the scope to increase the bilateral relations in various sectors such as trade, defense & security and energy.

• Three agreements were signed during the visit: MoU on Youth Affairs and Sports Cooperation; MoU on Standardization Cooperation; and Joint Communique on Illegal, Unregulated and Unreported (IUU) Fishing and To Promote Sustainable Fisheries Governance. The two sides also issued a Joint Statement on Maritime Cooperation which mandates both sides to draw up a MoU for cooperation in this area.

• During this visit India-Indonesia CEOs' Forum was held in New Delhi on 12 December 2016. The CEOs Forum comprised of 22 members from each side with the forum discussed and arrived at constructive suggestions to further enhance bilateral trade and investment cooperation. Also during the visit had meeting of a select group of twenty Indian CEOs with President Joko Widodo on 13 December 2016, with during the meeting the President encouraged the Indian companies to invest in Indonesia.

Launching of Garuda Indonesia Airlines

• On 12th December 2016, Indonesia's flag carrier, Garuda Indonesia officially inaugurated its flight to Mumbai, India connecting Asia's sub-continent with the sprawling Indonesian archipelago. Aircrafts operated for this route are Boeing 737-800 NGs that have a total capacity of 156 passengers. Garuda Indonesia's Jakarta-Mumbai flight GA 862 via Bangkok operates three times weekly on Mondays, Wednesdays and Fridays. The opening of the Jakarta-Mumbai via Bangkok flight is expected to boost connectivity between India and Indonesia.

INDIA - INDONESIA BILATERAL RELATIONS

Indonesia and India has the long standing relations, history has made Indonesia and India particularly close to each other. This relation is endorsed with unique characteristics. Both countries share much in common - geographical expanse, size and diversity of the population, culture, history and a colonial past as well as the similar direction of foreign policies in the post-independence era. History informed us that the India-Indonesia relation dates back to first century AD (anno Domini). The start was made by Indian traders, who were the first to arrive in Indonesia in 1st Century. Henceforth both nations have been having trade and cultural links for the last 2000 years. Indonesia and India enjoy a high level mutual beneficial relation. Implementation of ASEAN-India Free Trade Agreement (AIFTA) has contributed a lot to increase the trade relations between our two nations. The bilateral trade between Indonesia and India has reached to US $14.45 billion in the year 2015.

However the bilateral trade relation between two countries has not been satisfying yet in other sectors apart from Coal and Crude Palm Oil (CPO) which is dominating while other potential commodities from both the countries have not been traded yet significantly instead of Coal and CPO. However, concrete plans have to be effective to overcome this issue. The close economic cooperation between India and Indonesia could also be reflected in both our capacities as member countries of the G20 where our common economic interests could be brought to attention. After all, both India and Indonesia has proven their economic strength through their ever increasing GDP which puts us both in the one trillion dollar club.

• Despite the large size and rapid growth, the trade and investment between India and Indonesia remains modest. There is a need to synergize our efforts in the areas of economy and business to correct the sectoral and directional imbalance of our trade and to further diversify it. The vast consumer market, youthful and skilled human resources and expertise in the field of information technology of India coupled with Indonesia's natural resources, youthful population and strategic location would provide a platform for enhanced economic engagement. The innovative spirit of Indian industry, backed by a strong government research and developmentpush and a network of quality education institutions, make India and the Indian companies the most promising business partners today.

NDONESIA – INDIA BILATERAL TRADE

(US $ billion)

YEAR	EXPORTS TO INDIA	IMPORTS FROM INDIA	TOTAL TRADE
2006	3.39	1.40	4.79
2007	4.94	1.61	6.55
2008	7.16	2.90	10.06
2009	7.43	2.20	9.64
2010	9.91	3.29	13.20
2011	13.33	4.32	17.65
2012	12.49	4.30	16.80
2013	13.03	3.96	16.99
2014	12.24	3.95	16.20
2015	**11.71**	**2.74**	**14.45**
2016 (JAN-OCT)	**8.09**	**2.25**	**10.34**

Source : Ministry of Trade, Republic of Indonesia

• There is a considerable potential for expanding trade in the areas of automotive components, automobiles, engineering products, IT, pharmaceuticals, bio-technology and healthcare sectors. Given their strategic significance, Infrastructure development and energy, both traditional and renewable, are key areas for enhancing the bilateral cooperation.

• Both the countries should put in place suitable policies to encourage private sectors to make investments in infrastructure and manufacturing sectors and for this the two governments must be willing to provide a predictable and comprehensive legal and taxation frame-work.

• Direct trade between the two countries would automatically result in a win-win situation. Trade through third countries had an added cost, hence while taking note of same the business communities of both the countries should be encouraged to have direct trades between the two countries.

• Both countries should work together to bridge the knowledge gap about investing in each other's countries by facilitating more frequent exchange of delegations.

• More discussions between stakeholders need to take place, especially in the business sector. While taking note of the significance increase of international trade of both countries, we have always urged business leaders from India and Indonesia to come forward to explore trade opportunities, especially in filling gaps in both countries. Direct trade between the two countries would automatically result in a win-win situation.

• India is one of the most important engines of the world's economic growth. The "Make in India" move is considered as a breakthrough to open the country's economy for investment. Indonesian companies are expected to invest in India to strengthen ties between both countries. The business partnership in sectors such as financing, automotive and textile must be increased and strengthened as both countries have such huge markets in those sectors.

• There has been general ignorance among the Indian people about Indonesian and vice versa. Both the countries have yet to see the urgency of intensifying cooperation particularly in the economic, scientific and technological, and social and cultural.

India's Investment in Indonesia

• **India's investment in Indonesia** is continuously increasing in various sectors such as textiles, metal, automotive, machinery, coal and electronics. Indian investors operating in India are among others Tata, Reliance, Bajaj and TVS. While targeting the origin of the ASEAN countries, Japan, South Korea, and Taiwan which has been the main investment sources, BKPM now targets new investors from the Middle East region, China, and India. In regards to potential investment, Indonesia offers investment opportunities in various sectors such as energy (conventional as well as renewable energies), Food, Infrastructure, Mining, Automobile, Power, Manufacturing, Agriculture, Textile and Information Technology.

STATISTIC OF FOREIGN DIRECT INVESTMENT REALIZATION BY COUNTRY OF ORIGIN 2007 – 2016																				
COUNTRY	2007		2008		2009		2010		2011		2012		2013		2014		2015		**2016**	
INDIA	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	**P**	**I**
	17	11,6	20	17.8	31	26,2	44	8,9	66	41.9	58	78.1	121	65.0	137	37.1	236	57.2	**485**	**55**

Source : Indonesian Investment Coordinating Board (BKPM):
1. Excluding of Oil & Gas, Banking, Non Bank Financial Institution, Insurance, Leasing, Mining in Terms of Contracts of Work, Coal Mining in Terms of Agreement of Work, Investment which licenses issued by technical/ sectoral agency, Porto Folio as well as Household Investment.
2. P : Total of issued Permanent Licenses
3. I : Value of Direct Investment Realization in Million US$.
4. Tentative data, including Permanent Licenses issued by regions received by BKPM until December 2016

Indonesia's investment in India

• The Indonesia's investment in India for the period from 2010 to 2016 (Sep) = US$ 20.50 million . While under the jurisdiction of Indonesian Consulate General, Mumbai was US$ 20.25 million. (Source : Foreign Investment Promotion Board of India, Ministry of Finance)

• Indonesia's investment in India especially under the jurisdiction of Indonesian Consulate General, Mumbai are Samudra Shipping, Mumbai for Logistics Cargo Services, Tanindo Seeds, Bangalore for Seeds and Agricultural Products, Inbisco India, Ahmedabad for Biscuits, Coffee, Candies, Chocolate, Japfacomfeed for production of poultry feed and breeding, Garuda Food, Bangalore for Food & Beverage, Indofood, Kerala for food products (noodles), Quantum Select Indonesia, Mumbai for placement services and Anabatic Technologies, Bangalore for Information Technology, Garuda Indonesia Airlines, Mumbai for Airlines.

Scope for India-Indonesia bilateral relations

❖ Main items of India's Exports to Indonesia Petroleum products, telecommunication equipment's and parts, hydrocarbons and derivatives, oil seed, motor vehicle for goods transportation, animal feed, cotton, flat rolled product, alloy steel.

❖ Main items of India's Imports from Indonesia Fixed vegetable fats & oils, Coal, Copper ores, natural rubber, pulp & waste paper, alcohols & phenols, hydrocarbon, machine tools, medicinal and pharmaceutical products, fertilizers, paper and paperboard, carboxylic acids, dyeing/ tanning extracts, other chemical products

❖ Potential Areas of Synergy Machine tools and hand tools. Forging, foundry and dies, Electric motors and switches, Pumps and Compressors, Transmission towers, Cement, sugar and fertilizer plants, Power generating machinery, Computer software, Wood, paper & pulp, Palm oil, LNG & Gas

❖ Further there is immense scope for both countries to increase their ties and cooperation in the fields of science and technology, agriculture, ecological conservation, information technology, biotechnology and other areas of common interest.

• **India can offer to Indonesia** Acknowledging India's all round development, we do agree that India has a lot to offer to Indonesia especially in the areas of IT, Education, Health and Pharmaceutical, Machineries and automotive sectors. The Indonesian businessmen will definitely look at the vast opportunities in these sectors and work with their Indian counterparts. On other hand Indonesia can also learn from strong industrial sector in India particularly at inter-mediatory and downstream processing industries. Both countries should work together to bridge the knowledge gap about investing in each other countries as well as in processing industries by facilitating more frequent exchange visit of delegations including participation in focused trade fairs and in various business conferences and comparative studies exchange programmes.

Contact address of major Chambers of Commerce, major banks, financial institutions and other related associations

INDONESIAN MINISTRY OF INDUSTRY

Jl. Gatot Subroto Kav 52-53 Lt. II,
Jakarta Selatan, Indonesia.
Tel : (62-21)5256458, 5251149, 5200700
Fax : (62-21)5201606
Homepage : www.kemenperin.go.id

INDONESIAN MINISTRY OF TRADE

Jl. M.I. Ridwan Rais No.5 Blok I, Lt. III,
Jakarta Pusat, Indonesia.
Tel : (62-21)3848667,6456318
Fax : (62-21)3846106
Homepage : www.kemendag.go.id

DIRECTORATE GENRAL FOR NATIONAL EXPORT DEVELOPMENT MINISTRY OF TRADE OF REPUBLIC OF INDONESIA

Ministry of Trade Building II, Jl. M. I. Ridwan Rais No. 5, 3rd, 4th, 13th, 14th Floor, Central Jakarta, Indonesia.
Phone : (62-21) 385 81 71
Fax : (62-21) 235 286 62
Homepage : http://djpen.kemendag.go.id

INDONESIAN INVESTMENT COORDINATING BOARD (BKPM)

Badan Koordinasi Penanaman Modal – BKPM Jl. Jenderal Gatot Subroto No. 44, Jakarta 12190, Indonesia
Tel : (62-21)5252008, 5252649, 5254981
Fax : (62-21)5254945
Homepage : www.bkpm.go.id
E-mail : sysadm@bkpm.go.id

KAMAR DAGANG DAN INDUSTRI INDONESIA

Indonesian Chamber of Commerce and Industry

Menara Kadin Indonesia Lt. 29 Jalan HR Rasuna Said X-5 kav 2-3, Jakarta 12950 - Indonesia
Telephon : [62-21]-5274484 (hunting)
Fax : [62-21] 5274331 - 5274332
Email : sekretariat@kadin-indonesia.or.id or kadin@kadin-indonesia.or.id
Website : www.kadin-indonesia.or.id

INDONESIAN CHAMBER OF COMMERCE AND INDUSTRY

India Committee

Chairman: Mr. Nalin Rathop PT. Bakrie Global Sentura Bakrie Tower 39th floor, Komplek Rasuna Epicentrum Jl. H. R. Rasuna Said Kav. B2, Jakarta 12920, Indonesia
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Indonesian Chamber of Commerce and Industry

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Bank Indonesia

Jl. M.H. Thamrin No. 2, Jakarta 10350, Indonesia
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Web : www.bi.go.id

INDONESIAN TRADE PROMOTION CENTER IN INDIA

INDONESIAN TRADE PROMOTION CENTER (ITPC)

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Email : itpcchennai@yahoo.com
Web : www.itpcchennai.com

IMPORTANT TOURISM CONTACTS FOR INDONESIA

INDONESIAN MINISTRY OF TOURISM

Sapta Pesona Building, Jl. Medan Merdeka Barat No. 17, Jakarta 10110, Indonesia
Tel. (62-21)383 8167
Fax. (62-21)384 9715
Web : www.budpar.go.id
www.indonesia.travel

VISIT INDONESIA TOURISM OFFICE (VITO)

B-31/A, Kalkaji, New Delhi 110019, India
Phone: +91 11 41550854
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Mobile: +91 9811325456
Email: visitindonesia@omtourism.com

INDONESIAN MISSIONS IN INDIA

EMBASSY OF THE REPUBLIC OF INDONESIA

50-A, Chanakyapuri, New Delhi - 110 021, India.
Tel : (91-11)26118642-47
Fax : (91-11) 26885460, 26886763, 26884402
E-mail : indonesia.newdelhi@bol.net.in

CONSULATE GENERAL OF THE REPUBLIC OF INDONESIA

19, Altamount Road, Cumballa Hill, Mumbai - 400 026, India.
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INDONESIAN CONSULATE IN CHENNAI (HONORARY)

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Fax : (91-44)28241411
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INDIAN DIPLOMATIC MISSIONS IN INDONESIA

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INDONESIAN IMPORTANT WEBSITES

Indonesian National Portal	:	www.indonesia.go.id
Indonesian Ministry of Industry	:	www.kemenperin.go.id
Indonesian Ministry of Trade	:	www.kemendag.go.id
Indonesian Coordinating Ministry for Economy	:	www.ekon.go.id
Ministry of Tourism	:	www.indonesia.travel
Indonesian Ministry of Foreign Affairs	:	www.kemlu.go.id
Indonesian Investment Coordinating Board	:	www.bkpm.go.id
Bank Indonesia (Indonesian Central Bank)	:	www.bi.go.id
Indonesian Central bureau of Statistics	:	www.bps.go.id
Indonesian Directorate General for Customs & Excise	:	www.beacukai.go.id
Indonesian Daily News (English)	:	www.antara.co.id
Indonesian Daily News (English)	:	www.thejakartapost.com
Indonesian Yellow Pages	:	www.yellowpages.co.id
Indonesian site for expatriates	:	www.expat.or.id
Jakarta Convention Centre - Exhibition Calendar	:	www.jcc.co.id
Indonesian Exhibition Companies Association	:	www.ieca.or.id
Jakarta Int'l Fair Grounds - Exhibition Calendar	:	www.jiexpo.com
Indonesia Companies and Market Research	:	www.disb2b.com
Consulting Group - Indonesian Industrial Report	:	www.cic.co.id
Castle Asia on Indonesia	:	www.castleasia.com

INDONESIA - TRADE EXHIBITION CALENDAR JANUARY – DECEMBER 2017

SR. NO.	EXHIBITION	LOCATION	DATE
1.	IFEX (INDONESIA INTERNATIONAL FURNITURE EXPO)	Jakarta	11.03 - 14.03 2017
2.	JIFFINA	Yogyakarta	13.03 - 16.03 2017
3.	BALI INTERFOOD INDONESIA	Nusa Dua	16.03 - 18.03 2017
4.	MEGABUILD INDONESIA 2017	Jakarta	16.03 - 19.03 2017
5.	CON-MINE	Jakarta	29.03 - 01.04 2017
6.	IIBT	Jakarta	29.03 - 01.04 2017
7.	INABIKE	Jakarta	29.03 - 01.04 2017
8.	INAPA JAKARTA	Jakarta	29.03 - 01.04 2017
9.	TYRE & RUBBER INDONESIA	Jakarta	29.03 - 01.04 2017
10.	AGRINEX EXPO	Jakarta	31.03 - 02.04 2017
11.	FOOD & HOTEL INDONESIA	Jakarta	05.04 - 08.04 2017
12.	REI EXPO - REAL ESTATE INDONESIA	Jakarta	15.04 - 23.04 2017
13.	INDO INTERTEX	Jakarta	19.04 - 21.04 2017
14.	INDO DYECHEM 2017	Jakarta	19.04 - 21.04 2017
15.	10TH JAKARTA INTERNATIONAL JEWELLERY FAIR 2017	Jakarta	20.04 - 23.04 2017
16.	INACRAFT 2017	Jakarta	26.04 - 30.04 2017
17.	INDONESIA INTERNATIONAL MOTOR SHOW (IIMS) 2017	Jakarta	27.04 - 07.05 2017
18.	INAGREENTECH	Jakarta	17.05 - 19.05 2017
19.	INATRONICS	Jakarta	17.05 - 19.05 2017
20.	SOLARTECH INDONESIA - JAKARTA	Jakarta	17.05 - 19.05 2017
21.	The 41st IPA Convention & Exhibition 2017	Jakarta	17.05 - 19.05 2017
22.	INDOBUILDTECH JAKARTA	Jakarta	17.05 - 21.05 2017
23.	INDO LEATHER & FOOTWEAR	Jakarta	18.05 - 20.05 2017
24.	JAKARTA FAIR	Jakarta	09.06 - 16.07 2017
25.	INDO SECURITY	Jakarta	12.07 - 14.07 2017
26.	INDO WATER	Jakarta	12.07 - 14.07 2017
27.	INDO WATER EXPO & FORUM	Jakarta	12.07 - 14.07 2017
28.	INDO RENERGY	Jakarta	12.07 - 14.07 2017
29.	INDO WASTE	Jakarta	12.07 - 14.07 2017
30.	INDO FIREX	Jakarta	14.07 - 16.07 2017
31.	APKASI Otonomi Expo 2017	Jakarta	19.07 - 21.07 2017
32.	MANUFACTURING SURABAYA	Surabaya	19.07 - 22.07 2017
33.	INDONESIA FASHION & CRAFT	Jakarta	19.07 - 23.07 2017
34.	SURABAYA PRINTING EXPO	Surabaya	02.08 - 05.08 2017
35.	EAST FOOD INDONESIA EXPO	Surabaya	09.08 - 12.08 2017
36.	EAST PACK INDONESIA	Surabaya	09.08 - 12.08 2017
37.	BEAUTY PROFESSIONAL INDONESIA	Jakarta	12.08 - 14.08 2017
38.	SUGAREX INDONESIA	Surabaya	22.08 - 24.08 2017
39.	INAGRITECH	Jakarta	25.08 - 27.08 2017
40.	ELECTRIC, POWER & RENEWABLE ENERGY INDONESIA	Jakarta	06.09 - 09.09 2017
41.	FRANCHISE AND LICENSE INDONESIA EXPO	Jakarta	08.09 - 10.09 2017
42.	CONSTRUCTION INDONESIA 2017	Jakarta	13.09 - 16.09 2017
43.	ASIA PACIFIC COATINGS SHOW	Jakarta	13.09 - 15.09 2017
44.	MINING INDONESIA	Jakarta	13.09 - 16.09 2017
45.	OIL & GAS INDONESIA	Jakarta	13.09 - 16.09 2017
46.	IFMAC & WOODMAC	Jakarta	27.09 - 30.09 2017
47.	IFT (INTERNATIONAL FARMING TECHNOLOGY EXPO)	Jakarta	28.09 - 30.09 2017
48.	IISM (INTERNATIONAL INDONESIA SEAFOOD & MEAT)	Jakarta	28.09 - 30.09 2017
49.	INDOFASTENER	Jakarta	28.09 - 30.09 2017
50.	TRADEXPO INDONESIA	Jakarta	Oct. 2017
51.	INDONESIA MARITIME EXPO	Jakarta	10.10 - 12.10 2017
52.	INDONESIA TRANSPORT, SUPPLY CHAIN & LOGISTICS EXPO	Jakarta	10.10 - 12.10 2017
53.	Crafina 2017	Jakarta	11.10 - 15.10 2017
54.	COSMOBEAUTE INDONESIA	Jakarta	12.10 - 14.10 2017
55.	CONCRETE SHOW SOUTH EAST ASIA	Jakarta	18.10 - 20.10 2017
56.	ILDEX INDONESIA	Jakarta	18.10 - 20.10 2017
57.	BROADCAST INDONESIA	Jakarta	25.10 - 27.10 2017
58.	COMMUNIC INDONESIA	Jakarta	25.10 - 27.10 2017
59.	ALL PRINT INDONESIA	Jakarta	01.11 - 04.11 2017
60.	ALL PACK INDONESIA	Jakarta	01.11 - 04.11 2017
61.	ALL PLAS	Jakarta	01.11 - 04.11 2017
62.	INDO LED LIGHT EXPO	Jakarta	01.11 - 04.11 2017
63.	IPEX - INDO PHARMACEUTICAL EXPO	Jakarta	01.11 - 04.11 2017
64.	INDOCOMTECH 2017	Jakarta	01.11 - 05.11 2017
65.	INDONESIA INFRASTRUCTURE WEEK - IIW	Jakarta	08.11 - 10.11 2017
66.	KONSTRUKSI INDONESIA - KI	Jakarta	08.11 - 10.11 2017
67.	THE BIG 5 CONSTRUCT INDONESIA	Jakarta	08.11 - 10.11 2017
68.	IIICE	Jakarta	08.11 -10.11 2017
69.	DRINKTECH INDONESIA	Jakarta	15.11 - 18.11 2017
70.	PLASPAK INDONESIA	Jakarta	15.11 - 18.11 2017
71.	PLASTICS & RUBBER INDONESIA	Jakarta	15.11 - 18.11 2017
72.	FOOD AND HOSPITALITY INDONESIA	Jakarta	22.11 - 25.11 2017
73.	SIAL INTERFOOD INDONESIA	Jakarta	22.11 - 25.11 2017
74.	HVACR INDONESIA	Jakarta	23.11 – 25.11 2017
75.	IMBEX - INDONESIA MATERNITY, BABY & KIDS EXPO	Jakarta	25.11 – 27.11 2017
76.	INDO MEDICARE EXPO	Jakarta	28.11 - 30.11 2017
77.	MACHINE TOOL INDONESIA	Jakarta	06.12 - 09.12 2017
78.	MANUFACTURING INDONESIA	Jakarta	06.12 - 09.12 2017

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Mr. Sunil S. Bhandare

Reflections on the Budget 2017-18

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Setting the Perspective

On the budget eve, there was a flurry of expectations and that perhaps was not unusual, albeit not being totally realistic either. Two basic reasons for the same were: first, the government has to offer substantial reliefs and concessions, given the setback and pains caused by demonetization; second, this is the crucial fourth budget – the penultimate before the next general elections in 2019 – wherein the approach would have to be path-breaking. Thus, most keen observers, across various sections of the economy from farmers to traders; from large corporates to MSME sector; from high net worth professionals to low-income middle -class households; from consumers to savers and investors – virtually all of them had fixed their goals and expectations very high. What, there fore, became apparent from various reactions to the budget 2017-18 was that it was inadequate and somewhat disappointing. It failed to generate enough enthusiasm; it was a usual 'mixed bag' of positives and negatives. Of course, the political opponents, as is their wont, were vehemently critical; most of them could not decipher any good feature in the budget!

At the same time, the general perception has also been that there are neither major surprises nor disappointments nor any hick-ups. Evidently, the Finance Minister has offered a vast spread of policy measures as well as expenditure and tax proposals, while hitting a little bit more the high-income personal income-tax payers! Of course, there might be much more that experts would still seek to unravel from the budget, even as the Finance Minister would be making some obvious fine-tuning of the budget provisions. The ensuing second Budget Session of the Parliament, which would begin from March 9, 2017,would be very relevant in this respect. The discussions on specifics of the budget, and in particular, of the Finance Bill would then be occupying the centre stage in the Parliament.

Surely the budget is always a contextual workout– not just economic, but more often than not political too. Thus, its framing is generally hugely determined by the backdrop of current and emerging global and domestic socio-economic scenarios. This budget is no exception. Illustratively, let us mention only two major happenings:

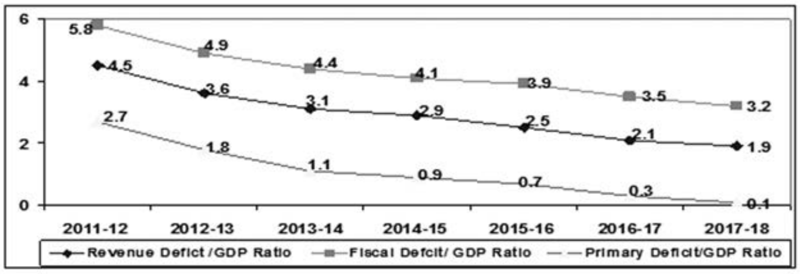
First, the global economic uncertainty – this aspect is elaborately evaluated in the recent IMF Update on World Economic Outlook and the World Bank's Global Economic Prospects Report.Clearly, both these reports emphasize the heightened policy uncertainty, especially in advanced countries – be it arising from the policy stance of new US President Donald Trump, BREXIT, the growing anti-globalization tirade or geo-political tensions. Thus, the IMF observes: "After lackluster outturn in 2016, economic activity is projected to pick up pace in 2017 and 2018, especially in emerging market and developing economies. However, there is wide dispersion of possible outcomes around the projections, given the uncertainty surrounding the policy stance of the incoming US adminis tration and its global ramifications". Like-wise, the World Bank points out: "Stagnant global trade, subdued investment and heightened policy uncertainty marked another difficult year for the world economy. A moderate recovery is expected for 2017, with receding obstacles to activity in commodity exporters and solid domestic demand in commodity importers. Weak investment is weighing on medium -term prospects across many emerging markets and developing economies [EMDEs]. Although fiscal stimulus in major economies, if implemented may boost global growth above expectations, risk to growth forecasts remain tilted to the downside. Important downside risks stem from heightened policy uncertainty in major economies."

Second, near home, the primary concerns have been associated with demonetization disruptions, which severely hit farmers, informal sector, unorganized retail, real estate and construction, etc. The Economic Survey 2016-17 has sought to quantify its macro-economic damage, while pointing out that "India's demonetisation is unprecedented, representing a structural break from the past. This means that forecasting its impact is hazardous ... the attempts at quantification must consequently be seen as tentative and far from definitive". Further it states: "For nominal GDP, the impact would be lower growth between ¼ percentage points and 1 percentage point relative to the baseline of 11¼ per cent. For real GDP the impact would be between ¼ percentage points and ½ percentage points relative to the baseline of 7 per cent...... that the adverse impact of demonetization on GDP growth will be transitional. Once the cash supply is replenished, which should largely be achieved by end-March 2017, the economy should revert to normal, perhaps even with a bounce reflecting reversion to the mean. Therefore, real GDP growth in 2017-18 is projected to be in the 6¾-7½ percent range".

Many other official and non-official estimates have been made about the damage to economic growth as an aftermath of demonetization.Suffice it to say, the economy has suffered a sharp setback in Q3 [Oct-Dec] of 2016-17, and this may spill over to Q4 of the current year, but perhaps with much lesser intensity. Every single such estimate shows a downward revision, of say 60 to 80 basis points, in the growth rate. Effectively, India's real GDP growth rate would linger around 7% or lower in 2016-17 as against 7.8% in the previous year. In substance, this crudely is the price which the nation can be said to have paid for demonetization in the short-run.

Sound Fundamentals, But.....

Against this backdrop, it must be recognized that India still continues to have sound and stable macro-economic fundamentals. These manifest in [a] falling inflation rate – the CPI inflation rate [y-o-y basis], after moving up from 5% in March to 6.1% in July 2016 has consistently declined to a two-year low of 3.2% by December 2016; [b] softening of interest rates – the repo rate stands reduced during the same period from 6.75% to 6.50% and further to 6.25% - again the lowest over the last over two years; [c]secular decline in the current account deficit [CAD] to GDP ratio and steady build -up of forex reserves heralding the external stability – the CAD/GDP ratio has fallen from worrisome 4.8% in 2012-13 to and a comfortable level of 0.5% in 2016-17. Forex reserves are now at an all-time high of US$361 bn, affording import cover of well over 11 months; [e] relatively steady exchange rate – illustratively, the average monthly rate of the US$ has remained in a narrow range bound between US$ = Rs.66.50 and US$ = Rs.68; and [f] consistent improvement in the revenue and fiscal deficit ratios of the Central Govt. [Please see the chart below].



Yet, there have been growing concerns about the economy. Surely, it is bogged down by a prolonged phase of deceleration in the investment ratio; a slow pick-up in the stalled infrastructure projects; only a modest growth in the organized industrial sector [namely, IIP growth numbers]; the rural distress; the twin balance sheet problems of large corporates and banks mani festing in concerns about overleveraged position of corporates and progressive expansion in NPAs and stressed assets of banks; jobless growth;and several others. So while the Finance Minister did have comforts of macro-fundamentals, he has been confronted with such multiple and massive challenges in shaping the path of his crucial fourth budget.

Far more severe arethe constraints of fiscal space despite sustained fall in key deficits to GDP ratios over the last six years. Thus, like his many predecessors, the Finance Minister ArunJaitley has also been confronted with [a]relatively inadequate tax buoyancy; [b] limited efforts to augment non-tax revenues, especially from PSU disinvestments or strategic sales; [c] acute urgency to step up capital expenditure on infrastructure, rural development and social sector; [d] rising expectations of tax reductions and incentives; [e] demands for interest subventions and/or loan waivers from farmers as well as by those severely affected by adverse impact of demonetization; etc. The comforts of falling deficits to GDP ratio are greatly neutralized if one were to look at the government's expenditure structure. Thus, despite the recent efforts to anchor revenue spending, it still accounts for a predominant 86% share of total expenditure; indeed, unavoidable interest payments [24.4%] + establishment costs [20.4%] + defence [12.2%] + subsidies [11.2%] – all together pre-empt a huge part of total governmental expenditure.

The Finance Minister's Response

How then has the Finance Minister sought to steer the path of his budgetary challenges and move forward with his goal of "transform, energise and clean India", and at the same time, fortify her status "as a bright spot in the world economic landscape". Among other things, the budget contains ten-point distinct themes encompassing a broad agenda for [i] doubling the incomes of farmers in five years and providing employment and basic infrastructure for rural population; [ii] energising youth education, skills and jobs; [iii]

strengthening the systems of social security, health care and affordable housing for poor and the underprivileged [iv]infrastructure development for enhancing efficiency, productivity and quality of life; [v]ensuring growth and stability through stronger financial institutions; [vi]promotion of digital economyfor speed, accountability and transparency; [vii]effective governance and efficient service delivery through people's participation; and [viii] prudent fiscal management and improving tax administration that honors the honest. All these are well-meaning and welcome objectives, and the budget does seek to provide considerable substance to each one of these components by way of resource allocations, some new policy initiatives and programs. Without going into the details of all such features, it may be worthwhile to discern what could really be the trigger points of investment and growth revival.

A Budgetary Arithmetic – a limited qualitative change

Before turning to these positives of the budget, and its likely impact on the macro-economic outlook in 2017-18, here is a quick reflection on the key budgetary numbers.Prima facie, as brought out in the chart above, the Central Govt.'s fiscal profile has been improving. However, there are grounds for skepticism and caution on some of its key parameters, especially the budgetary structure, which, on receipts side, is dominated by tax revenues and borrowings, and on the expenditure front, by weightiness and lopsided pattern of revenue expenditure. Thus, tax revenues contribute little over 57%, while capital receipts account for 29.4% of total revenues in the budget 2017-18. Like-wise, revenue spending takes away 85.6% of total expenditure, leaving barely 14.5% for capital expenditure even in 2017-18. [Please see the table below]

Key Components [Rs. Billion]	2015-16 [Actuals]	2016-17 [RE]	2017-18 [BE]	% y-o-y increase in 2016-17	2017-18
A. Revenue Receipts	11,950	14,235	15,157	19.1	6.5
[i] Tax Revenue	9,437	10,887	12,270	15.4	12.7
[ii] Non-Tax Revenue	2,513	3,348	2,887	33.2	- 13.8
B. Capital Receipts	5,957	5,908	6,309	- 0.8	6.8
Total Receipts [A+B] = Total Expenditure [C+D]	17,907	20,144	21,467	12.5	6.6
C. Revenue Expenditure	15,377	17,345	18,369	12.8	5.9
D. Capital Expenditure	2,530	2,798	3,098	10.6	10.7
Revenue Deficit [C-A]	3,427	3,109	3,211	- 9.3	3.3
Fiscal Deficit	5,327	5,342	5,465	0.3	2.3

Notes: Fiscal deficit represents excess of total expenditure over total revenue receipts plus recoveries of loans & other capital receipts. BE = Budget Estimate. RE = Revised Estimate.

Please Note : all the proclamations of the Finance M about projected tax buoyancy and accelerated allocations on capital spending, infrastructure spending, etc. are based oncomparison of BE of 2017-18 with BE of 2016-17.More appropriate is to work out growth rates either in revenues or in expenditure by comparing BE of 2017-18 with RE of 2016-17 – which is what we have done in the above table.

What transpire from the above budgetary data are the following salient features: First, the budget seems to be more realistic in projections of revenues: Thus, the budget expects increase of only 6.5% in the Centre's net tax revenue [after accounting for States' share] as compared to 19.1% growth in the previous year. From various clarifications from spokes persons of the Finance Ministry, it is evident that the budget has not taken into account the expected gains in income tax revenues from the "unaccounted income deposited with banks" under demonetization policy. Also, there is so far no information about the extent of high denomination notes likely to be extinguished and the consequent potential of any windfall gains – namely, the surplus that could accrue to the RBI and likely to be transferred to the treasury! Second, in 2016-17 the Finance Minister relied heavily on mopping up surpluses of PSUs, spectrum fees, etc. – witness the 33.2% surge in non-tax revenues! In contrast, there is going to be contraction of as much as 13.8% in such receipts in 2017-18. Third, the Finance Minister has claimed an increase of as much as 25.4% in capital spending based on BE of 2017-18 over BE of 2016-17. But the real increase is much lower – in fact, almost the same as in the 2016-17 [10.8%]. Finally, the only notable qualitative improvement of the budget is to be found in its sustaining resolutely the fiscal consolidation efforts.

Six Triggers of Investment & Growth Revival

Taking an overall view of the budgetary strategy, we believe that the budget has definitive triggers to revive the macro-economic outlook in 2017-18. Six such forces, which hold potential for stimulating aggregate demand – both private consumption and private investment, are: First, the fiscal stability – this would reduce the government's market borrowing requirements further to around Rs.3502 bn. in 2017-18 as compared to Rs.3658 bn. in 2016-17 and Rs.4547 bn. in 2015-16. This may augur well for the RBI to reduce the repo rate further, if at the same time, the inflation rate also remains anchored around 4%

during 2017-18. As an aftermath of demonetization, there have already been downward pressures on banks' lending rates. The current phenomenon of excess liquidity with banks [increase in their low cost – CASA deposits] and the absence of any revival in credit growth would also push down lending rates further. Such falling borrowings cost would create demand for housing loans [and for affordable homes, in particular], retail credit, MSME advances– and all these would cascade into a gradual recovery of overall industrial and corporate sector.

Second, the much acclaimed thrust on infrastructure expenditure – The FM specifically highlights allocation of total capital and developmental expenditure of Rs.1310 bn. on railways in 2017-18 and various focus areas of modernization and expansion of railways, including integrated transport solutions. Like-wise, the allocations for the road sector are stepped up to Rs.649 bn. In a possible environment of relative price stability – an overall inflation rate of 4% on y-o-y basis, the proposed allocations would actually mean an increase of 7 to 7.5% in real investment in these sectors. [Please see the table below]

Key Sectors Budgetary allocations (Rs. Billion)	2016-17 [RE]	2017-18 [BE]	% increase
Infrastructure	3586	3961	10.5
Of which Transport	2169	2414	11.3
Agriculture and Rural	1678	1872	11.6
Social Sector*	1762	1955	11.0
Please note that the proposed step up in public expenditure is relatively modest across all these key sectors, if BE is compared with RE, but becomes noticeable only if BE of 2017-18 is compared with BE of 2016-17.			

Third, the increased focus on agriculture and rural economy – apart from the increased allocations, the budget has many other measures such as [a] expanding the agricultural credit target to Rs.10,000 bn.; [b] ensuring better flow of credit to small farmers; [c] raising the corpus of Long-term Irrigation Fund and of Micro Irrigation Fund [under NABARD] as well as of Dairy and Infrastructure Development Fund;[d] expansion of coverage of National Agricultural Markets [e-NAM]; [e] accelerating pace of rural roads; [f] increasing allocations for MNREGA and alongside using such funds for productive asset building – farm ponds, etc. All such schemes would help in enhancing agriculture and rural incomes, thereby creating incremental rural purchasing power, quite apart from gains arising from increased farm output, if the 2017-18 monsoon also turns out be normal.

Fourth, there is a sort of package interspersed in various proposals of the budget which aims at promoting labor-intensive sectors be it affordable housing, reduction income tax for MSME companies [annual turnover of upto Rs.50 crores]. Fifth, the thrust on promotion of digital economy – with ambitious goals of weeding out corruption and black money; ensuring greater formalization of economy; bringing financial savings into the banking system; promotion of financial inclusion; and so on. Lastly, all such efforts of investment revival are likely to be strengthened by a set of measures to improve the ease of doing business, including scrapping of the FIPB, some modifications of domestic transfer pricing provisions, etc.

But the most critical problem in this area is about resolving the "twin balance sheet" problem. One believes that the Bankruptcy and Insolvency Code 2016 together with some new ideas of creating BAD Bank or setting up a private asset management company to address bad loans in sectors such metals, engineering, telecom, textiles, etc. would create an environment for more concerted action on this front, which would then lead to strengthening of new and expanding corporate investments.

Concluding Observations

In summing up, the Budget 2017-18 unveils a relatively well-balanced strategy, offering opportunities of some incremental growth through thrust on public spending on infrastructure development; agriculture and rural sector; corporate tax reduction for small companies; focus on job creation in labour-intensive areas of affordable housing; reducing the personal income tax burden for lower income slab middle-class, thereby providing relief of Rs.155 bn. Its strategic framework suggests the under pinnings of stability and sustainability of fiscal and external sectors. At the same time, there are some implicit growth triggers through possible consumption and investment driven virtuous cycles.

As usual, the budget's success would be determined by implementation of various reforms and programs, including much awaited GST, labour reforms, etc. Prima facie, the envisaged economic growth rate of 11.75% in nominal terms in 2017-18 [at current prices], as assumed in the budget, would be realisable. But it needs to be based on inflation rate of not more than 4% and real GDP growth rate of 7.5%. This would require industrial sector to recover from an estimated low growth rate of just about 6% in 2016-17 to at least 8% in 2017-18 and agriculture maintaining its 3% annual long-term trend growth rate and 8 to 8.5% growth rate in the services sector. Let us all hope for the best from this budget…and no major disruptions!

Ms. Sharmila Ghoshnath

Union Budget 2017- 18 Roadmap for Agriculture

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The Union Budget proposal for 2017- 18 has been presented by the finance minister Mr. Arun Jaitley describing "Farmers" as one of the ten distinct themes to foster the broad agenda of the budget exercise. In his budget speech, the finance minister mentioned, "The Indian farmer has once again shown his commitment and resilience in the current year" and "agriculture is expected to grow at 4.1% in the current year".

In this backdrop, the current year's budget envisaged doubling of the income in farming sector in 5 years through more reforms in agriculture marketing and increased funds for insurance and irrigation schemes and setting of a higher target for farm credit with a view to tackling distress in rural India. Overall, Mr.Jaitley said funding for the rural and agriculture and allied sector would be increased by 24% in fiscal 2017-18 to Rs.187223 crore.

BUDGET 2017- 18 : HIGHLIGHTS FOR AGRICULTURAL SECTOR

- Push to Reforms in Agricultural Marketing: New Model Law on Contract Farming
- Rs.9000 crores for Crop Insurance, up from Rs.5500 crore budgeted in 2016 - 17
- Agricultural Credit Disbursement target set at Rs.10 trillion, up from Rs.9 trillion in 2016- 17
- Additional Rs.20000 crore to NABARD for Long Term Irrigation Fund, Rs.5000 crore for setting up a dedicated Micro- Irrigation Fund
- Rs.8000 crore earmarked for Dairy Development Fund under NABARD
- Assistance to Rural Entrepreneurs for setting up Soil Testing Labs in Krishi Vigyan Kendras
- Rs. 1900 crore support to NABARD to bringing in Co-operative banks onto core banking platform
- Total support to Rural and Agricultural sector raised by 24% to Rs.1.87 trillion in 2017- 18

Farm Credit

The budget set a target for disbursing Rs10 trillion of farm credit in 2017-18, up from Rs.9 trillion targeted last year. "We will ensure flow of credit to underserved areas, like the northeast" the finance minister said, announcing special support of Rs.1900 crore to cooperative banks to bring them onto the core banking platform. "This will ensure seamless flow of credit to small and marginal farmers who take credit from cooperative banks," the finance minister said.

Farmers have also been benefitted from the 60 day interest wavier announced on 31st December, 2016 to reduce the aftershocks of demonetization to the farming community.

Development of Infrastructure

Irrigation : Apart from creation of long term Irrigation Fund under NABARD, 'Pradhan Mantri Krishi Sinchai Yojana' will be implemented in mission mode, 28.5 lakh hectares will be brought under irrigation. Implementation of 89 irrigation projects under AIBP will be fast tracked" the finance minister commented in his budget speech.

5 lakh farm ponds and dugwell in rainfed areas and 10 lakh compost pits for production of organic manure will be taken up under MGNREGA. Programme for sustainable management of groundwater resources with an estimated cost of Rs. 6000 crore will be implemented through multilateral funding.

Soil : Soil health card scheme will cover all 14 crore farm holdings by March' 2017.The finance minister said new mini labs for soil testing will be set up in all 648 Krishi Vigyan Kendras (KVKs, farm research institutes) across India. These will be run by rural entrepreneurs who will be assisted by the government. It is targeted to ensure 100% coverage of all 648 KVKs in the country.

2000 model retail outlets of Fertiliser companies will be provided with soil and seed testing facilities during the next 3 years. In North- East region, organic farming will be promoted through 'Paramparagat Krishi Vikas Yojana' and 'Organic Value Chain Development.

Crop Insurance

The budget for the flagship crop insurance scheme Pradhan Mantri

Fasal Bima Yojana (PMFBY), aiming at protecting farmers from the vagaries of the weather, has been increased the allocation from Rs.5,500 crore covering 30% of cropped area in 2016- 17 to Rs. 9,000 crore in 2017-18 crop insurance scheme,. The target next year will be to bring 40% of cropped area under insurance and take it to 50% next year. The finance minister said that the government is likely to incur a cost of Rs.13240 crore for the PMFBY scheme in 2016-17 (revised estimate).

Support to Allied Activities

Rs. 850 crore has been allocated for the four dairying projects e.g., 'Pashudhan Sanjivani', 'Nakul Swasthya Patra', 'E- Pashudhan Haat' and National Genomic Centre for indigenous breed, this will create an additional milk processing capacity of 500 lakh litres per day. This is believed to have a cascading effect as it will lead to the creation of an additional income of rupees 50, 000 crore per annum for dairy farmers.

Reforms in Agricultural Marketing

Strengthening the network of electronic National Agriculture Market (e-NAM) is integral to commodity trading, as markets are the essential route to enhance the farming income. The finance minister proposed to set up Unified Agricultural Marketing e- Platform to provide a common e- market platform for wholesale markets. A sum of Rs.75 lakh is also provided to link the regulated mandis.

In order to protect the peasantry from the exploitation in the name of various agreements at the hands of private players, the government will prepare a model law on contract farming and will be circulated among the states for adoption in order to help farmers get better value for their produce. Additionally, Mr. Jaitley reiterated the government's earlier goal of bringing in more regulated agriculture markets on the electronic National Agriculture Market (e-NAM) platform. The target is to expand the coverage of National Agricultural Market from the current 250 markets to 585 APMCs.

The central government will urge state governments to delist perishables such as vegetables and fruits from Agriculture Produce Marketing Committees (APMCs) and allow farmers to sell such items directly to consumers to get a better price. At present, farmers are required to sell such produce in markets managed by APMCs.

Role of NABARD

The budget for 2017-18 charged the apex rural bank, National Bank for Agriculture and Rural Development (NABARD), with implementing schemes to improve access to irrigation and develop the dairy sector.

To improve access to irrigation, the budget provided an additional Rs.20000 crore to the corpus for the long-term irrigation fund under NABARD. A similar amount was allocated last year while setting up the fund. The budget also announced setting up of a dedicated micro-irrigation fund with a corpus of Rs.5000 crore under NABARD to achieve the goal 'per drop more crop'.

Additionally, it announced the setting up of a Dairy Processing and Infrastructure Development Fund under NABARD with a corpus of Rs.8000 crore over 3 years. Initially, the fund will start with a corpus of Rs.2000 crores.

Further, NABARD has also been entrusted with bringing the co-operative banks onto the core banking platform with allocation of Rs.1900 crore for the purpose with a view to facilitating disbursement of agricultural credit and extending other banking facilities to the rural population.

The Critical Evaluation

The Positive Outcome: The credit ratings agency ICRA welcomed the expansion in coverage of National Agriculture Markets in the Budget, as it will "help fertilisers companies in the medium term through higher demand", according to an analysis report it released on the Union budget 2017. The subsidy hike of 6% for the phosphatic and potassic segment was also seen as a positive thrust for the manufacturers and traders of these fertilisers.

The Apprehension: The finance minister, despite highlighting the government's goal of doubling farm incomes in five years, did not spell out a clear strategy to achieve the target at a time when farm incomes have plunged due to lower crop prices.

Farm incomes were severely dented in the face of the cash crunch that followed the demonetisation of high-value currency despite record production of rain-fed kharif crops in 2016-17 and a rebound in agriculture growth. It led to a crash in the prices of vegetables and fruits. Wholesale prices of pulses have also fallen below government-set support prices following a bumper harvest.

The terrible agrarian crisis, in spite of rise in agricultural growth to 4.1% attributed to abundant monsoon after reeling under drought for two consecutive years, still prevails that led to 12,602 farm suicides for 2015, the latest year under investigation, up by 3% from the previous year as per the estimate of the National Crime Records Bureau (NCRB). Sadly, the budget speech did not make mention of that.

On Agricultural Credit: It has been seen that the financial institutions are reluctant to provide credit to the small and marginal farmers as they fear it would further accumulate their non-performing assets. It is a lesser known fact that bulk of the farm credit, for which an interest subvention scheme of 3% is provided if paid back in time, is availed by the agri-business companies.

"As far as the farm loans are concerned, the agricultural credit is mostly netted by large companies. Also nearly 50% of farmers are women, who often do not benefit from credit policies as they do have land titles in their name. Unless land titling recognises female ownership of land for cultivation, half of India's farmers cannot claim institutional credit," Professor M. S. Swaminathan, founder of the M.S. Swaminathan Research Foundation said.

Unless it is specifically categorised, the lion's share of the Rs.10 trillion earmarked for the purpose of providing farm loan may eventually go to the agri-business corporations in place of farmers. More so, no provision has been made in the budget towards debt relief to farmers by reducing the interest rates on farm loans which is the need of the hour.

On Crop Insurance: As the terms of the Pradhan Mantri Fasal Bima Yojana spell out that the amount of insurance cover depends on the premium paid and extent of cover, a farmer may not necessarily recover all losses sustained from crop damage in case of an eventuality.

Harjeet Singh, Global Lead on Climate Change, Action Aid International told The Hindu that the government made only a paltry allocation of ₹130 crore to this Fund in the 2017-18 budget for the National Adaptation Fund for Climate Change when "the country faced unprecedented drought affecting 330 million people last year,".

Irrigation: Though it is no denying that public sector investments for expanding irrigation and raising crop productivity are required in any case but to consider it as the way forward to increase farmers' income may perhaps be stretching it too far. According to Food and Trade Policy Analysts, the fact remains that agriculture still suffers from income insecurity. This is supported by the fact that Punjab, the food bowl of the country with 98% cultivable area under assured irrigation and high productivity matching with the best in the world (45 quintals/ hectare for wheat and 60 quintals/hectare for rice), has lately been witnessing a spate of suicides every week. Farmer suicides had also been recorded in Karnataka and Tamil Nadu in the last few years.

On Agricultural Marketing Reforms: Delisting fruits and vegetables and eventually dismantling procurement prices is a pre-requisite for corporate agriculture. After fruits and vegetables, it is generally believed that wheat and rice too will be taken out of the procurement system. According to the Shanta Kumar Committee, only 6% farmers get the benefit of minimum support price (MSP). The remaining ones are dependent on the markets.

However, the apprehension lies if the markets were so efficient, why 94% of India's farmers, who do not get the benefit of any procurement prices, would be demanding a hike in MSP along with 50% profit as recommended by National Commission for Farmers.

The General Secretary of the All India Kinas Sabah observed that the new class of rural landlords comprising farm contractors and big traders combined with rich landowners "will largely benefit from the Budget announcements of higher loan allocation and online trading of farm produce,"

Conclusion

The average monthly income of the Indian farm household was netted at about ₹6,426 by the Situation Assessment Survey of Agricultural Households in its NSS 70th round while the average monthly consumption expenditure per agricultural household was ₹6223 during the same period. For cultivation - related expenses, the farmer is mostly dependent on loans and the NSSO survey revealed that half of the farm households were neck-deep in debt.

Professor R. Ramakumar, Dean of School of Development Studies at Tata Institute of Social Sciences, Mumbai, said chasing the goal of doubling incomes lacks clarity as to whether it is nominal incomes or real incomes that are being chased. Addressing the problem of economic viability of farming in the wake of rising input prices such as for fertilisers, pesticides and seeds and stagnating output prices should be of prime importance.

For any real increase in income, farmers require higher returns for their produce. In a statement issued on the Budget, Prof. M. S. Swaminathan, noted that it was high time that the recommendations of the National Commission on Farmers - to provide the minimum price of the total cost of production plus 50% - are implemented.

The budget 2017-18 pitched for more reforms in agriculture marketing and increased funds for insurance and irrigation schemes, but the major challenge lies in implementation, say experts as everything depends on how well the schemes are executed on the ground. Senior agricultural scientist M Mahadevappa said that if at least 70 per cent of the budget announced for agricultural sector is implemented, it will be a record.

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Various reports published in:
The Economic Times
The Mint
The Hindu
The Indian Express

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BUDGET 2017:
ECONOMIC & POLITICAL FALLOUT

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A. Introduction

The 2017 Budget was presented by the Finance Minister Arun Jaitley amidst a lot of expectations from the industry and the common man. Globally, the international market has started to show signs of slow-down because of the uncertainties resulting from the election results in the United States where Donald Trump won a mandate based on a campaign which, arguably focussed on anti-trade rhetoric; and the United Kingdom deciding to leave the European Union. Quite naturally, the industry expected that the Budget would provide for a conducive and sustaining economic space for businesses to flourish in such a geo-political environment.

Domestically, India undertook a reformation of sort when on November 8, 2016 the government announced that currency notes of denomination INR 500 and INR 1000 would no longer be valid as legal tender. The stated objectives of this exercise were to curb the menace of black money in the economy and to include a greater section of the society into the formal financial sector. The timing of the Budget was appropriate for the government to roll-out certain measures that would support the objectives of demonetisation.

In the present article I have attempted to evaluate the Budget based on the existing economic and political contexts.

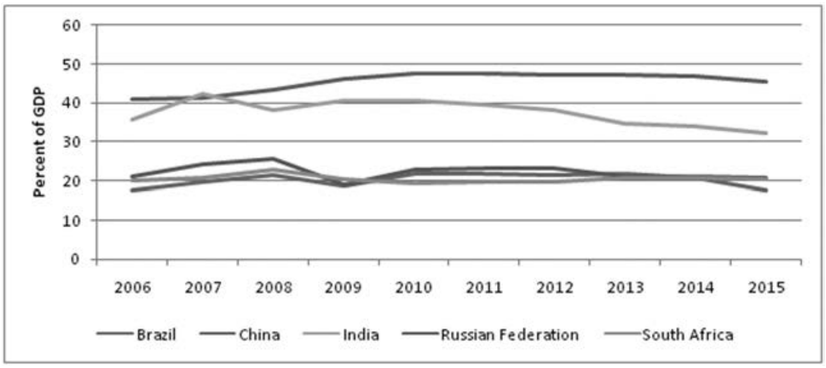
B. Providing Support to Businesses India and BRICS

As discussed above, there was a legitimate expectation from the industry that the Budget would provide for a supporting environment for the Indian industries to operate and compete with global giants. According to the World Bank Doing Business Report India ranks 130 globally in terms of the overall ease of doing business. For some of the parameters India fared poorly compared to other BRICS nations.

Comparing India to other BRICS nation also has a very important geo-political significance The BRICS represent the emerging economies of the world where each of the economies has a potential to reach superpower status. Quite naturally the competition amongst BRICS nations is quite fierce – each trying to create a leadership role for itself. For example, each of India, China and South Africa contended to have the headquarters of the newly established development bank for BRICS, called New Development Bank, at their country; with finally the Chinese city of Shanghai securing this feat.

The chart below compares the gross capital formation (which can be treated as a proxy for investment) amongst BRICS nations. It can be seen that the gross capital formation of most BRICS nations have become stagnant from 2009 onward (i.e. post global recession of 2008) when the same for India has been on a steady drop. It can be argued that without any stimulus to the sector Indian manufacturers would lose its edge in the global market, especially compared to the other BRICS nations.

Figure 1: BRICS - Gross Capital Formation (% of GDP) as proxy for Investment

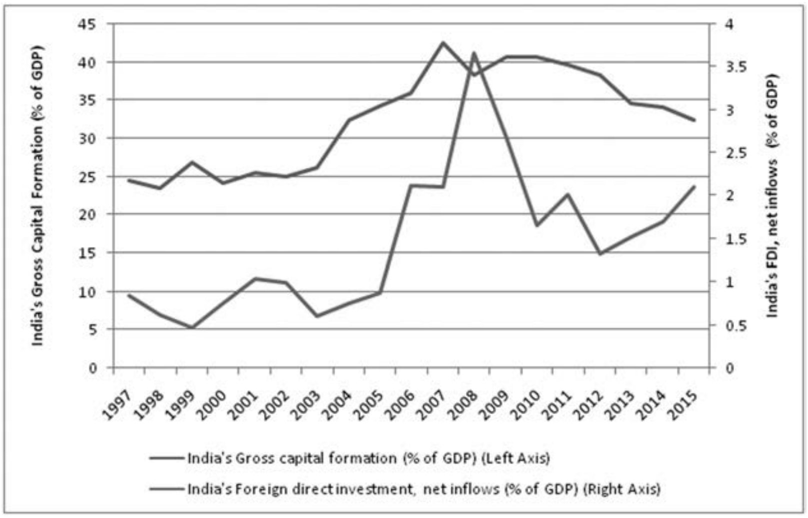


Date Source: World Bank Database

The Curious Case of Divergence of Trend of Investment and Foreign Direct Investment

Since the liberalisation of Indian economy in 1991 there has been a steady increase in the inflow of foreign direct investment into India till the global financial crisis of 2008. The figure below reveals that the trend in gross fixed capital (which is a proxy to investment) has been in sync with the trend in Foreign Direct Investment ("FDI"). However, from 2012 onwards we see that even though the FDI inflow (% of GDP) into India has increased, the same has not been reflected in India's gross capital formation (% of GDP), which has in fact decreased in the same time period. This is a sign that there are other significant contributors to the growth of gross fixed capital that is hindering the recovery of the same.

Figure 2: Comparing trends of India's FDI inflow and Gross Fixed Capital



Source: World Bank Database

Budget 2017

In order to create an environment conducive for businesses, the government had rolled out various schemes like Make in India, Start-up India and further easing of entry of foreign investment:

1. **Make in India Initiative**

The 'Make in India' has been one of the flagship campaigns of the government from its launch in 2014. It primarily aimed at reviving the growth of the manufacturing sector in India. To provide further impetus to this campaign, the following key policies were announced in the Budget:

• Reduced corporate income tax rate of 25% for all domestic companies with turnover up to INR 50 crores;

• Increase in time limit for carry forward of Minimum Alternate Tax ("MAT") credit from 10 to 15 years;

• Reduction in applicable Customs duty on various inputs and raw materials (such as LNG, parts for use in manufacture of LED lights, nickel etc.) so as to support domestic value addition

• Increased allocation of INR 74.5 crores to the Modified Special Incentive Package Scheme ('M-SIPS') and Electronics Development Fund ('EDF') to make India a global hub for electronics manufacturing

• Implementation of a special scheme for leather and footwear industries, similar to the already launched scheme for the textile sector, to incentivize these labour intensive industries.

2. **Start-up India**

'Start-up India' has been an important initiative of the

Government of India to support and nurture budding entrepreneurs in the country. In pursuance of this campaign, the Budget provided for the following support to start-ups:

- Unlike other business entities, start-ups would be entitled to carry forward business losses even if there is no continuous holding of 51% of voting rights, provided that the holding of the original promoters continues

- The profit-linked deduction granted under Section 80-IAC of the IT Act can be claimed in a block of three consecutive years out of the first seven years (instead of the earlier requirement of claiming such deduction within three consecutive years of the first five years).

3. Foreign Direct Investment

In order to address further ease the movement of capital, the Budget proposed the following:

- The Foreign Investment Promotion Board ("FIPB"), which offers a single window clearance for applications on FDI in India that are under the approval route, is proposed to be abolished in 2017-18

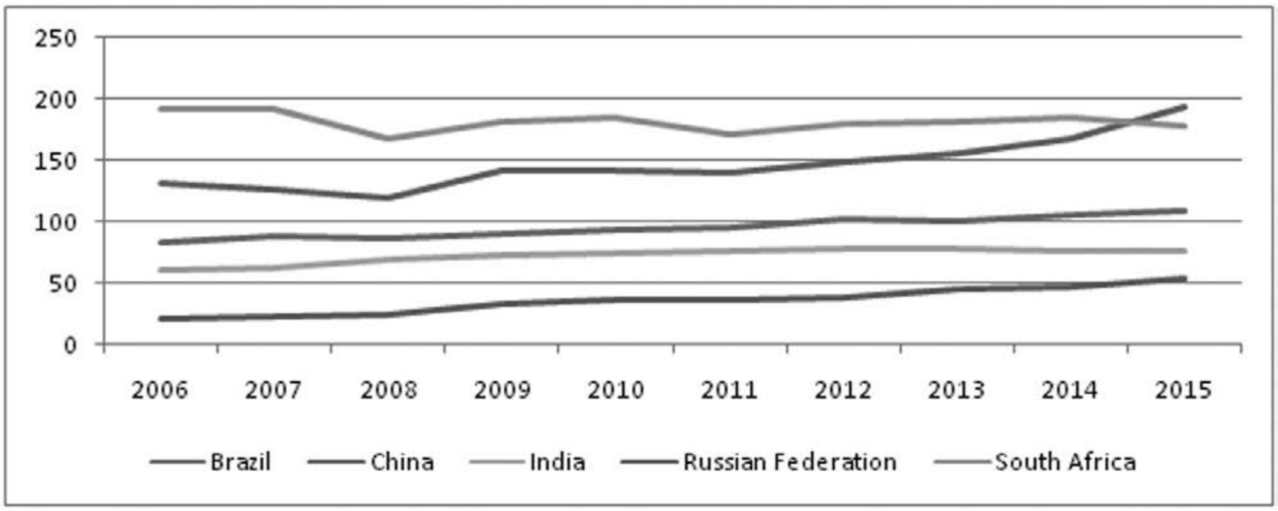
- Further liberalisation of the consolidated FDI policy is under consideration and announcements will be made in due course.

C. Supporting the Objectives of Demonetisation

Economic Situation Pre-Demonetisation

The 2017 Budget has assumed significant importance as it has been presented after the historic movement of demonetisation of high-value notes. The Government's move came in the wake of multiple issues within India's cash-dependent economy, ranging from accumulation of black money, corruption, counterfeiting, etc. Additionally very few Indians had access to the formal banking sector. The chart below shows that of all the BRICS nations India has the second lowest domestic credit provided by financial sector (as percent of GDP).

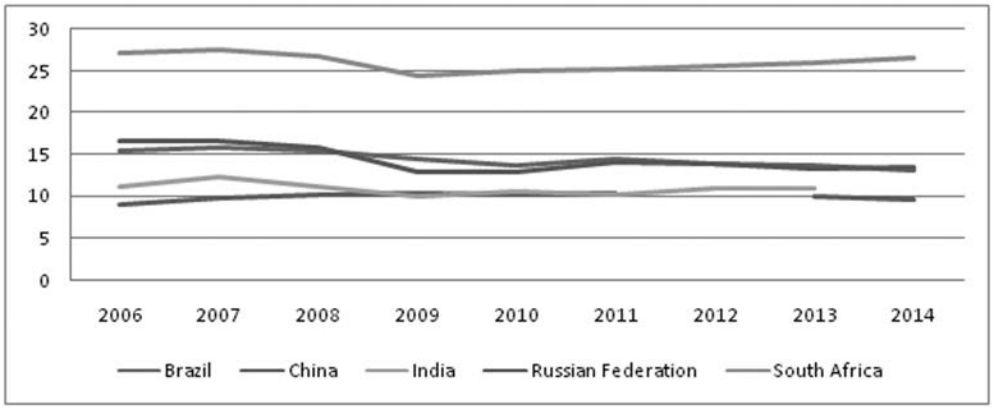
Figure 3: BRICS - Domestic credit provided by financial sector (% of GDP)



Source: International Monetary Fund, International Financial Statistics and data files, and World Bank and OECD GDP estimates.

Another issue that the demonetisation exercise aimed at addressing was to expand India's low tax base. The chart below reveals that India and China have almost a similar (and the lowest) trend in the tax revenue as a percent of GDP. However, this has to be contextualised to the economic realities of China, which does not follow the same market based philosophy of India. Evidently, there is quite a scope to improve the tax base and it was the purpose of demonetisation to address this deficiency.

Figure 4: BRICS - Tax Revenue (as % of GDP)



Source: International Monetary Fund, Government Finance Statistics Yearbook and data files, and World Bank and OECD GDP estimates

Macroeconomic Impact of Demonetisation

Even though the macroeconomic impact of such a move is yet to be properly determined, there are quite divergent views about the expected impact. In light of the move the Asian Development Bank revised its estimate of growth projections for India from 7.4 to 7 % and the IMF from 7.6 to 6.6%. Others believe that such adverse impact on the economy is only temporary and the economy will not only recover very soon but will also reap the benefit of a larger tax base.

Budget 2017

The Finance Minister in his Budget Speech addressed this topic head on and reiterated that the objectives of demonetisation are as below:

- Curbing tax evasion and the parallel economy;
- Elimination of corruption, black money and counterfeit currency;
- Greater formalisation of the economy;
- Surplus liquidity in the banking sector.

The Finance Minister, reiterating the assurances given by the Prime Minister Mr. Narendra Modi in the Rajya Sabha, clarified that the benefits of demonetisation would be reaped by India in the medium to long-term and any drop in economic activity will only be transitory in nature – the 'normal' GDP in the long run will be "bigger, cleaner and real". The Finance Minister was confident to state that the effects of demonetisation will not spill over into the next year.

According to the Finance Minister, the availability of surplus liquidity in the banking sector due to demonetisation has already resulted in reduced lending rates offered by the banks. Additionally, the Finance Minister has laid down the following tax proposals to address the objectives of demonetisation:

- Restricting cash donations and measures to discourage cash transactions;
- Disallowance of depreciation under Section 32 and capital expenditure under Section 35AD on cash payment;
- Measures to promote digital payments in case of small unorganized businesses

D. Conclusion

The 2017 Budget was presented at a very important juncture of global geo-political situation which called for the government to provide a very conducive and sustaining economic environment for Indian firms. Through the various measures, the Budget did address this so that Indian firms, especially the start-up, are in a position to compete globally. However, one of the most anticipated events in India - the roll out of the Goods and Services Tax ("GST") was curiously missing from the Budget. The Budget failed to give a clear path and dateline for the introduction of GST. If it had been introduced in this Budget, it had the potential of bringing about great economic and political benefits.

On the other hand, the Budget was significant because it was presented just after the bold exercise of demonetisation which had a stated objective to curb out black money and introduce major sections of the Indian population to the formal financial institutions. The various provisions in the Budget supported this objective of the government. The question of final impact on the macroeconomic variable is still open; however, it is expected that the long term economic benefits would far overshadow the short term losses.

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Union Budget 2017-18: A Gender Analysis

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Gender Responsive Budgeting (GRB) Women and girls face various forms of vulnerability throughout the life cycle. They may face discrimination before or after birth; violence,harassment or abuse; neglect due to dependence and lack of access to resources; social prejudice; and exploitation – whether economic, political, social or religious. They are vulnerable to exploitation and discrimination regardless of where they are positioned on the economic and social spectrum. Additionally, their vulnerability increases significantly if they are poor, socially disadvantaged or live in a backward or remote area. GRB is a widely accepted strategy that has been employed across more than 100 countries to address this vulnerabilities. GRB is a tool for gender mainstreaming. It uses the Budget as an entry point to apply a gender lens to the entire policy process. It is concerned with gender sensitive formulation of legislation, policies, plans, programmes and schemes; allocation and collection of resources; implementation and execution; monitoring, review, audit and impact assessment of programmes and schemes; and follow-up corrective action to address gender disparities. GRB is not just a one-time activity. It is a continuous process that must be applied to all levels and stages of the policy process. It recognizes that the Budget is a powerful tool that can reduce the vulnerability of women and girls and transform their situation. GRB ensures that overall policy/programme planning, budgeting; implementation and auditing continuum are gender responsive. The idea behind GRB is not about literally dividing funds in a fifty-fifty ratio among men and women.

GRB is about bringing a gender perspective in policy making at different levels. For example, the recent schemes like Digital India are noteworthy but lack specific focus on digital empowerment of girls and women given the gender inequality in society. At grass root level, often women with low or no literacy levels are left out in technological shifts which become important part of daily life in society. Likewise, there is scope to integrate safety of women as a major concern in flagship centrally sponsored schemes such as Jawaharlal Nehru Urban Renewal Mission (JNNURM), PMGSY, etc. Under Smart Cities Town planners, policy makers and budget experts need to do gender budgeting to ensure women-friendly civic infrastructure- water, sanitation, health care, safe transport, public toilets, help lines, skill development for crisis management and, safe transport and safety at work place.

In brief, it needs to be recognized that women's issues do not have to be seen as the concerns of the Department of Women and Child Development (DWCD) and Social Welfare (SW) Departments alone. There is a need to recognize that women are contributors to and recipients of services provided by different departments like Health, Education, Home, Tribal, Public Works, RDD, Housing, Social Justice, etc. and that they have different needs. Policies have to be thus designed and financed accordingly to create maximum benefits to all.

Have Gender Commitments translated into Financial Commitments?

The GBS, first presented in Union Budget 2005-06, aims to capture budgetary resources earmarked for women and girls by Union ministries and departments. The Statement is presented in two parts: Part A enlists schemes and programmes meant entirely for the benefit of women and girls; while Part B reports schemes in which at least 30 percent of the funds benefit women and girls.

Budgetary Outlays for Ministry of Women and Child Development

MWCD is the nodal ministry to formulate and implement plans, policies and programmes for the empowerment of women. There has not been increase in the financial allocation in real terms due to inflation during the current decade during the budget years 2012-13 and 2017-18 as can be seen in the tale below:

Year	Total Expenditure of Ministry of Women and Child Development (MWCD) Rs. (in cores)
2012-13	17,036
2013-14	18,037
2014-15	18,539
2015-16	17249
2016-=17 Budget Estimates	17,408
2016-17 Revised Estimates	17,640
2017-18 budget Estimates	22,095

The budgetary outlays to MWCD have increased from Rs. 17,408 in 2016-17 (BE) to Rs. 22,095 crores in 2017-18 (BE). However, the bulk of MWCD's allocations are for the ICDS programme, which itself requires higher allocations as observed by the Department related Parliamentary Standing Committee on Human Resource Development, 2016 (Report No.278) which stated "… Ministry should put in efforts to make sure that the shortage of funds does not become a hindrance in implementing the scheme and also in enhancing the outreach of the scheme so as to include maximum number of beneficiaries".

There has been a notable increase in the allocations to the Maternity Benefit Programme (formerly known as Indira Gandhi Matritva Sahayog Yojana) from Rs. 400 crores in 2016-17 (BE) to Rs. 2,700 crores in 2017-18 (BE). This allocation is close to GOI's estimate of a requirement of Rs. 7,348 crores for the scheme for the period 2017-18 to 2019-20 to be borne by the Union Government. However, as per the estimates of Standing Committee on Food ,Consumer Affairs and Public Distribution (2012-13), the total scheme expenditure towards maternity benefits to 2.25 crores pregnant and lactating women works out to be Rs. 14,512 crores per annum (to be borne by Centre and states). Going by this estimate, this allocation seems to fall short of the required funds to universalise the scheme.

Other schemes, such as those for addressing the needs of women in distress such as Swadhar Griha, and One Stop Crisis Centres have witnessed marginal increases, which are inadequate to ensure both adequate coverage and quality of services. As of July 2016, 17 One Stop Centres were operational in the country through the funds provided by MWCD. It was also proposed to expand the scheme to 150 additional districts during 2016-17. However, this does not seem to have taken place, taking into account the Revised Estimates of 2016-17 for the scheme. (Rajya Sabha Un-starred Question no. 1327 answered on 28 July 2016). Given the criticality of the issue, it is imperative that the Union Government continues to supplement the efforts of states in this domain.

The Rajiv Gandhi Scheme for Empowerment of Adolescent Girls-SABLA, launched in 2010 continues to be implemented in pilot phase.

Fund Allocation for Women and Children in Union Budget 2017-18

- Mahila Shakti Kendra in villages 500 crores
- Maternity Benefits @ Rs. 6000 to women undergoing institutional deliveries
- PM Gram AwasYojana-title in the name of woman
- MG NAREGA-Rs. 48000 crores, Women- 55%
- MWCD-27 % increase, Rs. 22095 crores
- Rural sanitation 42 % increase on 2014 and 60 % increase in 2017-18
- Adhar based smart cards for senior citizens
- PM Mudra Yojana 2.44 lakh crores
- Stand up India for women entrepreneurs
- SWAYAM platform for digital learning-students, girls
- Model shops &Establishment Act
- PM Kaushalya Kendra in 600 districts
- Beti Bachao, Beti Padhao- Rs. 200 crores

Child Welfare :

- Creche (Rs. 200 crores),
- Child Protection (Rs. 248 Crores),
- Child Labour (Rs. 2 crores),
- Anganwadi (Rs. 15245.19 crores),
- National Nutrition Mission (Rs. 1500 crores),

- Maternity Benefits (Rs. 2700 crores)
- Adolescent Girls (Rs. 460 crores)
- National Mission for Empowerment of Women Rs. 70 crores
- One Stop Crisis Centre Rs. 90 crores
- STEP for skill training Rs. 40 crores
- Swadhar Rs. 100 crores
- Working Women's Hostel Rs. 50 crores

• The allocations to Ministry of Women and Child Development have increased from Rs.17, 408 crores in 2016-17 (BE) to Rs. 22,095 crores in 2017-18 (BE).

• Total magnitude of the Gender Budget Statement is Rs. 1, 13,327 crores in 2017-18 (BE) as compared to Rs.90, 770 crores in 2016-17 (BE).

• An allocation of Rs. 2, 700 crores in 2017-18 (BE) to Maternity Benefit Programme (formerly known as Indira Gandhi Matritva Sahayog Yojana).

• Mahila Shakti Kendras with an allocation of Rs. 500 crores to be set up at village level in 14 lakh ICDS Anganwadi Centres. This will provide one stop convergent support services for empowering rural women with opportunities for skill development, employment, digital literacy, health and nutrition.

• An action plan to reduce Infant Mortality Rate from 39 in 2014 to 28 by 2019 and Maternal Mortality Rate from 167 in 2011-13 to 100 by 2018-2020 has been announced, though details are still awaited.

• Under Pradhan Mantri Mudra Yojana, it is proposed to double the lending target of 2015-16 and set it at Rs. 2.44 lakh crores. Priority will be given to women, besides Dalits, Adivasis, backward classes and minorities.

The persistence of gender inequality reflected in socio- economic indicators and the increasing incidence of violence against women in the country underscores the need for substantive measures to be implemented by the government. Women experience distinct disadvantages and budgets are an important policy instrument to address these.

What does the Gender Budget Statement 2017-18 reflect?

The overall magnitude of the GBS in 2017-18 (BE) is Rs. 1, 13, 327 crores, an increase from Rs. 90,770 crores in 2016-17 (BE). A total of 26 ministries and departments and 5 Union Territories have reported their interventions in the GBS this year. The Department of Telecommunications, Department of Economic Affairs, Ministry of Overseas Indian Affairs, and Ministry of Panchayati Raj have not reported their programmes in the GBS this year, while the Ministry of Petroleum and Natural Gas has initiated reporting in the GBS.

The total allocations in Part A of the GBS are Rs. 31,390.8 crores in 2017-18 (BE), which as a proportion of the Union Budget, shows an increase from the previous years.

The increase in allocations in Part A of the GBS this year is primarily on account of increased allocations reported by MWCD, Department of Rural Development (for Rural Pradhan Mantri Awas Yojana) and Ministry of Petroleum and Natural Gas (for LPG connections to poor households). It may, however, be noted that Pradhan Mantri Awas Yojana is not a scheme meant only for women, hence its inclusion in Part A of the GBS is questionable. The scheme for LPG connections to poor households, is a welcome intervention as it serves to reduce women's drudgery and addresses health concerns associated with the use of chulhas; however, its reporting as a scheme benefiting women exclusively also inadvertently endorses the gender stereotype that domestic duties like cooking are primarily the responsibility of women.

Allocations in Part B of the GBS have increased from Rs. 73, 2012 crores in 2016-17 (BE) to Rs. 81,395 crores in 2017-18 (BE). However, there do not seem to be any significant improvements in the reporting by ministries/departments in Part B of the GBS. Most departments/ministries continue to report a flat 30 percent or 50 percent of the total allocations in the GBS retrospectively, rather than identifying the gender based disadvantages in their respective sectors of concern and the budgetary resources earmarked to address these specific challenges. Some changes in reporting of select schemes under certain ministries such as Ministry of Health and Family Welfare, Ministry of Tribal Affairs and Department of Agriculture, Cooperation and Farmer's Welfare have been observed. However, the rationale underlying these changes is not clear as the GBS does not provide any justification/ rationale for reporting of schemes by departments/ministries in the statement.

Analysis of GBS also highlights that important ministries continue to be outside the ambit of Gender Responsive Budgeting (GRB). For instance, the lack of safe sanitation facilities is recognized to be closely linked to the incidence of violence against women. However, the Ministry of Drinking Water and Sanitation is yet to adopt GRB. Likewise, other important ministries such as Ministry of Urban Development, Ministry of Law and Justice and Ministry of Tourism have not yet adopted GRB.

Operationalisation of Nirbhaya Fund

The Nirbhaya Fund, introduced in Union Budget 2013-14 is a key Union Government intervention that aims to enhance the safety and security of women in the country. The total magnitude of the corpus is Rs. 3,000 crores. As of January 2017, sixteen proposals amounting to Rs. 2,187 crores have been appraised and recommended by the Empowered Committee of Officers, an inter-ministerial committee that appraises and recommends various proposals /projects proposed by different Ministries/Departments/States under the Fund.

From the information provided in the Union Budget documents, it could be interpreted that the amounts utilized under the Nirbhaya Fund lacks clarity. The government must make information on the allocations and utilisation of interventions under the Fund available in the public domain. Also, important proposals, such as the Central Victim Compensation Fund, proposed under the Nirbhaya Fund, do not seem to have been introduced in Union Budget 2017-18.

The hurdles in the operationalisation of Nirbhaya Fund have affected its effective utilisation. The low utilisation of the Fund indicates the lack of priority towards the issue of women's safety and security. The implementation of this Fund presented an opportunity to institute a comprehensive set of measures by appropriate departments and ministries. Given government's stated commitment towards enhancing women's safety in the country, it is imperative to undertake steps to ensure optimal utilisation of the Fund.

Government of India (GoI) adopted "Budgeting for Gender Equity" as a mission statement in 2004–05; which was followed shortly by the production of the first gender budget statement (GBS) in 2005–06. In the past decade, the work around GRB has deepened at central as well as state levels in India. As per the records of the Ministry of Women and Child Development (MWCD) nine states have officially adopted GRB in some form or the other. However, unofficial estimates point to a much higher number. Also, about 57 ministries and departments at the central government levels have established these cells.

FORM IV (See Rule 8)

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Suresh A. Ghorpade

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Ms. Kiran Nanda

BUDGET FOCUSESON GROWTHAND FISCAL DISCIPLINE DESPITE FOR MIDABLE CHALLENGES

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The work-in-progress Budget 2017-18 presentedon 1st February 2017 is a progressive and inclusive blueprint driven by structural reforms to facilitate the economy to re-invent its core strength and realize its full potential. According to Dr. Surjit Singh Bhalla, this Budget is probably the most brilliant economic and political document since the path-breaking budget of 1991. Effective implementation of budgetary provisions will be the key to justify this statement. Budget ought to be read along with Economic Survey.

Positives on the eve of Budget

• India getting younger- a unique demographic advantage

• Consumers becoming more demanding

• Governance improving but at a slow pace

• Economy becoming digital but long way to go

• Much progress made on GST

• India considered a priority among large EMs. New FDI inflow record possible in 2016-17 despite temporary growth hiccups ascribed to the currency swap programme. This underscores India's status as an island of economic stability, especially against the backdrop ofglobal FDI flows having slumped 13% last year partlydue to a wave of anti-globalisation.

• India's entrepreneurial energy is unparalleled, which needs to bescaled up. Satya Nadella, Microsoft Chief is enthused by it.

Some negatives too -

• GDP growth revised downwards. Finance Ministry finally gave an estimate of impact of demonetization on growth for FY17. Nominal GDP will be 11 %, about 90 basis points lower than the first advance estimate of GDP made by CSO. This disclosure is tucked in the Medium Term Fiscal Policy statement. Short term revenue outlook of a number of corporates became cloudy because of note ban.

• Continuing bad loan crisis with NPAs shooting up by 135% from Rs 261,843 crore in last two years, despite RBI announcing a host of restructuring schemes.

• Employment growth skewed and not keeping pace with growth. IT engineers are almost staring at a future of no jobs

• Disparities have been strengthening, not weakening, over time. Less developed States are falling behind the richer ones instead of catching up

Against the above, Budget 2017-18 reflects India's buoyant ambitions-

• Towardsmaking India askilled nation that is continuously learning

• Providing Homes for all by 2020

• Ensuring electricityto every home

• Building a low cost economyand bringing down transaction costs to benefit every citizen as well as small and large business.

• Achieving moderate inflation

• Doubling Farmers' Incomes

• Becoming a tax compliant economy

• Widening of the tax base

• Lowering the tax rates

• Making India a clean country

• Tackling black money and corruption

The Budget has aptly summed up the above agenda of the government for India —to Transform, Energise and Clean. In other words, the Budget focus has been on placing India on a sustainable high growth trajectory.

Economic and Political Fallouts Significant

Prominent among these ares--

Big boost providedto Rural India, especially rural infrastructure. Spending on rural infrastructure increased to improve quality of life in villages. Proposals include higher allocation for rural roads, housing, electrification, irrigation and employment.

Infrastructure in general given immense support
With an allocation of Rs 3961 trn for infra as a whole, Budget has reinforced its emphasis on the sector. This year also marked the merger of the Railway Budget with the General Budget. A Railway Safety Fund has been set up with a corpus of Rs 1,00,000cr over five years. Infrastructure status to low cost housing is a good move.12% boost in budgetary allocation is expected to give the highways sector a boost.

Promoted Ease of Doing Business
Budget has proposed amendmentsin the IT Act which shall promote ease of doingbusiness in India.

Making India a skilled nation
India faces twin challenges--apart from education for all, skill development has also become a formidable challenge. Budget has built on the idea that India's skill development challenge can essentially be met by government efforts. But this is not true. Government-driven systems are supply-driven, without regard to skill demand. Till date, less than 5% of India's workforce of 500 mn has received any form of formal vocational training. The fact is that12 mn are number of people who enter India's workforce each year.

Sound Fiscal Credentials presented
Budget provides for a fiscal deficit target of 3.2% for FY18, promising to move to 3% the next year without increasing government's debt/ GDP ratio. This levelmay not lead to rise in interest rate and is not inflationary. What is noteworthy is that the genuineness and conservative nature of fiscal numbers have been widely appreciated. This has provided a big boost to India's global credit rating. But the states' FD has been rising. FRBM is in favour of modification of FRBM Act (2003). FRBM report has been submitted and its proposals are being considered. FRBM has mooted Fiscal Council.

GST
Budget has eased movement towards GST. The constitutionally empowered GST Council body has entered the last lap of its key legislative business. Ithas formally approved a Bill for compensating the state governments for any revenue loss they might have to suffer in the first five years in the GST regime.In the long path to introducing GST, the Government was till now focused on State governments and negotiating their claims for compensation that it appeared to have forgotten that India has seven Union Territories that also need to come on board.

Health boost provided
Given that government health spending in India has historically been low, making major allocation for the Health ministry, the highest ever growth in nominal terms in the last 15 years,represents big growth though expectations were still higher. In terms of any indicator of government health spending — as a share of GDP (1.3 per cent in 2014-15) or as a share in total government spending (4.8 per cent in 2014-15) or as a per capita spending (less than $20 in 2013-14) – India ranks poor in comparison to other countries.

Consolidating Oil Sector : Forming An Integrated Oil Co.
In a welcome move, the restructuring in the oil and gas sector has been assured. We propose to create an integrated public sector 'oil major' which will be able to match the performance of international and domestic private sector oil and gas companies.

Other positives are--Alignment with Global Best Practices, OECD Guidelines and BEPS recommendations and Ensuring Revenue Accountability, Probity, Information and Digitization (RAPID)
Budget provides for enforcing of greater accountability of officers ofTax Department for specific act of commissionand omission.

Sustainability undertone of the Budget indicates that the government has long term vision for the Indian economy. Elections in the next few days will be followed by large state elections in November 2018 and national elections scheduled for 2019. Likely higher than expected tax revenue and GDP growth, government intendsto complete tax reforms for individuals and corporates, in next year's budget.

Some Concerns emanating from Budget are—

• Fear of tax terrorism and no word on corporate tax cut.

• Two paras towards a transparent method of funding political parties in budget created quite a stir. Maximum amount of cash donation that a political party can receive will be Rs 2,000 from one person. Electoral bonds have been proposed. Black money is a multifaceted one in politics, requires a holistic approach and not piecemeal measures as in this budget. According to a recent article by Jagdeep S Chhokar in EPW, "the only solution seems to be for civil society, the media and the judiciary to work in synchrony to achieve this. Al these three are also dispersed in themselves and there is no formal way for them to work together."

• Implementation of the demonetization exercise has left a lot to be desired. The government seems to be framing rules as it goes along and that is never a good thing.

• NPAs issue has become a serious issue despite numerous efforts made. Government has started pulling up bankers for NPA woes.

An initiative that has been mooted of late is the formation of a public sector asset rehabilitation agency with the acronym ofPARA. This is similar to the idea of a bad bank which seems to be in the offing.

The IMF is of the view thatIndia banking bailout cost is 'manageable'

In sum :

Overall, the Budget is a welcome breakfrom the choppiness around with no major negative surprises, which by itself buoyed the markets. Amid volatility, the short-term trend has been up for both indices. It has focused on boosting infrastructure spending and pushing consumption while committing to fiscal consolidation. In many ways, the system has been straightened to ensure better investment climate for investors. Government seems to be determined not to be swerved from the path of transforming the nation by undertaking wide-spread reforms.There is a neutral stand on government revenues as far as the indirect tax collections are concerned. All eyes are set on the introduction of the final GST laws to pave way for the implementation of GST from July 1.The GST is radically different game changer move. As a short time window is available for its implementation, the penal provisions should not be harsh at least in the initial couple of years. Curbing cyber- crimes has become essential. Exporters, largely ignoredin the Budget, can hope for some incentives and thrust in the mid-term foreign trade policy (FTP) review in September. Lots needs to be done to increase India's exports. Only there is a scheme proposed for building export infra at state level. It is positive that authorities seem to be thinking ahead. It is reported that India is likely to have climate change budgetary supplement from next year. Judicial reforms are in the making. PM's view is that efficient governance was needed in order to reduce the burden on judiciary.

Ever expanding bundle of uncertainties-domestic and global- portends the FY18 to be a very challenging year. Against this, the economy's response to the budget would be interesting to watch.

On India's bullishness Jim Walker says—"The base-case growth rate for India is 5-6% but the potential is 7-8%. That is enough to make me buy India for the next 20 years."With government's goal being "reform to transform", realization of India's potential is possible.

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Yours sincerely,

For Head
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Dr. Tulsi Jayakumar

Dr. R. K. Pattnaik

BUDGET 2017 : A CASE OF NOT MUCH FISCAL PRUDENCE

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Budget 2017-18 presented on February 1, 2017 was presented as the offering of a reformist government, having enacted key transformational reforms including passage of the Constitution Amendment Bill for GST and the progress for its introduction, Demonetisation of high denomination bank notes, Enactment of the Insolvency and Bankruptcy Code; amendment to the RBI Act for inflation targeting and enactment of the Aadhar bill for disbursement of financial subsidies and benefits. The budget itself contained 3 major reforms. One, the budget's presentation had been advanced to 1st February to enable the Ministries to operationalize allactivities from the commencement of the financial year. Two, there was a mergerof the Railways Budget with the General Budget and Three, the classification of expenditure into plan and non-plan was removed in order to to facilitate a holistic view of allocations for sectors and ministries. Yet, any budget statement is actually the enunciation of a government's fiscal policy and to the extent should reflect prudent fiscal management. How did Budget 2017-18 fare in terms of fiscal prudence management? This paper looks at the important question regarding prudent fiscal management in India. Such prudence is important since it results in fiscal sustainability, fiscal transparency, budget integrity and above all, durable fiscal space. This was also result in functional autonomy to the RBI to conduct monetary policy.

PRUDENT FISCAL MANAGEMENT

INDICATORS

It is important to discuss prudence in the context of fiscal management, particularly in a rule-based fiscal policy regime (FRBM). Fiscal Prudence does not refer merely to a reduction in fiscal deficit, as is popularly perceived. Rather, it refers to the adherence and achievement of the following:

- Zero revenue deficit
- High capital outlays based on commercial principles (i.e. based on the rate of return on investment being higher than the borrowing costs)
- Focus on gross market borrowings by the government, rather than the net market borrowings (the former refers to net market borrowings + repayments)
- Achievement of Primary Surplus (where primary deficit = Fiscal deficit –interest payments)
- A gradual move towards primary surplus equivalent to interest payments
- Small savings coming from small investors rather than public sector institutional investors
- Reduction in the magnitude, duration and persistence of maintenance of government's cash balances with the RBI

GOVERNMENT STANCE

In the context of fiscal prudence, the The Union Budget 2017-18 when perused in conjunction with the Economic Survey, speaks of lesser recognition of such prudence in advanced economies. This is attributed to monetary policy having a limited role in achieving the macro -economic objective of growth and stability in the presence of zero lower bounds, and monetary easing having run its course in such economies. Further, both documents refer to the adoption of a fiscal consolidation stance in pursuance of fiscal prudence.

In keeping with this stance, Budget 2017-18 announced the following steps towards prudent fiscal management:

- Stepped up allocation for Capital expenditure by 25.4% over the previous year
- Targeting a 3.2% fiscal deficit for 2017-18, followed by 3% in the subsequent year, in line with the FRBM Committee recommendation.

• Net market borrowing of Government restricted to Rs. 3.48 lakh crores afterbuyback in 2017-18, much lower than Rs. 4.25 lakh crores of the previousyear.

• Revenue Deficit of 2.3% in BE 2016-17 stands reduced to 2.1% in theRevised Estimates. The Revenue Deficit for 2017-18 is budgeted at 1.9%,against 2% mandated by the FRBM Act.

ANALYSIS

We have examined the adherence to fiscal prudence in terms of receipt and expenditure management by the government in the budget 2017-18, as also in the medium term.

RECEIPT MANAGEMENT

Tax revenues:

Budget 2017-18 has envisaged gross tax revenue at 11.3% of GDP. The growth in gross tax revenues has been estimated to be moderate considering the high base on account of substantial growth achieved in the current year. In BE 2017-18, the growth in gross tax revenues have been estimated at 12.2 per cent over the revised estimates of 2016-17 as against the growth of 17 per cent growth estimated in the revised estimates of current year. The budget document speaks of the demonetization exercise and the implementation of GST as factors contributing to broaden tax base and in the process increase the tax to GDP ratio. The expectation that is put forward is that actual tax collections may exceed budgeted estimates.

Much of the increase in tax receipts was on account of a buoyant indirect tax collection, which showed a growth of more than 25 per cent during April-December, 2016 over the corresponding period in previous year. While the proportion of direct taxes (corporation and income taxes) in the overall tax receipts in 2016-17 was about 49.3%, Budget 2017-18 proposes to raise this to about 51.2%. This is largely to be driven by higher personal income tax collections, which have been budgeted at 25% higher (in absolute terms) than in the previous year, with a tax buoyancy of around 2.7, while corporate tax is budgeted at 9% above the previous year. Clearly, this is a tall order, especially given the lowering of the tax rates from the existing ten per cent to five per cent for individuals, HUFs, association of persons, body of individuals and artificial persons where the total income is between two lakh fifty thousand rupees and five lakh rupees and in the case of resident individual between the age of sixty years and eighty years, where the total income is between three lakh rupees and five lakh rupees. Further, Budget 2017-18 clearly anticipates an increase in the indirect-tax to GDP ratio once the new GST system stabilizes.

The problems in fiscal prudence arise because of the continuous deterioration in the proportion of direct taxes to the overall tax revenue. As seen in Table 1, the share of the direct taxes in overall tax revenue increased to a peak of about 61% in 2009/10, after which it has steadily fallen. The regressive nature and inflationary potential of the indirect taxes would dictate against a system of higher proportion of tax revenues coming out of indirect taxes.

TABLE 1: CONTRIBUTION OF DIRECT TAXES TO TOTAL REVENUE (Amount in Rs. crore)

FINANCIAL YEAR	DIRECT TAXES	INDIRECT TAXES	TOTAL TAXES	DIRECT TAX AS A % OF TOTAL TAXES
2000-01	68305	119814	188119	36.31
2001-02	69198	117318	186516	37.1
2002-03	83088	132608	215696	38.52
2003-04	105088	148608	253696	41.42
2004-05	132771	170936	303707	43.72
2005-06	165216	199348	364564	45.32
2006-07	230181	241538	471719	48.80
2007-08	314330	279031	593361	52.97
2008-09	333818	269433	603251	55.34
2009-10	378063	243939	622002	60.78
2010-11	445995	343716	789711	56.48
2011-12	493987	390953	884940	55.82
2012-13	558989	472915	1031904	54.17
2013-14	638596	495347	1133943	56.32
2014-15	695792	543215	1239007	56.16
2015-16	847097	856146	1703243	49.7

Source: Government of India, Income Tax data, http://www.incometaxindia.gov.in/Documents/Time-Series-Data-Final.pdf

Further, as Table 2 demonstrates, there is little scope for fiscal space arising out of most taxes, since the tax buoyancy – defined as the percentage change in tax receipts divided by the percentage change in nominal GDP- works out to less than 1 for most taxes.

TABLE 2: ASSESSMENT OF TAX BUOYANCY IN INDIA

Revenue Receipts	2016-17(RE) in Rs. crores	2017-18(BE) in Rs. crores	Growth Rate of taxes (%)	Tax Buoyancy*
Gross Tax Revenue	1703242.94	1911579.46	12.23	1.04
Corporation Tax	493923.5	538744.73	9.07	0.77
Taxes on Income	353173.7	441255.27	24.94	2.12
Union Excise Duties	387368.58	406900	5.04	0.43
Customs	217000	245000	12.90	1.10
Service Tax	247500	275000	11.11	0.95

- **Nominal GDP growth rate at 11.75%**

Source: Government of India Budget documents; Authors' calculations

Disinvestment proceeds

Moreover, the budget places an inordinately high reliance on disinvestment proceeds. These proceeds are budgeted to increase from Rs 45,500 crores in 2016/17 to Rs. 72500 crores in 2017/18 – a 59.3% increase- which is clearly untenable, given the level of disinvestment in the past.

Financing of fiscal deficit

The financing of fiscal deficit has further issues on the revenue side, since there is an emphasis on drawdown of surplus cash balances, as also a greater reliance on securities issued against small savings schemes. The former really is an indicator of poor and inefficient cash management by the Government, which renders monetary liquidity management by the Reserve Bank of India difficult. As regards the latter, such small savings schemes have relied more on public sector institutional investors rather than the small investors, rendering such schemes meaningless. Again, the relevant figure to judge the extent of market borrowings by the central government is the gross market borrowings inclusive of repayments (Rs. 1.57 crores), which works out 5.05 lakh crores. This creates a further pressure on the government's debt management through increasing the interest payment requirements, and at the same time having repercussions in the form of crowding out effects.

EXPENDITURE MANAGEMENT

The budget has sought to reduce thefiscal deficit to 3.2% of GDP despite an increase in capital expenditure by 24.5% over the previous year. However, this increase in the capital expenditure works out to a mere 0.54% increase as a proportion of to total expenditure (from about 13.89% to 14.43% of the total expenditure). Further, of this, only 16 per cent of the total expenditure is growth-supporting investment expenditure (capital outlay excluding defence).

Imbalance between revenue and capital expenditure

The imbalance between the revenue and capital expenditure, loosely understood as the relatively unproductive and productive components of total expenditure has been glaring in the Indian context as can be seen from Table 2.

Decomposition of expenditure

A decomposition of the expenditure side reveals the high proportion of interest payments (about 25%) in the overall expenditure. Not only this, about 30% of the increase in overall expenditure is on account of rising interest payments alone. Similarly, a perusal of the overall subsidies shows that while the fertilizer subsidy has been kept unchanged, food subsidies have been marginally increased, while petroleum subsidies have been reduced. Interest subsidies however have witnessed a 19.4% increase from Rs. 19424.53 crores in 2016/17 to Rs.23204 crores in 2017/18.

PRUDENT FISCAL MANAGEMENT AND FISCAL SPACE

Prudent fiscal management requires the elimination of revenue deficit at the earliest so that the borrowed fundsareused for investment expenditure. However, the medium term roadmap specified by the government lays out a revenue deficit of 1.6% of the GDP and 1.4%

TABLE 2: PROPORTION OF REVENUE AND CAPITAL EXPENDITURE TO TOTAL EXPENDITURE

Year	Revenue Expenditure (as % of total expenditure)	Capital expenditure (as a % of total expenditure)
2008-09	89.8	10.2
2009-10	89	11.00
2010-11	86.92	13.08
2011-12	87.89	12.16
2012-13	88.13	11.83
2013-14	87.97	12.03
2014-15	88.18	11.82
215-16	85.87	14.13
2016-17 (RE)	86.11	13.89
2017-18 (BE)	85.87	14.43

Source: Government of India, Union Budget 2017-18, http://indiabudget.nic.in of the GDP in 2018/19 and 2019/20 respectively. This is justified thus:

" Containing revenue deficit is an importantbenchmark for assessing fiscal prudence in normal circumstances. However, in the context of the fiscalfederal arrangements between the Centre and theStates in Indian context, the Centre transfers to States, even those meant for capital expenditure, flow in theform of revenue grants, and the specific need to enhance allocations on important revenue components of expenditure, particularly on maintenance works, anexcessive focus on reducing revenue deficit will becounterproductive and may even impact return oncapital assets in the economy. However, efforts for further rationalization of non-productive revenue expenditure will remain in focus".

Again, there is no mention of primary deficit in the government's budget statement, nor in the medium term fiscal policy statement. The continuation of primary deficit and financing of interest payments to the tuneof around 3 per cent of GDP from borrowed funds question the fiscal sustainability of the Government.

We conclude that the persistence of a large revenue deficit and the absence of a primary surplus have not provided any leeway to the Government to create an enduring fiscal space.

The case for fiscal prudence gains greater importance due to the impact of rising fiscal deficits on the debt-to-GDP ratio, and the attendant ramifications on credit ratings and borrowing costs. The general government debt-to-GDP ratio at 68.5 per cent for India is highest among all emerging economies, except Brazil. The government claims in the Economic Survey that the practice of combining a group of countries and then assessing comparatively their fiscal outcomes by rating agencies has led to India being designated the "outlier", since its general government fiscal deficit ratio of 6.6 percent in 2014 and debt are out of line with its emerging market "peers". Further, they claim that this is despite India maintaining an impeccable record of fulfilling its debt service obligations in a timely manner. India, despite its growth and macroeconomic stability since 2014, has been continuously rated a low BBB-. In fact, in November 2016, Standard & Poor's ruled out the scope for a ratings upgrade for India for a considerable period, quoting its low per capita GDP and its high fiscal deficit. Contrast this to China, which despite its "ominous scissors pattern" of a growing credit-GDP ratio alongside a falling GDP growth, has been continuously rated AA- by international credit rating agencies since 2010.

If the government is worried about its credit rating, it needs to focus on fiscal prudence, since credit rating agencies not only look at the fiscal deficit, but also fiscal management.

On the face it of it, India's public debt appears sustainable (and indeed manageable), given that it fulfills the two necessary conditions stated by the economist Domar for public debt sustainability. The real rate of interest, in particular, has been lower than the real rate of growth. However, it is the sufficient condition for such sustainability, which poses a problem in the Indian context. Such sufficiency of debt sustainability requires the generation of primary balance and primary revenue balance surpluses. India, however, has had far greater primary deficits over the past decade than all its peers, especially when compared with its rate of growth.

CONCLUSION

While the government has claimed fiscal consolidation, it is clear that there is much left to be desired both on the revenue and on the expenditure side. While fiscal deficit has been ostensibly brought down from 3.5% to 3.2% of GDP, the quality of financing the deficit, as also the nature of the deficit itself raises some questions regarding fiscal sustainability.

Assessing the parameters of fiscal prudence, the following conclusions are drawn:

- There is a persistent revenue deficit at 1.4% of GDP into 2019-20, indicative of dissavings by the government, acting as a drag on growth apart from pre-empting high cost borrowed funds from being used for investment expenditure
- Capital expenditure as a proportion of GDP is low (less than 2%)
- Higher gross market borrowings by the government whichwill contribute to higher interest payments and will exacerbate the vicious cycle of deficits and debt, besides crowding out private investment.
- There is non-achievement of Primary Surplus which questions fiscal sustainability
- Small savings coming from public sector institutional investors, which goes against the spirit of small savings
- There is persistence of maintenance of government's cash balances with the RBI, indicative of inefficiency in the government's prudent cash management,makingitdifficultfortheRBI'savowedobjectivesof neutralliquidity management.

All in all, Union Budget 2017-18 is a case of 'Not much' fiscal prudence, despite the government's claims to the contrary!

Mr. Vijay Kalantri

"India's Fiscal Budget 2017 : Economic & Political Fallout"

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India's fiscal budget has always attracted global attention as India is slated to be the destination for investment. It is no longer a guessing situationfor fiscal allocations and the same are based on earlier indicated propositions.

Budget allocations have been an indicator of good or bad fortunes in various sectors due to the very fact that India has been a favorite destination for landing of short term foreign capital primarily for the reason that Indian policies are volatile and there can be a random economy adjustment at any point of time apart from actual commitments at the time of budget announcements. Long term capital investments have been very few to be counted.

It has been emphasized that Indian economy gives unwanted attention to budget announcements when in practice the ground framework is highly unstable for policy or financial allocations to be of any optimum utilizations.

The budget announcement for 2016-17 has seen some major reforms in terms of time and framework. The announcement has preceded a month before the legendary one with the railway budget being scrapped and included in the main budget. The other reform is the integration of the plan and non plan expenditures and splitting the allocations sector wise. This type of framework does have lot of positives but the deviations occur due to failed implementation which is again due to the framework for implementation still inadequate and suffering. To be simple budget allocations need to be sturdy , specific and infrastructure based rather than sector or scheme based which history suggest have failed to deliver. The budget 2016-17 though in its new avatar has repeated the age old mistake of allocations made in schemes and sectors.

In context to budget 2016-17 there is a high investment in rural sector which is not a new landscape. Allocation for the crop insurance scheme, as the gap between farmers' cost on farming and their loss, if any, is huge. Higher allocation for irrigation is also a good booster to the rural economy.

Budget allocations for the rural poor have been announced but implementation is a huge issue with hugechallenges in mapping the actual needy. Inspite of the allocations made the question is whether the allocations will actually reach the poor is a huge uphill task. The slogans such as green revolution and garibihatao have been in vogue for last 50 years or so but still India is in the grip of 60% poverty. Such schemes and slogans failed merely because there was no mechanism which could ensure that the benefit reached the actual needy. Most of the time budget allocations have been siphoned for the benefit of the rich capitalists making them richer.

Though digital India has received a high impetus however, realization of the same can be predicted with 40 % efficiency given the poor infrastructure in place. AADHAR based subsidies and financial transactions for the rural poor have been proposed however, it should be aptly noted that even inspite of creation 1.5 Crore Jan Dhan Accounts 40% rural India is still unbankable. There is no doubt that inspite of the allocations most of the funds would go in the pockets of undesirables or unutilized.

Projected Fiscal deficit, tax to GDP ratio and consumer spending to GDP ratio are ones which project the health of a country in context to its financial health. Fiscal deficit not only determines the contribution of exports over imports but also the inward foreign remittance. Adherence to 3.9 per cent fiscal deficit and 3.5 per cent for next year would bring comfort to FII however its implementation is a question. The former an indicator of the domestic economy and later indicator of global impact on domestic economy. Globalisation cannot be denied by a country due to the inherent fact that exports are fuelled by imports. This budget did not announce any impressive duty drawback especially on import of food items.

Inbound remittances reflect the strength of countries to import Indian labor and subsequent contribution to a positive fiscal deficit. In case of global turmoil downsizing of Indian labor leads to weakening of the domestic Indian economy in par with these international economies. Inward remittances also back and foster consumerism which in turn boosts domestic consumption. The global slowdown has forced Indian labor to come back to Indian shores this in turn effect the support of inward remittances to aide lowering of the fiscal deficit.Sticking to 3.5 pc of the fiscal deficit target reinforces the credibility of Government of India's medium term fiscal targeting. However,fiscal policy is the weakest aspect of India's credit profile relative to other "Baa3" rated sovereigns because India has larger fiscal deficits and debt but the government is moving to correct it slowly.

Monetisation through divestment of (central public sector enterprises') individual assets would augment funds for investments, and improving the target of beneficiaries for various subsidies through greater use of Aadhar is expected to result in fiscal savings over the medium term.

The need of the hour is to accelerate the economy and promote consumption and boost domestic spending, but this budget doesn't have anything substantial on this aspect. It has a lot of dampeners, and no positive sentiment. Investment in job growth is very scanty. Micro units in the SME sector were the ones most affected by the demonetization wave. This sector accounts for nearly 33% of the total jobs though in an informal way. These jobs concentrated mainly in textile, leather and auto ancillary parts, however, this sector has had no appreciable relief whatsoever in context to the budget. The decrease of 5% tax liability does not reflect any major difference to the SME sector's growth prospects.

The banking sector especially the nationalized banking sector is in deep debt crisis due to the NPA problem. Allocation of additional capital will be a temporary stop gap solution and an introduction of a sturdy infrastructure such as the bad bank and allocation of capital to such an infrastructure would have been a permanent remedy to this issue. The allocation for bank capitalisation of 25,000 crore rupees (250 billion rupees) is only a patch on the 1,80,000 crores that the Economic Survey has identified as the need of this vital sector. The banking sector has a major role to play in spurring private investment which is lacking and without which the all-round economic revival is not a possibility. Banking sector reforms and possibility of introducing the BASEL 3 reforms have found no place in the budget allocations.One of the most awaited exemption of Dividend Distribution Tax on the dividend declared by the portfolio company to REIT and InvIT has been proposed. With this amendment, all the required fiscal support for REIT and InvIT to make it a reality has been done. This will support the developer and fund managers to raise funds through REIT / InvIT and create liquidity

India has showed valued growth and inward remittance in the auto industry with this industry having some chunk of exports thus contributing positively to the CAD. However, there is not much for Auto industry in this budget. Infrastructure cess increase up to 4 per cent on passenger vehicles will definitely have an impact on the prices. The modalities of collection of TDS of 1 per cent on more than 10 lakh priced cars is yet not clear. Further, curbing incentives on in-house R&D spends from 200 per cent to 150 per cent is not very positive. There is no presentation on roadmap for GST implementation, additional incentives for Electric Vehicles and Hybrids under FAME Scheme and the plan for Vehicle Scrappage scheme which is damper. The vehicle manufacturers are being directed to get to Euro 6 by 2020 and vehicles contribute so little to pollution. Main pollutant in Delhi for example is PM 2.5, which is dust. Cars only contribute 2 percent to that according to IIT Kanpur study. So why only cars are being targeted for pollution, especially when they are being pushed to incur the higher cost for Euro 6 is something which is difficult to understand and accept as being fair and reasonable. It's disappointing that the corporate tax rate that was being talked about last year has not been reduced. Instead, the levy of the tax on dividend is disturbing because it goes against the thread of certainty and stability that the government is talking about and sends a wrong signal to investors. The measures on setting up dispute resolution panels are not yet well understood, because there are few details. The reduction of the long term capital gains period from three years to two years is however a big positive.

The budget allocations and tax reliefs to the real estate sector will boost confidence in this sector.A relief to affordable housing and is a big thing because affordable housing almost has an infrastructure status by giving 100 percent exemption on profits. That's a valuedmeasure for affordable housing. However, one needs to bear in mind that relief for the repayment of interest as well as principal should have been to all categories of housing because one needs not only affordable housing but you need every segment to push up demand. However, the current rate of job growth hardly supports the demand for housing. Poor growth in demand for housing even after introduction of tax relief does not couple with demand in housing as there is no expectation for fall in present prices which are still too high to afford the same. Capacity generation with inadequate demand will make these tax reliefs useless.

The budget proposal to launch a new health protection scheme will ensure penetration of health insurance and promote financial inclusion. The proposal for additional Rs30, 000 health cover for senior citizens will help reduce the burden of healthcare expenditure for the aged. It's directionally progressive because of increase in insurance coverage, but what the sector needs is a roadmap. The present healthcare infrastructure either needs to be scaled up or embed in itself affordable hospitals run by charitable institutions under government subsidy scheme. The present status of government healthcare is pathetic with sub standard staff and healthcare equipment. The budget allocation towards new heath protection scheme is highly inadequate in comparison to the cost of private healthcare which is far more dependable.

Budget speech talks about job growth prominently in two sectors one of railways and the other in case of road and affordable housing structure. However, the infrastructure sector has a large appetite for private investment and the same requires top priority clearances especially in context to environment and land acquisition which have not been provided any relief in any shape. Secondly, the railways have been running into losses and there is urgent need to increase the operating ratio of this infrastructure but there has been no strategy devised to mark up the development and profitability of this sector. This budget in the new avatar is similar to old strategies in new clothes.

The budget propositions are laid on basis of the old strategy of populist schemes subsidizing the poor while compensating the same taxing the rich. However, with only a few rich now holding nearly 50% of the total wealth will hardly make an impact in balancing this subsidized capital. Thus it's very awry how the 3.5% fiscal deficit will be contained in a scenario of surgical strikes of demonetization enforced on the economy and uncontrolle inflationary tendencies in the Indian economy.

Though emphasis has been given to skill development and boosting innovation the basic infrastructure to carry out the same has been lacking. An ambitious budget allocation to build one school and one ten bedded hospital per village would have sounded a better choice than random allocation of resources which leaves an individual clueless about its realization. Definite budgetary allocations help job seekers to acquire skills in a sector which sees boosts in infrastructure pertinent to a certain sector.

Overall the budget is not a surprising one or neither is a dynamic one. The budget should be an icing on a cake however the Indian economy has failed to make a good cake below the icing thus, however good an icing is, it will fail to make the cake taste good. The changing of the plan non plan system of expenditure or pre poning the budget so as to start work by April will hardly matter to the present state of economy. Corrections in the existing infrastructure needs solid hard work and die hard policies. Instead of a demonetization drive in midst of a recovering economy a drive for digital India , skill India, education India to remotest India was more essential. Creation of a bad bank or securitization bonds to remove NPAs from the banking system and release of fresh capital to the ailing industry was more important than a demonetization drive. Upgrading quality of railway services and creation of small budget subsidized trains, divestment of unrequired railway land, would have created more capital for the railways. Identifying sectors which involve jobs and a more convenient labor policy suiting employer and employee requirements would benefit job growth and evidently boost GDP. Allocation of funds to build schools, teachers, connecting infrastructure such as roads and bridges, food and healthcare in remotest villages was most desirable for actually promoting financial inclusion. This infrastructure could have provided as a medium to establish digital India through school programs. Adult literacy could be promoted thus making India 100% literate to understand the value of schemes and funds allocated to them. Allocation of funds most importantly in the education sector will not only boost innovation but will empower the urban and rural poor to improve their financial status and boost financial inclusion in true means

FDI have been complaining for a long regarding India's protectionist policies towards incoming foreign capital and long regulatory processes relief in prohibitions for such capital at least in the infrastructure sector would have been a good proposition and contribute to faster growth. The scrapping of the Foreign Investment Promotion Board (FIPB) will help this cause, if done the correct way. Although 90% of foreign direct investment, or FDI, currently coming into the country comes in through the so-called automatic route, this process is anything but automatic. And the government also needs to quickly clarify what will happen to the remaining 10% that needs clearances from a combination of ministries. Moreover the budget does seem to be aligned with the prospective reforms such as the GST.

Thus we can conclude that the budget has been a major fall out.

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Accounting And Accountability Of Capital Expenditure Projects By Government

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Municipal Corporation of Mumbai has a budget bigger than that of some of the smaller states of India. Last year it budgeted a revenue expenditure of Rs.41000 cr, and its budget for capital exp was Rs.12800+ cr. Both in absolute and per capita terms, capex for Mumbai is quite large. Not only that, there are several projects for which money is spent by Railways, state and central governments and their agencies such as MMRDA, MSRDC etc. It is observed that there is little or no discipline at all, about keeping track of each capital project and identify its benefits. What we are told is only the cost of project & broad benefits without clear understanding and the estimated period for completion. We can call this as an investment in improving infrastructure. What applies to a Municipal Corporation, also applies to state and central govts. A proper cost benefit analysis in the beginning as well as after completion of a project is very important and it is almost never even attempted. If you bring transparency and governance, the first beginning should be made in case of capital expenditure projects. Before the start of the project or rather before its approval, then during the implementation of the project and after completion and when the benefits start flowing. We should also compare what was originally envisaged and what actually happened both in terms of cost benefit and impact (+ve as well as –ve).

When the benefits are available over a period longer than a year it is considered a capital project. Typically most major public projects take between one to five years for completion. They may require another 2-3 years for full maturity. We have many projects especially w.r.t irrigation projects going on for 10/20 or even more years, while they were initially envisaged to require 2-5 years. Obviously this leads to a huge cost escalation, running into several times the original cost as well as time. This much is fairly known to all of us, but there is also a lack of clarity about the quantitative and qualitative benefits of the project. There are also other important issues such as resettlement of project affected people and whether there are any other negative impact on environment or livelihoods of affected people or some other unintended consequences.

Each project should have a principal responsible person and this should not be the President, the P.M. or the C.M. but a minister handling a particular responsibility as well as a designated chief executive officer for a particular project. He should preferably be unchanged barring some specific reasons and not an IAS officer who would be routinely or otherwise transferred and there is a lack of continuous responsibility

It is suggested that for Mumbai Metropolitan Area or BMC within it, government should consider tracking all projects (under implementation or on drawing boards) cost of which is estimated at Rs.10 cr or more, major projects with cost beyond Rs.100 cr and mega projects for which the cost is beyond Rs.1000 cr. The projects should not be in the nature of replacement of items such as trucks, buses, rail coaches or repairs of roads, highways, bridges etc. but they should involve a new road/rail link, building a flyover, construction of a metro line/ network,or bus priority. Waste recycling, hospitals, schools, colleges ,gardens or administrative blocks or redevelopment of slums or water purification/pumping and dams for water supply are some of the examples for Municipal public projects. Whereas, irrigation, dams, highways, power generation and distribution are some of the examples of state projects. Similar list can be prepared for central govt too. The amounts above which the project would require such systematic comprehensive monitoring beyond just the accounting audit would be higher for state and central govt projects.

These reports should be prepared every 6 months both to show the original vs latest revised cost and time estimates, reasons for any major deviation beyond 10% from the previous report should be explained in a satisfactory manner. The reports should be signed jointly by the principal political functionary and an administrative chief. These should not be less than 1000 words and not more than 3000 words in a language which should be understood by anyone who has passed 12th standard. This should be considered an important part of the fiduciary responsibility at each level of government. The report should be on the website within 30 days of the previous semester. We should not cover up any major mistakes in any substantive issues whether previously stated or not. There must be an explicit mention of whether any alternatives were seriously considered or not in the initial project proposal to be placed on the website while inviting comments and suggestions from public. A megaproject like coastal road costing Rs.13000 cr for a 31km length is justified with a glib one liner that "doing nothing is the only alternative, which is not only false but arrogant, because it provides only 2 lakh trips/day-mostly by cars, whereas alternatives like bus priority on WEH can provide at least twice the no.of additional passengers at 1/20th of the cost and with much lower emissions and traffic jams. A.C. coaches replacing first class on western railway can also provide more passengers in better comfort and speed than those who would travel by cars on the coastal road creating a lot of parking problems at destinations. This example illustrates how we are keen for mega projects involving civil engineering rather than systemic solutions.

Providing such information right at the beginning is no favour to the public, but it would provide a much more holistic approach to the project itself by those who propose it. This will also reduce the need for use of RTI asking for relevant information & justification for project.

Some more examples of projects that need to be placed in public domain:

• Any project for water supply/pumping etc. should be accompanied by quantitative information of how many ltrs of water supply will get added to the existing quantity. How many people will be benefited by the availability of additional quantity of water? Is supply meant for residential, industrial or commercial use? (Nothing wrong in providing water for commercial/ industrial purposes.)

• In case of a road link/flyover within a metro or urban area, the current status of traffic (counts at peak hr peak direction) by various modes, including the no. of people carried as against, what is the new link/flyover envisaged to add. How will it benefit the public transport are the details which should be clearly stated. It is important to provide current modal split and what kind of modal split after the project is completed.

• In case of footpath building or repairs km of footpath built or repaired should be made available.

Given below are excerpts from budget at a glance for 2016-17 juxtaposed with previous year estimates for roads, bridges & traffic operations for Mumbai.

Traffic Operations, Roads & Bridges in Mumbai

Rs.cr

	2011-12	2012-13	2013-14	2014-15		2015-16	2016-17
	Actuals			Revised Est.	Actual	Revised Est	Budget Est
Revenue Expenditure	671	753	886	512	892	569	705
Revenue income-budget est.*					664	546	698
Rev income to exp. %					74.5	96.0	99.0
Capital Expenditure	439	841	771	2528	2137	2863	4479
Total rev.+ capital exp.	**1109**	**1595**	**1656**	**3040**	**3028**	**3432**	**5184**

Source : 2016-17 Budget speech by the Mun. Commissioner
2015-16 & 2014-15 statement of Shri Sitaram Kunte & 2014-15 budget estimates at a

*Revenue income is the compensation paid by large cos/corporations for digging roads for laying cables etc. If this money is properly used

Capital Expenditure Budget Estimates - 2012-13 , 2014-15 , 2015-16 & 2016-17

2012-13	Items of Capital Expenditure	2014-15	%	2015-16	%	2016-17	%
2479	Water Supply	2191	20	1862	16	1501	12
852	Sewage Disposal	677	6	674	6	1037	8
1325	Storm Water Drains	1121	10	1098	9	999	8
308	Solid Waste Management & Transport	496	5	423	4	317	2
655	Health Budget	727	7	799	4	901	5
1812	Traffic operations, Roads & Bridges	2831	26	3857	33	4479	35
139	Fire Brigade & Disaster Management	197	2	274	16	337	16
367	Repairs to Primary school buildings	345	3	357	3	325	3
94	Repairs to Mun. Properties & Slum Improvement	349	3	448	0	601	1
1141	others	1877	17	1862	16	2073	16
56	Gardens, markets& Abattoir, City Engg.dept & BMC Assessor & collector dept, mech & elec.	?		53	0	162	1
131	Information Technology	106	1	129	2	145	3
74	Excess of Income over Expenditure	5	0.04	2	0	2	0
9434	**Total Capex Budgetd**	**10923**	**100**	**11838**	**100**	**12877**	**100**
	Total Capex Actual	4201					

source: Budget estimates at a glance for 2012-13 & 2014-15 and statement of Shri Sitaram Kunte while presenting budget estimates for 2015-16 to the standing committee-Feb 2015-page ix

The above table shows large amounts provided for capital expenditure but without a clue. Most large capital projects take more than one year –even up to 5-8 years! Hence there is a need to identify all the projects by name and to show the year of their birth and completion and cumulative expenditure as well as revision in the costs or benefits.

Bandra Worli Sea Link was expected to cost Rs.400 cr and require 4 years to complete. It was expected to be used by 125000 toll paying crossing in the second year of operation. The project took 9 years to complete. The cost escalated by 4 times & volume of crossings has not gone up beyond 70000 even after 5 years of successful working.

Mr. Dhananjay Samant

Budget 2017: Economic and Political Fallout

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Budget 2017 contained more positives than negatives and demonstrated a sense of responsible continuity, with prudence largely superseding populism. Every Indian Budget is based on political considerations, but this time it was a well-managed balancing act. This was also a Budget wherein what was disclosed non-quantifiably was just as important as what was quantified. On all counts, India still remains a highly inequitable society and we do hope that this Budget will go some distance in addressing the underlying disparities, and bringing about genuinely inclusive economic growth. Even though the Budget looks reasonably good on paper, the acid test of its efficacy will lie in the quality of implementation of most of its proposals.

The stock-market welcomed the Budget. The BSESensex ended the day at 28,141, again of 485points or1.76%and moved up even further over the next two days.As far as market sentiment was concerned, that was more likely due to the absence of negativenews rather than the presence of positive news. The markets were clearly relieved that there were no unpleasant surprises in the fine print and that there was relatively little tinkering with the status quo.

Presented by Finance Minister (FM) Arun Jaitley, Budget 2017 contained three major changes :

- The presentation of the Budget was advanced to February 1 to enable Parliament to avoid a Vote on Account and pass a single Appropriation Bill for 2017-18. That would enable the various Ministries and Departments to fully utilize the available working season before the monsoon.

- The Railways Budget was merged with the General Budget, thus discontinuing a practice prevailing since 1924. This is a keystep in synergizing investments in multi - modal transportation throughout the country.

- The classification of expenditure into plan and non-plan categories was done away with to give an integrated view of financial allocations for various sectors and industries and facilitate a seamless allocation of resources.

Agenda for the coming year

The FM'sagenda for the coming year – *Transform, Energize and Clean (TEC) India,* consisted of ten distinctive socioeconomic themes, each of whichrevolved around a politically expedient issue. They are as given below:

1. Farmers
2. Rural Population
3. Youth
4. Poor and Underprivileged
5. Infrastructure
6. Financial Sector
7. Digital Economy
8. Public Service
9. Fiscal Management
10. Tax Administration

Some key highlights of Budget 2017 :

1. Oil prices, a rising dollar, and volatile commodity prices are seen as some of the key external inflationary risks to the Indian economy.

2. Demonetization is a bold and decisive measure to cleanse the financial system. With the pace of remonetization picking up, the note ban is expected to have only a transient effect on economic activity.

3. The focus of Government expenditure will be on rural areas, infrastructure and poverty alleviation, within an overall framework of fiscal prudence.

4. The agriculture sector is expected to grow at 4.1% in the current year and the target for agricultural credit in 2017-18 has been fixed at a record level of Rs. 10 lakh crores.

5. The provision of Rs. 38,500 crores under MGNREGA in 2016-17 is hiked to a record Rs. 48,000 crores in 2017-18.

6. The total allocation for the rural, agricultural and allied sectors in 2017-18 is Rs. 1.87 lakh crores, which is 24% higher than the previous year.

7. Affordable housing to be given infrastructure status to incentivize investment in this important segment of the economy.

8. The capital and development expenditure of railways to be pegged at Rs. 1.31 lakh crores for 2017-18. This includes Rs. 55,000 crores provided by the Government.

9. A new Metro Rail Policy focusing on innovative models of implementation and financing, as well as standardization and indigenization of hardware and softwareto be announced.

10. For the transportation sector as a whole, including railway, roads, and shipping, the Budget has provided Rs. 2.41 lakh crores. This magnitude of investment will lead to huge economic activity and concomitant employment generation opportunities in the country.

11. The Government is considering the introduction of a new law to confiscate the assets of economic offenders who flee the country.

12. The FIPB will be abolished in 2017-18. A roadmap for the same will be announced shortly. In the meanwhile, further liberalization of FDI policy is under consideration.

13. The focus on resolution of NPAs of banks will continue. Enactment of the Insolvency and Bankruptcy Code and amendments to the SARFAESI and Debt Recovery Tribunal Acts are steps in that direction. Rs. 10,000 crores provided for bank recapitalization in 2017-18.

14. Fiscal deficit for 2017-18 is pegged at 3.2% of GDP and the fiscal deficit target for the next three years is pegged at 3% of GDP.

15. To spur the digital economy, banks have targeted to introduce additional 10 lakh new PoS terminals by March 2017. They will be encouraged to host 20 lakh Aadhaar based PoS terminals by September 2017.

16. Small firms with turnover up to Rs. 50 crores to pay 25% tax now, instead of 30%. Also, the upper limit for cash transactions will now be Rs. 3 lakhs.

17. India remains largely a tax non-compliant society. The data mining efforts (facilitated by demonetization) will help in expanding the tax net as well as enhancing the tax revenues.

18. Rate of taxation for individual assesses between incomes of Rs. 2.5 lakhs to Rs. 5 lakhs reduced from 10% to 5%. In lieu of this, there will be a levy of a surcharge of 10% of tax payable on categories of individuals with annual taxable incomes between Rs. 50 lakhs and Rs. 1 crore.

19. To promote transparency in electoral funding, the maximum amount of cash donation that a political party can receive from an individual will now be Rs. 2000.

20. From April 1, 2017, there will be extensive efforts to reach out to the business communityto sensitize them tothe nuances of the impending GST.

An analysis of some key proposals

1. The thrust on promoting affordable housing for the masses is a step in the right direction. Given that this segment has remained for long the most unorganized in the real estate sector, the infrastructure status allotted to it will enable it to attract a relatively larger share of sectoral investment, and the bigger players will begin to take it more seriously. With the tax breaks and other financial benefits offered to affordable housing in this Budget, one can expect to see much sustained growth in this area in the years to come. Given the inevitable rise of urbanization and the concomitant benefitsof affordable housing to the hoi polloi, that would be a welcome development indeed. Also, with many state elections around the corner, this was obviously a politically expedient move, which had to be announced sooner or later.

On the flip side, real estate in India has traditionally been the bastion of a (sometimes unholy) nexus between politicians, bureaucrats and industrialists. Such nexuses have, in the past, occasionallybeen responsible for the imprudent lending behavior of public sector financial institutions, leading to a rise in their stressed assets and turning their balance sheets unhealthy.Foolproof systems will need to be put in place to ensure that lending for affordable housing projects are not in any way siphoned off by any of the stakeholders to serve their vested interests. In this context, due diligence and the careful monitoring of resourcescannot be overemphasized.

2. In India, even today, there is little premium on honesty with regard to tax compliance. We have 7 taxpayers for every 100 voters ranking us 13th among 18 of our democratic G-20 peers. The comparable figure for Sweden (a nation we often invoke in our push to a digital economy) is more than 90.To paraphrase Winston Churchill … India is a poor country full of rich people.

There is no doubt that Budget 2017 has taken some concrete steps to curb tax evasion and broaden the tax net. However, not much is said and done about an institutional reform of the tax administration, which also remains a decisive factor in enhancing the productivity of the fiscal system. Even the most efficient computerization and digitization processes can take us only up to a point … beyond that there will invariably be a decision taken by a human, which needs to be made as accountable as possible, if the faith of the people in the fairness of the system is not to be eroded.

3. The deviation from the fiscal target is relatively small at 0.2 percentage points of the GDP. This can be condoned considering the large investments the Government is committed to making in the development of the rural and the social sectors. The quality of the deficit is more important than its quantity, and here we give the benefit of the doubt to the FM. Also, given that the world is now de - globalizing and protectionist tendencies are emerging in mostof our major export markets, there is a strong case to boostdomestic purchasing power to reap the full economic and political benefits of a single unified marketspace. However, it is worrying that the combined deficit of the Central and the State Governments is around 6-7% of GDP. This is amongst the highest in the free world and dents our economic credibility.

4. A (relatively paltry) allocation of Rs. 10,000 crores has been provided for bank recapitalization. In doing so, the FM has perhapshinted that if the Government keeps pumping capital into banks without them taking any initiative for their own recovery, for reasons best known only to them (the banks), it is a wasteful expenditure. A tightening in recapitalization could induce banks to go after defaulters more aggressively and minimize the ever-greening of loans with the myriad restructuring schemes now available. The existingNPAs in the financial system are stressing it considerably and the Government probably believes that the ball is now in the banks court, and that the banksshould be held responsible for their own survival and success through their proactive actions.

5. The measures announced to clean up electoral funding are small, but a step in the right direction. We do need to do much more to enhance transparency in our political system but at least a symbolic beginning has been made. The logical next step is to mandate all political parties to publicly disclose all of their expenditures at every level and also reveal the sources which would be financing these outgoings. As things stand, there is a risk of electoral bonds becoming a convenient route for storing black money, thus defeating their raison d'être.

6. Dismantling the FIPB isan initial step in debottleneckingthe system and indicatesthat we welcome more FDI to fund our ambitious development plans. Without an adequate inflow of FDI, both infrastructure development and sustained job creation in the economy will be difficult, and that will be politically inconvenient especially in an election year. However, abolishing the FIPB should be followed with a persistent simplification of the entire regulatory mechanism governing capital inflows into India, which will eventually facilitate the ease of doing business in the country and thus help enhance our sovereign rating.

There are some legitimate concerns about the credibility of the data used by the FM. After all, not only was the Budget presented a month earlier than usual but the recent demonetization-and the concomitant disruption of economic activity – has rendered suspect part of the fiscal arithmetic underlying the officialpronouncements. With this in mind, some of the economy related informationavailablein the public domain needs to be taken with a pinch of salt. Under the circumstances, RBI did well to play it safe and not go in for a further cut in interest rates, in its monetary policy review following the Budget. Of course, another key factor influencing RBI's rate-cut decision was the uncertainty prevailing due to the expected changes in crude oil and base metal prices, which could affect inflationary expectations.

Conclusion

Despite the fact that the Budget provides reason for optimism, it is obvious that the biggest economic reform in India is a transformation of the political system. Getting people to pay proportionately for the resources they consume calls for a paradigm shift in the nation's political ethos. No budgetary diktats can bring about that much needed change. The primary impediment to India's economic progress continues to remain its fiscally irresponsible politics, which encourages people to stay on dole rather than transit to a development mindset, wherein there is no free lunch. However, there are now discernable signs that market pressures are gradually phasing out such regressive thinking and replacing it with more globally compatible ideas.

Ms. Manisha Karne

The State of Education, Health, Nutrition and Tribal development in Maharashtra

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1. Introduction :

Public support for education and health care has been historically low in India, averaging less than four percent of GDP for education and 1 percent of the GDP. Apart from this, there is also underutilization of funds at the national level. The replication of this is found in Maharashtra's economy. The average health expenditure on education as percent of GSDP in Maharashtra from 2001 to 2015-16 has been only 2.54 percent of GSDP of the state whereas the average health expenditure as percent of GSDP in Maharashtra from 2001 to 2015-16 has been very low at 0.45 percent of GSDP.

Maharashtra is a leading economy in the country, its performance in education health, nutrition and tribal development is also considered to be better compared to the national average. However, there are many shortfalls in primary education, health, nutrition, and tribal development especially when inter-district performance is taken into consideration. Apart from its performance being below the benchmark in certain indicators, there are serious issues of inter-district and social disparity in outcomes. The objective of this background note is two-fold 1. To examine the outcomes in view of the budgetary allocations to these sector 2. To identify the shortfalls to initiate dialogue for relevant revisions in the state budget.

2. Education in Maharashtra :

Education has the potential to increase opportunity for deprived classes and it enables them to have social mobility. Equality of geographical, economic and social access to education is considered important for breaking generational cycles of deprivation for children belonging to the socially excluded classes. It is important to assess how inclusive the education policy has been in expanding and broadening of economic, geographical and social access to education for all.

As far as general education in concerned, the literacy rate of the State is 82.3 per cent against 73 per cent at All-India level as per Population census, 2011. The rural –urban gap in literacy has reduced from 15.1 to 11.7 from 2001 to 2011 in the state. The gender gap has also declined from 18.9 to 11.5 during the same period (Census, 2011). There is convergence in literacy rate in general population and SC, ST and Minorities in Maharashtra. However, the gap between general population and ST and Minorities (i.e. the social gap) is still noticeable. The gap is reducing for SC faster than that for ST population.

Table 1 : Literacy Rate for SC and ST

Year	1991	2001	2011
SC	54.46	71.98	78.8
ST	36.79	54.69	73
Total	64.9	76.9	82.3

Graph 1: Literacy for SC, ST and Total

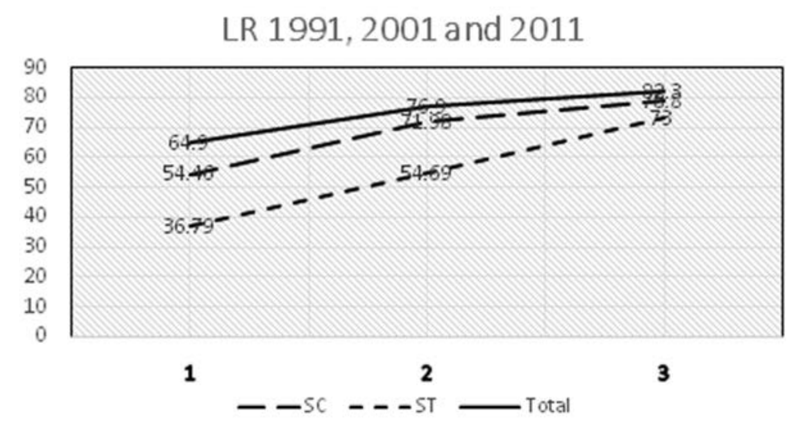


Table 2: Declining social Gap in Literacy

Year	Social Gap for SC	Social Gap for ST
1991	10.44	28.11
2001	4.92	22.21
2011	3.5	9.3

This gap is indicates that basic educational needs of the SC and ST have been seriously undermined in the past. Apparently affecting adversely life chances of vast sections of those who have remained mostly deprived.

2.1 Inter-district variation in educational indicators :
Maharashtra has 35 revenue districts; divided into six revenue divisions. There are eight educational regions for the purpose of monitoring. At present, there are 351 educational blocks, 351 block resource centers (BRCs), 56 urban resource centers (URCs) (BRC in urban areas are referred to as URC) and 6170 cluster resource centers (CRCs) in the State. 43 educationally backward blocks have been identified in 10 districts, namely, Beed, Gadchiroli, Hingoli, Thane, Jalna, Kolhapur, Parbhani, Nanded, Nandurbar, and Nashik. Though Maharashtra is marching ahead of many other states in India, there are 57 blocks that have LR below the national average and 13 blocks in the country have LR lesser than the backward states in India.

Kelkar committee report has ranked district on Gender gap and Education Development Measure which is as below.

Table 3 : Inter-district disparity in educational indicators.

Bottom five in Gender Gap	Bottom Five in Education Backwardness Measure
Nagpur	Nandurbar
Gondiya	Nanded
Bhandara	Parbhani
Amravati	Hingoli
Wardha	Beed

These laggard districts mainly belong to Marathawada and Vidarbha region. Districts like Sindhudurg, Kolhapur, Raigadh, Satara which are performing well on educational backwardness measure are also the best performing districts in other indicators too.

The State has been giving importance to primary education, which has resulted in consistent achievement in educational outcomes at primary level. Apart from the initiatives taken under SSA, free education up to XII class is provided to girls. The state also has excellent higher educational institutions in the fields of engineering, medical and management. The educational outcome play important role in human development hence, we observe that Maharashtra's HDI is better than India's Human Development Index (0.467) whereas, it is 0.572 for the State.

The Education Development Index (EDI) for primary and upper primary levels of education and is computed by National University of Educational Planning and Administration (NUEPA). A composite index for elementary education which is exclusively based on the 'District Information System indicates that the State ranks 13th at primary, 16th at upper primary and 13th at composite levels with EDI 0.63, 0.67 and 0.65 respectively.

The state government in the year 2000 committed that it will be spending 7 percent of its SDP on general and technical education, it spent only 2.41 % of its SDP (2012-13). The planned expenditure on education has also remained low at 3.25 %, though the non-plan expenditure on education is more than ten percent. The norm of spending at least 75 percent the total funds for this sector of it on primary education is also not fulfilled. It has remained 47 percent on an average for 2004-2013.

1.2. Key indicators of Primary Education in Maharashtra :

- Improved access to schools due to Sarva Shiksha Abhiyan since 2005.
- On an average 47 percent is spent on primary education in the last one decade which is less than the commitment of the government.
- Rural- urban gap in enrolment is reducing rapidly.
- Pupil-Teacher ratio is 29.1 which a positive sign.
- Increase in the number of schools at secondary level especially in the urban areas. With urbanization demand for schools is growing rapidly in the urban areas, however, this demand is increasingly met by unaided schools. These schools charge comparatively higher fees and the quality is not necessarily good.

1.3. The Challenges faced by Primary education in Maharashtra

- The target of all children in school could not be achieved fully even in 2014-15.

- The number of Single teacher schools in various districts of Maharashtra is notable. (Approx. 3000)

- Fulfilment of RTE norms for schools is mandatory; however, relevance of these norms is generally ignored. Non-fulfilment of norms for girl's toilet, kitchen shed, ramp, and compound wall are reported.

- School infrastructure is in a bad state in many schools, no provision in the schools to make the payment of power bills, sanitation is poor. Drinking water facility still missing in the interior areas. (approx. 13000 schools are without power supply). Classrooms are inadequate, in 2012, 22,000 classrooms were in shortage as compared to the requirement in the state. Nearly 14 percent of schools in the state lack separate toilet facility for girls. The urbanized districts like Thane, Mumbai Raigad, and Pune have shortage of classrooms in schools leading to adverse student classroom ratio.

- Need to improve the capacity of Tribal schools for the larger outreach of these schools.

- Regular supply of school uniform and other material is important for incentivizing the attendance rate and for improving the retention rate.

- Regular supply and better quality of Mid-Day meal are also needed for the same reason.

- There is need to target out of school children in a better way for making the primary education inclusive. (92,000 children are still out of school-DISE, 2014-15), the number is higher in backward districts of the state indicating inter-district variation in this number. Similarly, there is an increase in the number of single teacher schools in mainly backward districts of Maharashtra such as Akola, Bhandara, and Amravati and also in Thane.

- In several districts in Maharashtra 35-50 % students who do not complete the schooling cycle. (Kelkar Committee Report)

- There is sharp inter-district as well as intra-district variation in female literacy, for example Nandurbar has just 0.77 villages having female literacy rate equivalent to the state average and Gadhchiroli has 4.6 percent of the villages in the same category.

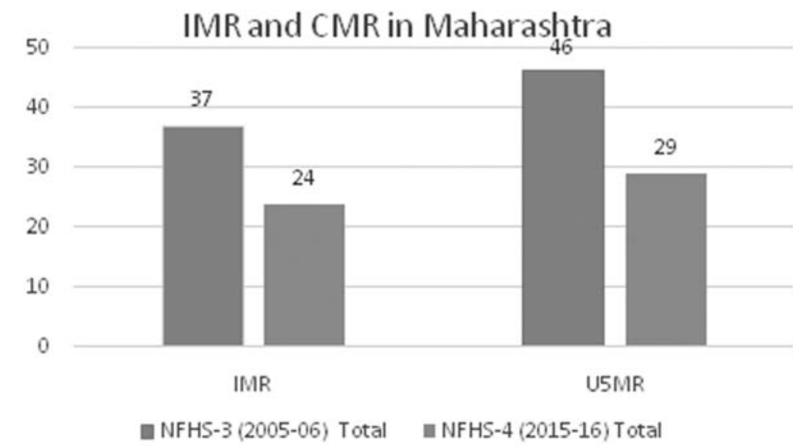
Apparently, these districts primarily backward in all other indicators of development. Nandurbar is ranked as the bottom most districts in Education backwardness measure in the same report. (Kelkar Committee Report)

- As per the ASER (2014-15) report 65.9 percent of children in II to V standard could actually read standard I level book and 32.8 percent could do subtraction or more of standard I level. So, there is a serious concern about the quality of education imparted at primary level.

3. Health and Nutritional scenarios in Maharashtra

Maharashtra is one the six states which has performed well on the health indicators laid out in the MDGs. The progress in IMR and under 5 mortality can be seen in the following graph.

Graph 2 : IMR and under 5 Mortality Rate



The state has achievements in health indicators such as in Total Fertility Rate, Contraceptive Use, Birth assisted, Institutional deliveries, it is among the top five states in India. However, there are many shortfalls and again the state average is camouflaging the inter-district district disparity.

The average health expenditure as percent of GSDP in Maharashtra from 2001 to 2015-16 has been very low at 0.45 percent of GSDP of the state. This naturally increases burden on out of pocket expenditure leading to a system dominated by out-of-pocket expenditures, the poor, who have the greater probability of falling ill due to poor nutrition, unhealthy living conditions, etc. pay disproportionately more on health than the rich and access to health care is dependent on the ability to pay. As a result, the public health care is criticized on the grounds of insufficient health coverage, sharp reductions in capital investments in public health infrastructure and deterioration in the quality of public health services leading to higher dependence on highly unregulated private health care services.

The Independent Commission on Development and Health in India has ranked the states on the basis of Staff, Infrastructure and Supply of drugs (SIS index) in health. In this study, there has been an attempt to match the SIS Index (i.e., staff, infrastructure and supply of drugs) with the Performance Index (i.e., percent of women who received full ANC, percent of institutional delivery, percent of women whose delivery was attended by skilled personnel, percent of children (age: 12-35 months) who received full immunisation and percent of children who did not receive any immunisation) for all the states in India and more importantly, for all the districts in India. Matching the SIS Index and the Performance Index at the state level reveal interesting results.

There are five states, namely, Maharashtra, Gujarat, Punjab, Arunachal Pradesh and Tripura where there is a mismatch as the SIS falls in the Best category and Performance Index is not in the same category. It indicates that in spite of good SIS, they have not been able to show good performance.

At the inter-district level the composite score for rural SIS index for the better performing districts such as Satara, Thane, Ahmednagar, and Sindhudurg is maximum i.e. between 16 and 18 whereas for other districts the score is between 13 and 15 and Gondiya has the lowest score of 10-12.In public health delivery system (performance Index) Sindhudurg has the highest score (28-30) and Gadhchiroli, Gondiya, Dhule, Nandurbar, Chnadrapur, Nanded and Osmanabad have the worst score. One can observe the worst performers remain the same in this list too.

Similar results on inter-district disparity in the health indicators have been given in the health score computed by Kelkar committee report. A comparison with HDI and per capita income for the top three and bottom three ranks in the state is given in the table below.

Table 4 : Classification based on the District-wise comprehensive Health Score

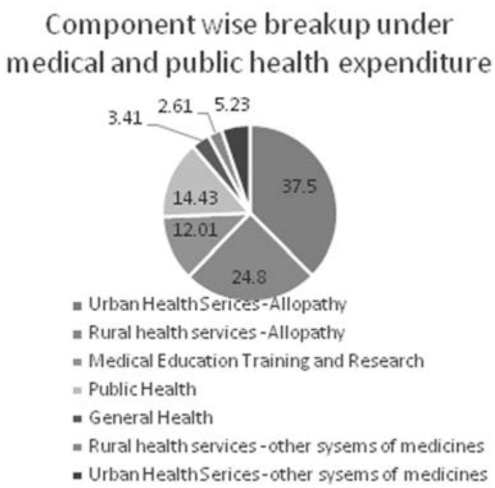
Rank in PCI	Ranking on basis of Health Score	HDI(2012)	Ranking on basis of Health Score	HDI(2012)	Rank in PCI
	Top Three		**Bottom Three**		
10	Sindhudurg	0.74	Nandurbar	0.66	-
7	Sangli	0.74	Gadhchiroli	0.62	30
6	Raigad	0.76	Buldhana	0.7	25

Source: Health scores are taken from the Kelkar Committee Report (2013)

This table clearly mirrors on the a positive link between income and health outcome and HDI, improving livelihood options and employment opportunities seem to be the sustainable options for the worse performing districts, however, there is also a need to re-emphasize better delivery of health care services in these worse performing districts so as to improve the health score in such districts. Hence, higher allocations to health sector are justified. However, it has always been less than 1 percent of the GSDP

Public health expenditure as a percentage of total expenditure on health in Maharashtra is 8.0 in 2015-16 and it just behind two other states namely UP (12.2 Percent) and Rajasthan (9.5 percent), though there is a decline in this percentage in past three years from 9.3 and 9.4 in 2013-14 and 2014-2015. The total public expenditure on health is divided as 94.50 percent as revenue expenditure and only 5.50 is capital expenditure. This has obviously led to deterioration in public health infrastructure further increasing the burden on people forcing them to spend more from out of pocket. If we examine the component-wise break of public expenditure, it is indicative of urban bias in the provision of public health services as more is spent on urban areas as compared to rural areas in the state as indicated in the graph below.

Graph: 3 Component wise breakup under medical and public health expenditure Challenges faced by



Health sector in Maharashtra :

- Unregulated private sector with varying quality and under qualified practitioners
- High percentage of out of

pocket expenditure (80 to 85 percent), due to decreasing public health expenditure which adversely affects the health outcomes

- Substantial rural-urban and inter-district disparities in health outcomes mainly due to disparities in access to health care services, water and sanitation.

- Social disparity reflects in variability in health outcome and nutritional status of SCs and STs. For example, children of STs are twice more likely be malnourished than other children.

- Shortage of human resources in the health sector. Lower density of health workers as compared to the norm.

- Weaknesses of the health care delivery mechanism (inadequate coverage by PHCs, ICDS, Ayush and RMPs)

3. Malnourishment in Maharashtra :

Malnourishment is the biggest challenge faced by Maharashtra. The problem of malnourishment and undernourishment is discussed in the context of a complete contradiction of economic and demographic achievement of the state on one hand and deaths due to undernourishment on the other.

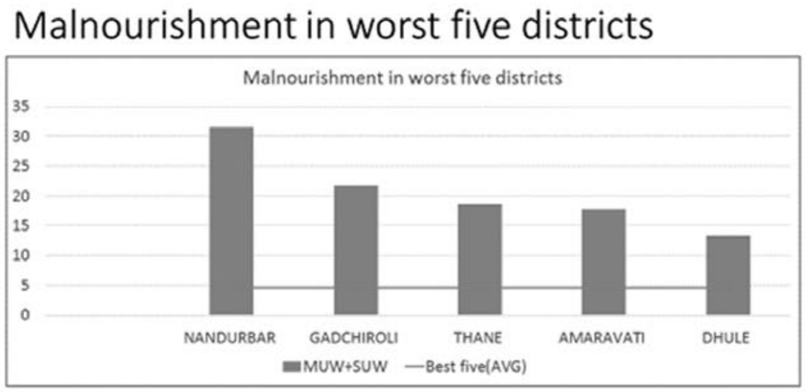
The MPR of 2014-15 gives the ranking of the district as per their nutritional performance. The best five and worst five districts have been taken in the following table for highlighting the importance of the link between nutrition and income and livelihoods in the backward districts of Maharashtra. Except for Latur, all other districts in this category are also performing well on economic fronts whereas the worst five have predominantly tribal population which further highlights the failure of policies for tribal in the backward districts. The list of top five and bottom five districts in nutritional status is presented in the following Table.

Table 5 : Nutritional Status in Maharashtra

Sr. No	Top Five Districts	Bottom Five Districts
1.	Sangli (3.1)	Nandurbar(31.5)
2.	Kolhapur(4.0)	Gadhchiroli(21.7)
3.	Bhandara (4.5)	Thane (18.4)
4.	Ahmednagar(5.4)	Amravati(17.8)
5.	Latur(4.5)	Dhule (13.3)
Source : ICDS Maharashtra, MPR -2014-15 (Figures in parentheses indicate children with MUW and SUW in percent)		

Source: ICDS Maharashtra, MPR -2014-15

Graph 4 : Malnourishment in worst five districts Though Thane ranks among the top three (ranks third) in economic performance and has better



physical and social infrastructure, undernourishment remains a big challenge for the district. The nutritional scenario is dismal in Thane district which has a tribal population mainly in Shahapur, Murbad and Bhiwandi. Urbanization in the district seems to have not resulted in many positive externalities for interior tribal blocks of Thane like Murbad and Shahapur which implies that urbanization and the benefits of urbanization have very limited spread effects in tribal areas. Those living in the interior areas are unaffected by the benefits of development. On the contrary, the tribal people living in the plain area and mainly near urban areas get some benefits of development and hence Bhiwandi in Thane district, for example, is has better nutritional status as compared to Shahapur and Murbad.

The intra-district analysis also indicates disturbing features. According to MPR, which has ranked 85 tribal talukas in Maharashtra on nutritional status, (MPR, 2015 on Nutrition by ICDS) the ranking indicate adverse nutritional scenario in most of the tribal talukas in Maharashtra.

For instance, Jawhar taluka in Palghar district is the worst block in the state. The miserable nutritional scenario in Palghar is indicated in the table below. Undernourishment has caused infant deaths in a short span of three months at the beginning of the current year.

Table 6 : Undernutrition in Palghar (March, 2016)

	Weighed	Normal	MAM	SAM	Deaths (0-1yr)	1 (1-6 yrs.)	Birth
Palghar	129825	98783	26100	4942	32	10	2025
%	-	76.09	20.10	3.81	15.80		

For tackling the nutritional challenge, few studies have given emphasis on Nutrition Mission for Maharashtra at least for targeted districts, however, presently there is no separate budget for programmes or schemes such as Supplementary Nutrition Programme and the funding is expected to come from existing schemes and programmes such as NRHM/NHM, Human Development Mission, Village Health and Nutrition Committee Funds, Rogi Kalyan Samiti etc. Perhaps, while evaluating the performance of these districts, it is strongly felt that as the nutritional status is closely linked to the livelihood issue, it could be tackled with better implementation of MGNREGs in the backward districts.

Looking at the socioeconomic profile of the poorly performing districts/ blocks on malnourishment, it is felt that the existence of SNP and ICDS in these blocks is not adequate, it appears that the health and the nutritional status of the population in the rural and the tribal areas cannot be improved only with such interventions. The nutritional status needs to be linked closely to the issue of livelihoods. In the absence of regular livelihood for poor in rural and tribal belt, public services alone do not seem to be offering a sustainable solution for their problems.

4. Tribal Development in Maharashtra :

There are 35 Districts in the State and the tribal population is largely concentrated in the western hilly Districts of Dhule, Nandurbar, Jalgaon, Nashik and Thane (Sahyadri Region) and the eastern Districts of Chandrapur, Gadchiroli, Bhandara, Gondiya, Nagpur, Amravati and Yavatmal (Gondwana Region). There are in all 47 Scheduled tribes in the state. The main tribes in Maharashtra are the Bhills, the Gonds, the MahadeoKolis, the Pawras, the Thakurs and the Varlis. There are three tribes Viz the Kolams (Yavatmal District), the Katkaris (mainly in Thane and Raigad Districts) and the MadiaGonds (Gadchiroli District) which have been notified as Primitive Tribes by the Government of India. As directed by the Government, in 1975-76 the villages where more than 50 Percent of the population was tribal were constituted into Integrated Tribal Development Projects (I.T.D.Ps.). There was 16 such Government of India approved I.T.D.Ps.

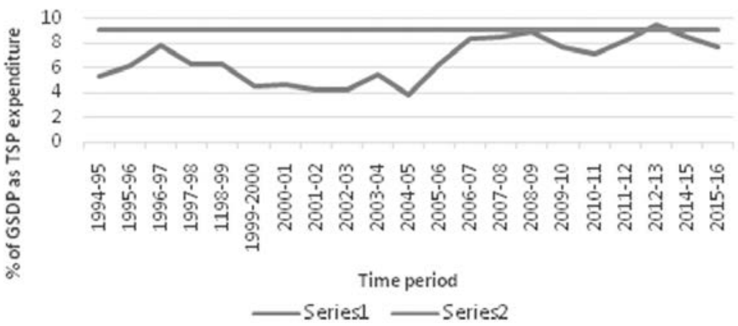
Maharashtra government resolution of September 2014 has provided the guidelines for the implementation of TSP and specified that the TSP should be exclusive of MLA Local Development Fund, Hilly Area Development fund and MGNREGA. The basic objective of the intervention in form of Tribal Sub-Plan was to improve the standard living of the tribal people. The funds under TSP have been categorized into four sectors for convenience viz. education, livelihood, employment, and infrastructure. In spite of all these efforts, the tribal population in Maharashtra is out of the mainstream of development. For instance, Tribal population has 20 percent shortfall in male literacy, 40 percent shortfall in female literacy and the Immunity of tribal child is 39.3 percent as against 62.3 percent of the general population. The PCI and HDI score for tribal districts is much lower as compared to the better performing districts in Maharashtra. This clearly brings out the inadequacies of several government initiatives for tribal people.

On the basis of the population norm the government is committed to spend almost 9 percent (Currently the population is almost 9.4 of the state population) of the SDP for tribal development, however, the graph below clearly indicates that it has remained off-track for most of the years in the past.

TSP expenditure as proportion of the total Public expenditure in the state is indicated in the following graph.

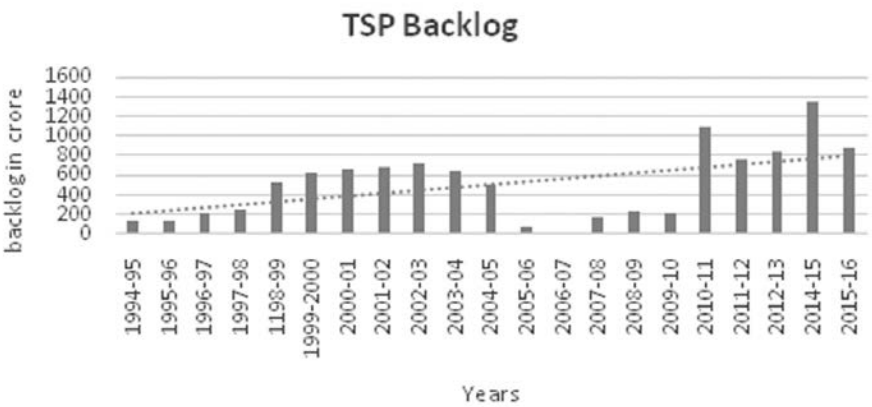
Graph 5 : Expenditure on TSP as a proportion of GSDP

Expenditure on TSP as a proportion of GSDP



Out of the total funds allocated 75 per cent of the funds should be spent on district schemes, however even this norm has been violated rampantly. On an average less than 50 percent is spent on district schemes. Also the funds spent as a substitute and not as "additionally" (Kelkar Committee Report).

The following table indicates the backlog of funds (unspent funds) for tribal development in the past 25 years. The total backlog in absolute terms has been to the extent of **10608.58 crores** in Maharashtra which has caused substantial loss in term of tribal welfare.



Source: Samarthan Arthasankalp Adhyayan Kendra

4.1 Tribal development vs. others in the state:

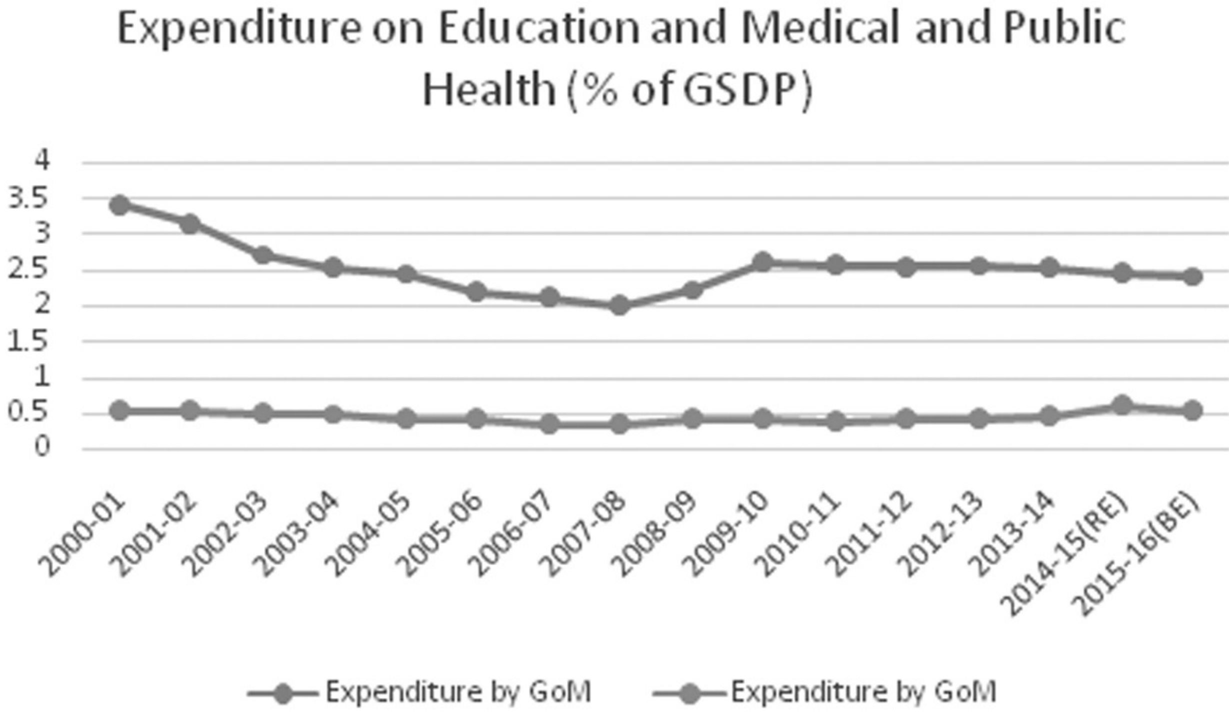
Several studies have discussed the factors responsible for deprivation of the tribal population in the state. There is land alienation, deprivation of their traditional rights on forest, water and land, failure of land reforms for tribal, displacement of tribal due to development projects etc. All these issues have been discussed in detail Kelkar Committee Report. In fact the development indices computed in the Kelkar Committee Report on Regional Imbalance indicate that there are 15 Talukas which are termed as the most backward talukas on development indices are all tribal talukas. These Talukas are concentrated in five Districts of the state, namely Thane(Post-bifurcation these talukas are actually in newly constituted Palghar district), Nashik, Gadhchiroli, Amravati, and Nandurbar. Except for Thane and Nashik, the other three districts are reported as the most backward districts in Maharashtra on development related indicators by different studies. For example, Gadhchiroli and Nadurbar are at the bottom in PCI ranking and also in terms of education, Nandurbar has just 0.44 percent of the villages in the district having literacy above 70 percent for females.

Generally, female education and education for SCs and STs is considered as the best equalizer or an instrument to achieve social and economic development of the underprivileged groups (Maharashtra Development Report, 2007). But the district- wise analysis indicates that as far as economic, social and geographical access to education for these sections are concerned there are unfulfilled targets. Hence it is observed that not only the enrolment ratios are lower among these groups in many districts with a higher percentage of SC and ST population but the overall dropout rate for these two groups is also relatively higher. The dropout rate is higher for ST as compared to SC population. Following table indicates the disparity in development indicators between the general population and STs.

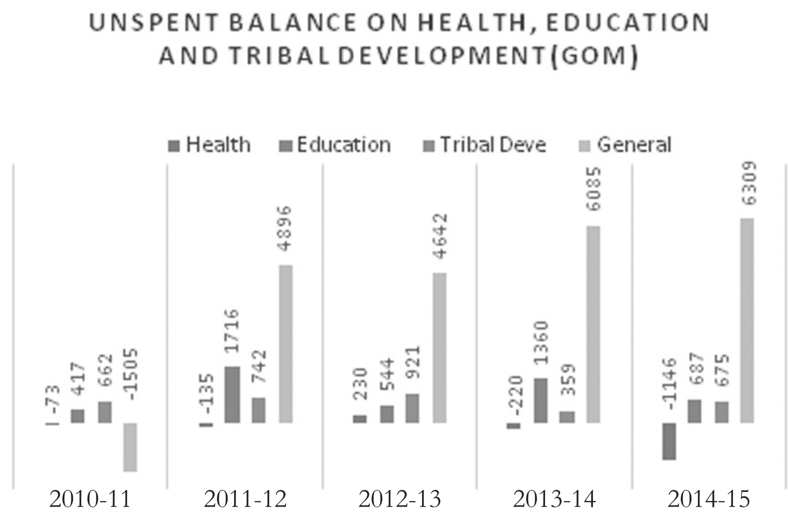
Table 6 : Disparity in Development Indicators in Maharashtra

	Indicator	General Population	ST	Percentage Difference
1.	GER(2007-08)			
	i)Upper Primary	86.8	69.1	4.4
	ii)Secondary and Higher secondary	56.5	40.9	37.9
2.	Net Attendance Ratio(UP) Rural	81.5	83	34.7
3.	Out of school children(6-17 years)	15.9	35.1	117.0
4.	Average annual expenditure per student	4511	1297	71.3
5.	Percentage of children Immunised	62.5	39.3	37.1
6.	PCI(Rs)	95,339	48,311	49
7.	TDI (Top 15vs bottom 15)	0.797	0.252	68
Source: Kelkar Committee Report(Based on Planning Commission Report)				

To conclude, analysis of these three major sectors of Maharashtra's economy reveal that the budgetary provisions for Health, Education, and Tribal have always been lower than expected. In the graph below the expenditure on education and Medical and public health clearly support this statement.



In fact the even the funds allocated were also not spent fully and hence the unspent balance on these heads in past few years has remained a cause of concern and it is indicated in the graph below :



Though the literature suggests higher public expenditure could help in reducing the disparities and help in achieving the targets, there could be other determinants that help in reducing divergence in the outcome indicators for these sectors such as the governance structure which could be largely responsible for the inefficiency of the public expenditure. The question volume of allocations is examined here, but the how the funds are spent is a matter of implementation which is equally important.

Lastly, the policy makers should give some attention to educational disparity, health disparity and nutritional shortfalls and on tribal backwardness for achieving better outcomes for all the sections of population in the state by tackling these issues and this review of Maharashtra expects to provide some relevant inputs in the sectors discussed in the paper.

Reference :

Kelkar Committee Report on Regional Imbalance (2013)

Decoding Electoral Bonds: Union Budget 2017

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Introduction

Electoral bonds will be issued by a notified bank for specified denominations. If you are keen to donate to a political party, you can buy these bonds by making payments digitally or through cheque. You are then free to gift the bond to a registered political party. The bonds will likely be bearer bonds and the identity of the donor will not be known to the receiver.

The party can convert these bonds back into money via their bank accounts. The bank account used must be the one notified to the Election Commission and the bonds may have to be redeemed within a prescribed time period.

Mainly, Electoral bond is more like a bail-bond than a Government or corporate bond. Electoral bonds are essentially like bearer cheques. The issuing bank will remain the custodian of the donor's funds until the political party redeems the bond. So, only the RBI will most likely be allowed to issue these bonds, to be sold through notified banks.

Importance of Electoral Bond

Today, major political parties use the lax regime on donations to accept cash donations from anonymous sources. Nearly 70 % party funding over an 11-year period came from unknown sources, according to the Association for Democratic Reforms (ADR).

Currently, political parties are required to report any donation of over 20,000 to the IT department. But there has been a trend of more donations flowing by way of hard cash in the smaller amounts. To fix this, the Budget has reduced the disclosure limit to 2,000 and insists that any amount over this must be paid through cheque or the digital mode. The idea is that electoral bonds will prompt donors to take the banking route to donate, with their identity captured by the issuing authority.

There are three major players of electoral bond First player is the donor who wants to donate funds to a political party. It can be a person, an organisation or even a company. Second player is a national or regional political party in the country and the third player is the Reserve Bank of India.

New Way of Political Funding

In order to structure the political funding better and to bring transparency, the government made several provisions in the Union Budget of this fiscal year.

An unprecedented announcement was made introducing 'Electoral Bonds,' for which the government is gearing up to amend the rules of the Reserve Bank of India. Under the Union Budget 2017, the government capped the political party funding per person to a maximum of Rs 2,000.

Any funding amount more than Rs 2,000 is required to be made through cheques or digital payments, where all political parties are also required to file income tax returns for the same.

"Demonetization seeks to create a new 'normal' wherein the GDP would be bigger, cleaner and real. This exercise is part of our government's resolve to eliminate corruption, black money, counterfeit currency and terror funding," Jaitley said. "We are aware we need to do more for our people. Continuing with the task of fulfilling people's expectations, our agenda for the next year is: 'Transform, Energise and Clean India,' that is, TEC India," Jaitley said, adding that the objective is to clean the country of "the evils of corruption, black money and non-transparent political funding".

I think, in its effort to bring down the ever escalating corruption, India will be the first country in the world to introduce the concept of an electoral bond. Introduction of these bonds specifically aims at killing the black money which mostly funds a political party in India. So, if you are keen to support a political party, there are chances that you will have to choose between remaining anonymous and saving on taxes. Also, in the electoral bond route, while the party may not know the identity of the donor, the bank will.

Be Prepared!

MEDC is of the view that the budget presented by Hon'ble Finance Minister today is path breaking in many ways. Indian subcontinent is undergoing a sea change of fiscal polices and consolidation. Demonetization, changing global scenario, protectionist policies of USA, need to ensure poverty reduction and necessary attention to sectoral needs is very well addressed in this national budget. We expect that it will take some time for implementation of the policy initiatives and therefore for the results to be felt and seen. In MEDC's view this budget is progressive and growth oriented like simultaneously clearing up the menace of parallel economy.

- by Cdr Dipak Naik

Infrastructure Highlights' of last five years

MEDC Research Team
Sonam Gupta & Dhanashree More

1. Introduction :

Infrastructure refers to the fundamental facilities and systems serving a country, city, or area, including the services and facilities necessary for its economy to function. It typically character rises technical structures such as roads, bridges, tunnels, water supply, sewers, electrical grids, telecommunications, and so forth, and can be defined as "the physical components of interrelated systems providing commodities and services essential to enable, sustain, or enhance societal living conditions."

Infrastructure is the stock of fixed capital equipment in a country, including factories, roads, schools, etc, considered as a determinant of economic growth

Types of Infrastructure	
Economic Infrastructure	**Social Infrastructure**
a. Irrigation and Power b. Transport c. Communication	a. Education b. Health, Sanitation and Water Supply c. Housing

Being an important segment in Indian Economy, Infrastructure plays a vital role in development of the country. Finance Minister, Mr. Arun Jaitley gives the special emphasis on the segment for the rapid development of the country.

Highlights of the Infrastructure Development

We have noticed several kinds of changes in the Budget when it comes to Infrastructure. Following are Union Budget highlights in the Infrastructure development from the financial year 2012-13 to financial year 2017-18. It may also arouse your interest that this sector is contributing 5.6% of the GDP currently. Also, you will see addition and eliminations of the policies and schemes.

Year 2012 - 13

Infrastructure

➢ In 2012 – 2013 government launched Rs 8,000 crore for infrastructure development.

➢ Tax free bonds of 60,000 crore to be allowed for financing infrastructure projects in 2012-13.

➢ In the financial year 2012-13, Government has approved guidelines for establishing joint venture companies by defence PSUs in PPP mode.

➢ IIFCL has put in place a structure for credit enhancement and take-out finance for easing access of credit to infrastructure projects.

Transport : Roads and Civil Aviation

➢ Allocation of the Road Transport and Highways Ministry enhanced up to 25,360 crore.

➢ New proposal has drafted to allow FDI investment up to 49% in the equity of an air transport under government's consideration.

Power and Coal

➢ External Commercial Borrowings (ECB) to be allowed to part finance Rupee debt of existing power projects.

Housing Sector

➢ Various proposals to address the shortage of housing for low income groups in major cities and towns including allowing ECB for low cost housing projects and setting up of a credit guarantee trust fund etc.

Irrigation

➢ Rs. 300 crore to Vidarbha Intensified Irrigation Development Programme under RKVY.

➢ Structural changes in Accelerated Irrigation Benefit Programme (AIBP) being made to maximize flow of benefit from investments in irrigation projects.

➢ Allocation for AIBP in 2012-13 stepped up by 13 per cent to Rs.14,242 crore.
➢ Irrigation and Water Resource Finance Company being operationalised to mobilise large resources to fund irrigation projects.
➢ A flood management project approved by Ganga Flood Control Commission at av cost of Rs.439 crore for Kandi sub-division of Murshidabad District.

Rural Infrastructure Development Fund (RIDF)
➢ Allocation under RIDF enhanced to Rs.20,000 crore. Rs.5,000 crore earmarkedv exclusively for creating warehousing facilities.
➢ Budgetary allocation for rural drinking water and sanitation increased from Rs.11,000 crore to Rs.14,000 crore representing an increase of over 27 per cent.
➢ Allocation for PMGSY increased by 20 per cent to Rs.24,000 crore to improve the road connectivity.

EDUCATION
➢ 6,000 schools proposed to be set up at block level as model schools in Twelfth Plan.
➢ Rs. 3,124 crore provided for Rashtriya Madhyamik Shiksha Abhiyan (RMSA) representing an increase of 29 per cent over BE 2011-12.
➢ Projects approved by National Skill Development Corporation expected to train 6.2 crore persons at the end of 10 years with the allocation of Rs.1,000 crore fund.

Health
➢ National Urban Health Mission is being launched.
➢ Pradhan Mantri Swasthya Suraksha Yojana being expanded to cover upgradation of 7 mor Government medical colleges.

Year 2013 – 14

Infrastructure
➢ In 2013 – 14 government has announced Infrastructure tax-free bond of Rs 50,000 crore and also raising corpus of Rural Infrastructure Development Fund (RIDF) to Rs. 20,000 crore
➢ 5,000 crore to NABARD to finance construction for warehousing. Window to Panchayats to finance construction of godowns.
➢ Infrastructure Debt Funds (IDF) to be encouraged
➢ IIFCL to offer credit enhancement

Transport Ports
➢ Two new major ports will be established in Sagar, West Bengal and in Andhra Pradesh to add 100 million tonnes of capacity.
➢ A new outer harbour to be developed in the VOC port at Thoothukkudi, Tamil Nadu through PPP at an estimated cost of Rs. 7,500 crore.

Road
➢ Build roads in North eastern states and connect them to Myanmar with assistance from WB & ADB
➢ 3000 kms of road projects in Gujarat, Madhya Pradesh, Maharashtra, Rajasthan and Uttar Pradesh will be awarded in the first six months of 2013-14 & set up of regulatory authority for road sector.

Waterways
➢ A bill to declare the Lakhipur-Bhanga stretch of river Barak in Assam as the sixth national waterway to be moved in Parliament.
➢ Preparatory work underway to build a grid connecting waterways, roads and ports.

Education
➢ A grant of Rs. 100 crore each made to 4 institution of excellence.
➢ 27,258 crore provided for Sarva Shiksha Abhiyaan (SSA)

Power
➢ Guidelines regarding financial restructuring of DISCOMS have been announced. State Government urged to prepare the financial restructuring plan, quickly sign MoU and take advantage of the scheme.

Year 2014 – 15

Infrastructure
➢ Shyama Prasad Mukherji Rurban Mission for integrated project based infrastructure in the rural areas
➢ An institution to provide support to mainstreaming PPPPs called 4PIndia to be set up with a corpus of Rs. 500 crores.

Smart Cities
➢ A sum of Rs.7060 crore is provided in the current fiscal for the project of developing "one hundred Smart Cities"

Irrigation
➢ 1000 crore provided for "Pradhan Mantri Krishi Sinchayee Yojna" for assured irrigation.

Transport Road

➢ 14,389 crore provided for Pradhan Mantri Gram Sadak Yojna(PMGSY) .

➢ An investment of an amount of Rs. 37,880 crores in NHAI and State Roads is proposed which includes Rs. 3000 crores for the North East.

➢ Work on select expressways in parallel to the development of the Industrial Corridors will be initiated. For project preparation NHAI shall set aside a sum of Rs. 500 crore.

Shipping

➢ Government will be allocated 11635 crore for the development of Outer Harbour Project in Tuticorin for phase I.

➢ Inland Navigation: Project on Ganges called "Jal Marg Vikas" to be developed between Allahabad and Haldia.

➢ New Airports: Scheme for development of new airports in Tier I and Tier II Cities to be launched.

Energy

➢ They also owed 100 crore for a new scheme "Ultra-Modern Super Critical Coal Based Thermal Power Technology."

➢ Rs. 500 crore for "Deen Dayal Upadhyaya Gram Jyoti Yojana" for feeder separation to augment power supply to the rural areas.

New & Renewable Energy

➢ 500 crores government provided for Ultra Mega Solar Power Projects in Rajasthan, Gujarat, Tamil Nadu, Andhra Pradesh and Laddakh.

➢ 400 crores provided for a scheme for solar power driven agricultural pump sets and water pumping stations.

➢ An amount of Rs. 100 crores set aside for "Agri-tech Infrastructure Fund"

Water supply & sanitation

➢ New programme "Neeranchal" to give impetus to watershed development in the country with an initial outlay of Rs.2142 crores.

➢ 20,000 habitations affected with arsenic, fluoride, heavy/ toxic elements, pesticides/ fertilizers to be provided safe drinking water through community water purification plants in next 3 years

➢ Rs. 100 crore provided for Detailed Project Reports for linking of rivers.

➢ 2037 crores provided for Integrated Ganga Conservation Mission "NAMAMI , GANGE".

➢ 100 crore provided for Ghat development and beautification at Kedarnath, Haridwar, Kanpur, Varanasi, Allahabad, Patna and Delhi.

Health

➢ A national level research and referral Institute for higher dental studies to be set up.

➢ AIIMS like institutions in Andhra Pradesh, West Bengal, Vidarbha in Maharashtra and Poorvanchal in UP. A provision of Rs.500 crores made.

➢ 12 new government medical colleges to be set up.

➢ States' Drug Regulatory and Food Regulatory Systems to be strengthened by creating new drug testing laboratories and strengthening the 31 existing State laboratories.

➢ 15 Model Rural Health Research Centres to be set up for research on local health issues concerning rural population.

Housing

➢ Allocation for National Housing Bank increased to Rs. 8000 crore to support Rural housing.

➢ Mission on Low Cost Affordable Housing anchored in the National Housing Bank to be set up.

➢ A sum of Rs. 4000 crores for NHB from the priority sector lending shortfall with a view to increase the flow of cheaper credit for affordable housing to the urban poor/EWS/ LIG segment is provided

Education

➢ Initial sum of Rs. 100 crore for "Start Up Village Entrepreneurship Programme" for encouraging rural youth to take up local entrepreneurship programs

➢ **School education :** An amount of Rs. 28635 crore is being funded for Sarv Shiksha Abhiyan(SSA) and Rs. 4966 crore for Rashtriya Madhyamic Shiksha Abhiyan (RMSA).

➢ Rs.500 crore provided for "Pandit Madan Mohan Malviya New Teachers Training Programme" to infuse new training tools and motivate teachers.

➢ 100 crore provided for setting up virtual classrooms as Communication Linked Interface for Cultivating Knowledge (CLICK) and online courses.

➢ **Higher education :** 500 crore provided for setting up 5 more IITs in the Jammu, Chhattisgarh, Goa, Andhra Pradesh and Kerala.

➢ 5 IIMs in the States of HP, Punjab, Bihar, Odisha and Rajasthan.

➢ Pan India programme "Digital India" to with an outlay of Rs. 500 crore to be launched. Programme for promoting "Good Governance" to be launched. A sum of Rs. 100 crore provided.

➢ Rs.100 crore is provided for Kisan TV, to disseminate real time information to the farmers on issues such as new farming techniques, water conservation, organic farming etc.

Urban Development

➢ Vision of the Government is that 500 urban habitations to be provided support for renewal of infrastructure and services in next 10 years through PPPs.

➢ Present corpus of Pooled Municipal Debt Obligation Facility facility to be enlarged to Rs. 50,000 Crore from Rs. 5000 crore.

➢ 100 crore provided for Metro Projects in Lucknow and Ahemdabad.

Others

➢ Incentives for Real Estate Investment Trusts (REITS). Complete pass through for the purpose of taxation. A modified REITS type structure for infrastructure projects as the Infrastructure Investment Trusts (INVITS).

➢ Corpus of Rural Infrastructure Development Fund (RIDF) raised by an additional Rs. 5000 crores from the target given in the Interim Budget to Rs. 25000 crores.

➢ Allocation of Rs.5,000 crore provided for the Warehouse Infrastructure Fund.

➢ Corpus of Rs. 200 crore to be set up to establish Technology Centre Network for MSME sector industries.

Year 2015 – 16

Infrastructure

➢ In 2015 – 16 government established with an annual flow of 20,000 crores to National Investment and Infrastructure Fund (NIIF)

➢ (SETU) Self-Employment and Talent Utilization) to be established as Techno-financial, incubation and facilitation programme to support all aspects of start-up business. 1000 crore to be set aside as initial amount in NITI.

➢ Atal Innovation Mission (AIM) to be established in NITI to provide Innovation Promotion Platform involving academicians, and drawing upon national and international experiences to foster a culture of innovation, research and development. A sum of Rs.150 crore will be earmarked.

➢ 5 new Ultra Mega Power Projects, each of 4000 MW, in the Plug-and-Play mode.

➢ Investment in infrastructure will go up by Rs70,000 in 2015-16 over last year

➢ Tax free infrastructure bonds for the projects in the rail, road and irrigation sectors. PPP mode of infrastructure development to be revisited and revitalized.

Transport

➢ The transport allowance exemption hiked to Rs 1,600 per month from Rs 800 per month.

➢ Port: public sector will be encouraged, to corporatize, and become companies under the Companies Act to attract investment and leverage the huge land resources.

Irrigation

➢ Rs.5,300 crore to support micro-irrigation, watershed development and the Pradhan Mantri Krishi Sinchai Yojana'.

Rural Infrastructure Development Fund (RIDF)

➢ Rs.25,000 crore in 2015-16 to the corpus of Rural Infrastructure Development Fund (RIDF) set up in NABARD

Education

➢ New All India Institute of Medical Science (AIIMS) to be set up in J&K, Punjab, Tamil Nadu, Himachal Pradesh and Assam. Another AIIMS like institutions to be set up in Bihar.

➢ A post graduate institute of Horticulture Research & Education is to be set up in Amritsar.

➢ 3 new National Institute of Pharmaceuticals Education and Research in

➢ Maharashtra, Rajasthan & Chattisgarh and one institute of Science and Education Research is to be set up in Nagaland & Orissa each.

➢ An autonomous Bank Board Bureau to be set up to improve the governance of public sector bank.

➢ Upgradation 80,000 secondary schools.

Welfare schemes

➢ Six crore toilets across the country under the Swachh Bharat Abhiyan.

➢ Rs. 5,000 crore additional allocations for MGNREGA.

Energy

➢ Rs. 75 crore for electric cars production.

Year 2016 – 17

Infrastructure and investment

➢ Government invested in the road sector Rs. 97,000 crore including PMGSY share.

➢ Government Road Budget is Rs 55,000 crore

➢ Additional Total outlay for infrastructure Rs. 2,21,246 crore

➢ Steps to re-vitalise PPPs: New credit rating system for infrastructure projects to be introduced

Transport Road

➢ Total investment in the road sector, including PMGSY allocation Rs.97,000 crore during 2016-17.

➢ To approve nearly 10,000 kms of National Highways in 2016-17.

➢ Allocation of Rs.55,000 crore in the Budget for Roads. Additional Rs.15,000 crore to be raised by NHAI through bonds.

➢ Amendments to be made in Motor Vehicles Act to open up the road transport sector in the passenger segment.

➢ Allocation under Pradhan Mantri Gram Sadak Yojana increased to Rs.19,000 crore. Will connect remaining 65,000 eligible habitations by 2019.

Education

➢ 62 new Navodaya Vidyalayas will be opened to provide quality education

➢ Higher Education Financing Agency to be set-up with initial capital base of Rs. 1000 Crores

➢ Scheme to get Rs.500 cr for promoting entrepreneurship among SC/ST

➢ 10 public and 10 private educational institutions to be made world-class.

➢ National Skill Development Mission has imparted training to 76 lakh youth. 1500 Multi-skill training institutes to be set up.

Irrigation

➢ A dedicated Long Term Irrigation Fund will be created in NABARD with an initial corpus of about Rs. 20,000 crore

➢ 'Pradhan Mantri Krishi Sinchai Yojana' to be implemented in mission mode. Rs. 28.5 lakh hectares will be brought under irrigation.

Housing

➢ Deduction for additional interest of Rs.50,000 per annum for loans up to Rs.35 lakh sanctioned in 2016-17 for first time home buyers, where house cost does not exceed Rs. 50 lakh

MAKE IN INDIA

➢ Changes in customs and excise duty rates on certain inputs to reduce costs and improve competitiveness of domestic industry in sectors like Information technology hardware, capital goods, defence production, textiles, mineral fuels & mineral oils, chemicals & petrochemicals, paper, paperboard & newsprint, Maintenance repair and overhauling [MRO] of aircrafts and ship repair.

Health

➢ Allocation for social sector including education and health care – Rs.1,51,581 crore.

Energy

➢ Rs. 3000 crore earmarked for nuclear power generation

➢ A plan to increase gas production from deep-water, ultra deep-water and high pressure-high temperature areas

Year 2017-18

Infrastructure : for efficiency, productivity and quality of life

➢ Dairy Processing and Infrastructure Development Fund to be set up in NABARD with a corpus of Rs. 2000 crores and will be increased to Rs. 8000 crores over 3 years

Irrigation

➢ Dedicated Micro Irrigation Fund in NABARD to achieve 'per drop more crop' with an initial corpus of Rs. 5,000 crores

➢ **The Long Term Irrigation :** Fund already set up in NABARD to be augmented by 100% to take the total corpus of this Fund to Rs. 40,000 crores

➢ MGNREGA allocation to be the highest ever at Rs. 48,000 crores in 2017-18.

Water & Sanitation

➢ A sub mission of the National Rural Drinking Water Programme (NRDWP), it is proposed to provide safe drinking water to over 28,000 arsenic and fluoride affected habitations in the next four years.

Education

➢ Innovation Fund for Secondary Education proposed to encourage local innovation for ensuring universal access, gender parity and quality improvement to be introduced in 3479 educationally backward districts.

➢ SWAYAM platform, leveraging IT, to be launched with at least 350 online courses.
➢ Skill Acquisition and Knowledge Awareness for Livelihood Promotion programme (SANKALP) to be launched at a cost of Rs. 4000 crores. SANKALP will provide market relevant training to 3.5 crore youth.
➢ Skill Strengthening for Industrial Value Enhancement (STRIVE) will also be launched in 2017-18 at a cost of Rs. 2,200 crores

Housing
➢ National Housing Bank will refinance individual housing loans of about 20,000 crore in 2017-18

Transportation
➢ Including rail, roads, shipping, provision of Rs. 2,41,387 crores has been made in 2017-18.

Railway
➢ For 2017-18, the total capital and development expenditure of Railways has been pegged at Rs.1,31,000 crores. This includes Rs.55,000 crores provided by the Government.
➢ Railway lines of 3,500 kms will be commissioned in 2017-18. During 2017-18, at least 25 stations are expected to be awarded for station redevelopment.
➢ 500 stations will be made differently abled friendly by providing lifts and escalators.
➢ It is proposed to feed about 7,000 stations with solar power in the medium term
➢ Metro Rail Policy will be announced with focus on innovative models of implementation and financing, as well as standardisation and indigenisation of hardware and software
➢ A new Metro Rail Act will be enacted by rationalising the existing laws.
➢ This will facilitate greater private participation and investment in construction and operation.

Road
➢ Budget allocation for highways increased from Rs.57,976 crores in BE 2016-17 to 64,900 crores in 2017-18.
➢ 2,000 kms of coastal connectivity roads have been identified for construction and development

Others
➢ High speed broadband connectivity on optical fibre will be available in more than 1,50,000 gram panchayats, under BharatNet. A DigiGaon initiative will be launched to provide tele-medicine, education and skills through digital technology to set up strategic crude oil reserves at 2 more locations, namely, Chandikhole in Odisha and Bikaner in Rajasthan. This will take our strategic reserve capacity to 15.33 MMT.
➢ An eco-system to make India a global hub for electronics manufacturing a provision of Rs. 745 crores in 2017-18 in incentive schemes like M-SIPS and EDF.
➢ A new and restructured Central scheme with a focus on export infrastructure, namely, Trade Infrastructure for Export Scheme (TIES) will be launched in 2017-18.

I hope new policies and scheme will generate more growth and demand for the betterment of the economy.

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Trading Economics

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Global Trade and Investment Trends

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This column focuses on trends in global trade and investments in the past month. This month's focus is on the possible direction of US Global Strategy, the German trade provocation, global water stress and the hazards of sneering at the services economy.

Germany continued to expand its trade surplus, this time even exceeding that of China, accused by President Trump of mercantilist trade policies :

Germany's got a nasty habit—one that it's foisting on the rest of the world. The country just announced record-breaking surpluses in trade and its current account. So huge is the latter that, in 2016, it exceeded that of China—a mind-blowing feat considering Germany's economy is about a third the size of China's. So what's the problem? Germany chronically overproduces andunder -consumes. The surpluses that this creates—along with those of China and, increasingly, Japan—force pockets of debt and unemployment elsewhere in the global economy, such as the US, the UK, and the euro zone periphery.

Germany has benefited from the artificially cheap euro, which gives a competitive boost to its exports. Even within the euro zone, though, the government's tight leash on wage growth, its fanatical fiscal thrift—the "schwarze Null," or "black zero," of a balanced budget is a private obsession of its finance chief, Wolfgang Schäuble—and its deep aversion to inflation have suppressed both domestic consumption and the price of goods, helping it undercut its euro zone neighbors' exports.

Beyond the euro zone, Germany's refusal to pop the lid on domestic demand is also rankling the US and UK—two of its biggest export markets.
Source: **Germany is playing a dangerous game on trade** Gwynn Guilford February 10, 2017Quartz Media

While we wait for Trump's reaction to the twin German and Chinese trade surplus provocations, it is useful to see this view on the relative importance of trade in shaping international relations under the Trump administration:

John Robb, who runs the Global Guerrillas blog and is an author and military analyst.

First, here's the analysis, in Robb's own words:

- **Since WW2, U.S. foreign policy has been completely dominated by national security policy.** In fact, it's hard to imagine a U.S. policy that doesn't view the world through a militaristic, cold war lens. This means that ALL other aspects of foreign policy are conducted in support of (slaved to) national security policy.

In particular, U.S. trade policy is configured to promote the economic growth of allied nations (originally to fight the Cold War) even if these trade relationships damage U. S. economic performance.

- **Trump inverts that policy relationship. In Trump's post-Cold War world, U.S. foreign policy will be dominated by trade policy.** Even national security policy will be subservient to trade policy. If trade policy is dominant, we'll see China, Mexico and the EU (Germany) become competitors. Russia, in contrast will become an ally since it doesn't pose a trade threat.

Here's Robb again:

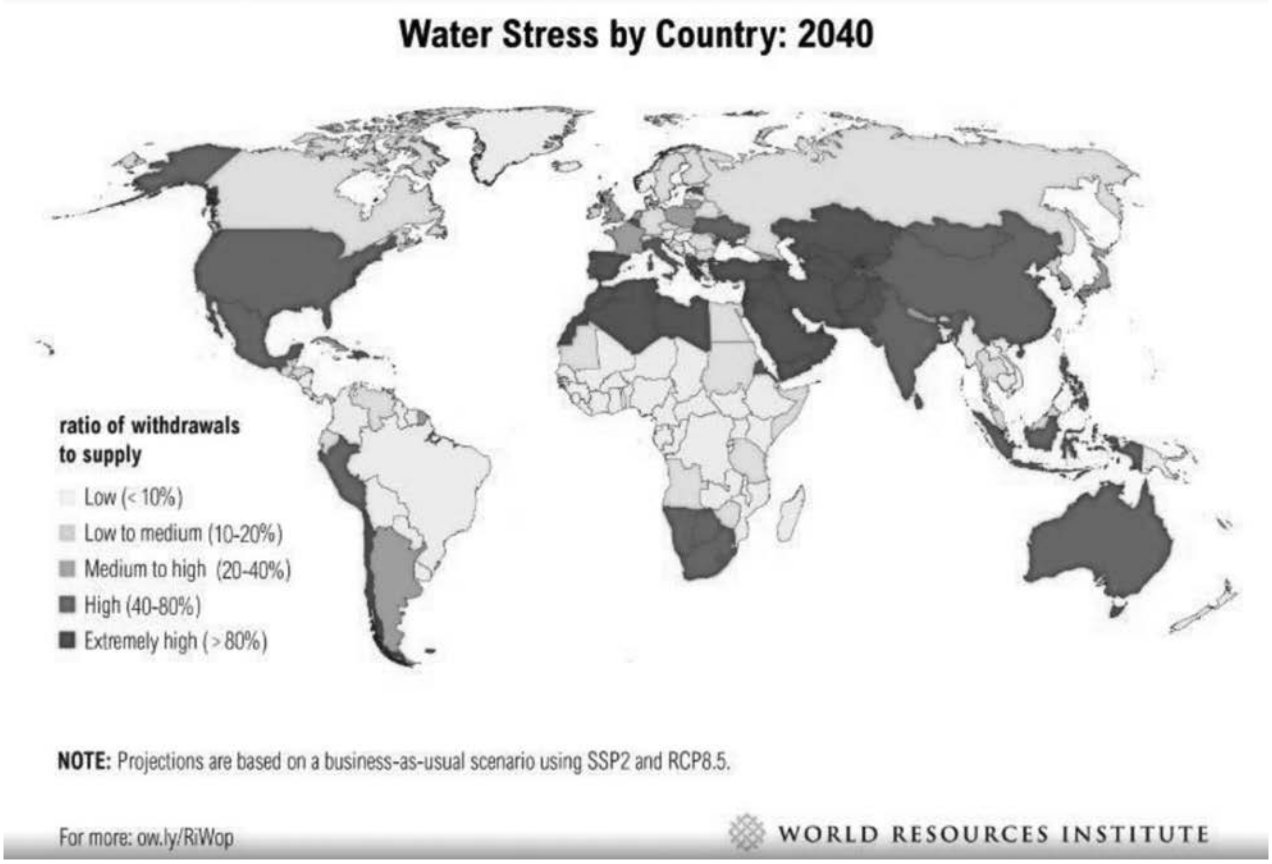
- **National security under this regime will be used to reinforce and grow positive trade relationships.**

For example, military tension with China creates the opportunity for sanctions that simulate the function of tariffs (allowing the U.S. to circumvent trade organizations and domestic resistance to tariffs). In a national security policy slaved to trade, any and all security guarantees extended to other nations will require a positive trade arrangement with the U.S. The U.S. simply won't protect or extent security guarantees to any nation that has a non-beneficial economic relationship with the U.S. (i.e. runs a trade deficit).

Source: **Look out China, Mexico, Japan and Germany: How trade shapes Trump's worldview,** By Simon Denyer January 25, 2017 Washington Post

Do bear in mind that it is said that the Washington Post and New York Times are less likely to get inside scoops on thinking in the White House than Fox News and the Wall Street Journal.

Looking forward to the longer term future, a recent World Resources Institute report on global water stress had some important potential lessons for Indian entrepreneurs.



Notice that Sub-saharan Africa looks much less water-stressed than India in the 2040s. Corporate-farming focused entrepreneurs should therefore be looking at this region to grow their business. The Chinese have already cottoned-on, as have some Indian firms like Karuturi.

Finally, given the enormous publicity given to Make-in-India, it is appropriate to caution policy makers and economic-actors against sneering at the large and growing services sector:

The **World Economic Forum asked experts from their Global Future Councils** for their take on the world in 2030, and these are the results, from the death of shopping to the resurgence of the nation state.

1. **All products will have become services.** "I don't own anything. I don't own a car. I don't own a house. I don't own any appliances or any clothes," writes Danish MP Ida Auken. Shopping is a distant memory in the city of 2030, whose inhabitants have cracked clean energy and borrow what they need on demand. It sounds utopian, until she mentions that her every move is tracked and outside the city live swathes of discontents, the ultimate depiction of a society split in two.

Uber, AirBnB and the like may well prove to be bellwethers of this longer term trend!

Current Topics

Mr. V. T. Pai
Ex. Director – Finance, MEDC

IDBE- arrest fallout- SBI says further restructuring of corporate loans to be decided through procedure under bankruptcy code

Worries SBI-may play safe with trouble borrower arrest or former bankers who has opposed loan to Vijay Mallya's Kingfisher Airlines will hold back India's largest lender state bank of India from through life line to a trouble company and proactively resigning to give business house a second choice.

In the course of meeting that followed by cost week high profile arrest by CBI the state owned high street owned high street bank has chosen to see further restructuring corporate loans be decided under the bankruptcy code.

Banks offer come together to reduce interest rate to convert debt into equity and pro long loan repayment period to help borrowers to tide over difficult times and deal with business.

But with bankers who had approved loans to kingfisher taken to custody bank employee's work to ring fence themselves against actions taken by the government enforcement agencies proving loans and alleged money laundry to Mallaya, A public transparent process of loan restructuring approval by National Company Law Tribunal (NCLT) can't be questioned. It may nor-be the best solution but then we do not have many choices says SBI officials. LCLT posses orders for in solving re solution after creditors inhate proceeding under bankruptcy law.

Few days ago senior officials of the bank met partners of leading firm in Mumbai to explore the option of involving the bankruptcy code for some of the large stressed loan account. Not all banks particularly some other private lenders may concerned with SBI by then banks will soon met to discuss the way forward for the industry in the after of arrests.

Among other things decline with stressed borrowers and method of loan restructuring is likely to crop up. When bank CEOs meet daily early Feb- as managing committee members of Indian Bank association, a bank lobby under the bank ruptcy code loan restructuring plan is prepared by an insolvent practiced whose appointment is to be cleared by NCLT in 180 days of NCLT passing an insolvency resolution order the practitioner takes possession of the assets of the default co. takes over the management it as on going company and collects data from the organization and banks operative offer 75% of the banks agree. If the plan is rejected NCLT order liquidation process of the co. and insolvency practitioner is appointed as a liquidator. According to the leg is lation secured creditors can take procession of pledged and mortgage assets to sell the mandre convert part of their dues.

A bankruptcy proceeding is perceived as on revenue to force a fraud borrower to fall in line thought it is not the best way for banks to solve the most of their money says a senior lawyer.

Lenders know very well such powerful law is not entirely free from obstacles, indeed one of the borrowings co recently moved to high court to challenge the bankruptcy process without serving the notice on the borrowers. But it appears the immediate priority for banks to take shelter under the reputation and raise wall of immunity against action or law enforcements agencies. More so with the arrest of EX-IDBI chairman Yogesh Aggarwal and for other officials of the said bank. Just days after a DRT – ruled infavour of SBI- led lender's consortium for recovering more than Rs.6200 Cr. from Mallaya.

STATE INCOME

The State has always been a major contributor to the national economy. As the agricultural economy is largely governed by monsoon, growth in this sector has plummeted this year. However, Industry and Services sectors have managed to drive the State economy to a fairly decent growth this year.

The Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation, GoI revises the base year of the national accounts periodically to account for the structural changes in the economy. CSO has revised the base year of the national accounts from 2004-05 to 2011-12, revised the methodology of compilation and included new & recent data sources. As is the practice internationally, sector-wise estimates are being presented as 'Gross Value Added (GVA) at basic prices', while, Gross Domestic Product(GDP) is being referred to as 'GDP at market prices'. Accordingly, Gross State Domestic Product(GSDP) is being referred to as 'GSDP at market prices'. The improvements in the methodology for estimation and inclusion of new & revised data have notable effects on the estimates.

State Economy

Forecast (2015-16)

The advance estimates of the Real Gross State Domestic Product (GSDP) i.e. 'GSDP at constant (2011-12) market prices' for 2015-16 is expected at `16,47,045 crore, with a growth of 8.0 per cent over 2014-15. The advance estimates of the Nominal GSDP i.e. 'GSDP at current market prices' is expected to be `19,69,184 crore.

• Erratic rainfall with long dry spells in the monsoon season hampered the Crop sector plummeting the growth of its Real GSVA i.e. GVA at constant (2011-12) basic prices for the State, to about (-)5.3 per cent over the previous year. Overall, the growth of Real GSVA of 'Agriculture & Allied Activities' sector is expected to decline by 2.7 per cent over the previous year. The Real GSVA of Industry sector is expected to grow at 5.9 per cent over the previous year whereas, the Services sector is expected to grow at 10.8 per cent. Overall, the State economy is likely to grow at 8.0 per cent during 2015-16 over the previous year.

GSDP (2014-15)

First revised estimates of Nominal GSDP for 2014-15 are ` 17,92,122 crore. The Real GSDP is estimated at ` 15,24,846 crore resulting in expected growth of 5.8 per cent during 2014-15 over the previous year.

• 3.4.1 Deficit of monsoon and unseasonal rains had an adverse impact on the agricultural production during 2014-15. Production of food grains declined by nearly 24.9 per cent over the previous year. Production of cereals and pulses decreased by 18.7 per cent and 47.0 per cent respectively. Production of cotton and oilseeds dropped by nearly 59.5 per cent and 52.8 per cent respectively. Production of fruits and vegetables also decreased by nearly 15 per cent. However, there was increase of 19.0 per cent in the production of sugarcane. The Real GSVA of Crop sector, thereby, is expected to decline by 23.4 per cent. With negative growth of 3.0 per cent in 'Forestry & Logging' sector as well, growth in the Real GSVA of 'Agriculture & Allied Activities' sector is expected to be (-)16.0 per cent.

• In the Industry sector, Real GSVA of 'Mining & Quarrying' is expected to increase by 22.6 per cent and that of Manufacturing is expected to increase by 4.6 per cent. Real GSVA of 'Electricity, Gas, Water Supply & Other Utility Services' is expected to grow at 18.7 per cent whereas, that of Construction sector is expected to grow at 1.2 per cent. During 2014-15, Real GSVA of Industry sector is expected to grow at 6.8 per cent over 2013-14.

• In the Services sector, Real GSVA of 'Trade, Repairs, Hotels & Restaurants, Transport, Storage, Communication & Services related to Broadcasting' sector is expected to grow at 9.0 per cent whereas, that of 'Financial, Real Estate & Professional Services' sector is expected to grow at

• 10.2 per cent. Thus, during 2014-15, Real GSVA of Services sector is expected to grow by 10.0 per cent over the previous year. Table 3.1 depicts sectoral annual growth rates of Real GSVA (at basic prices) and Real GSDP.

Table 3.1 Sectoral annual growth rates of Real GSVA (at basic prices) and Real GSDP

(per cent)

Sector	Growth rate			
	2012-13@	2013-14@	2014-15#	2015-16$
Agriculture and Allied Activities	**(-)1.9**	**12.6**	**(-)16.0**	**(-)2.7**
i) Crops	(-)3.6	19.6	(-)23.4	(-)5.3
ii) Livestock	3.8	1.1	4.1	4.0
iii) Forestry and Logging	(-)1.8	(-)6.5	(-)3.0	(-)3.1
iv) Fishing and aquaculture	0.9	2.0	7.0	3.8
Industry	**5.4**	**1.2**	**6.8**	**5.9**
i) Mining & Quarrying	4.0	(-)20.2	22.6	2.4
ii) Manufacturing	8.4	5.7	4.6	6.2
iii) Electricity, Gas, Water supply & Other Utility Services	5.3	0.5	18.7	10.6
iv) Construction	(-)2.8	2.4	1.2	5.3
Services	**8.2**	**7.0**	**10.0**	**10.8**
i) Trade, Repairs, Hotels & Restaurants, Transport, Storage, Communication & Services related to Broadcasting	9.6	2.2	9.0	10.6
ii) Financial, Real Estate & Professional Services	8.0	9.4	10.2	11.2
iii) Community & Personal Services	6.4	8.0	10.8	9.9
GSVA (at basic prices)	**5.9**	**5.6**	**5.6**	**7.7**
GSDP	**6.6**	**6.2**	**5.8**	**8.0**

@ Preliminary estimates # First revised estimates $ Advance estimates Note : GSDP = GSVA at basic prices + Taxes on products including import duties - subsidies on products Source : DES, GoM

State Income (2014-15)

First revised estimates of Nominal State Income i.e. Net State Domestic Product (NSDP) at current market prices is estimated at ` 15,72,037 crore in 2014-15, as compared to ` 14,50,003 crore in 2013-14 showing an increase of 8.4 per cent. The Real State Income i.e. NSDP at constant (2011-12) market prices in 2014-15 is estimated at ` 13,29,308 crore, showing an increase of 5.3 per cent over previous year. Details of GSDP & NSDP are given in Annexure 3.1 to 3.4.

• The Per Capita Net State Income (i.e. Per Capita NSDP) at current prices is estimated at ` 1,34,081 during 2014-15 as compared to ` 1,25,146 during 2013-14, depicting growth of 7.1 per cent over the previous year.

In the current series, i.e from 2011-12 to 2015-16, the GSVA of 'Agriculture & Allied Activities' sector has average share of 11.5 per cent in total GSVA for the State and its average growth at constant (2011-12) basic prices is (-)2.0 per cent. The average share of GSVA of Industry sector is 33.9 per cent and its average growth rate is 4.8 per cent. GSVA of Services sector, growing at 9.0 per cent on an average in this series, has an average share of 54.6 per cent in GSVA of the State economy.

At the sub sector level, Crop sector, growing at a pace of (-)3.2 per cent, has an average share of 7.6 per cent in total GSVA for the State. Manufacturing sector is growing at an average rate of 6.2 per cent with average contribution of about 21.3 per cent. With its average share of 9.9 per cent, 'Trade, Repairs, Hotels & Restaurants' is growing at an average rate of 7.1 per cent. 'Communication & Services related to Broadcasting' sector, though growing at highest pace amongst all the other sectors of the economy, contributes on an average 1.5 per cent in the State GSVA. 'Financial services' sector is growing at an average rate of 7.8 per cent and has its average share of 10.3 per cent. 'Real Estate, Ownership of dwellings &

Professional Services' sector with average share of 18.5 per cent is growing at an average rate of 10.8 per cent over the period.

District Income

District Income is one of the important barometers to measure growth and trends in economic development. Estimates of District Domestic Product (DDP) are compiled by the 'Income Originating Approach' and therefore, have all the inherent limitations. Because of the paucity of data, use of proxy indicators and various limitations in estimation procedure, the DDP may be used only to have a broad judgment of income at district level. Due to unavailability of data as per the revised methodology, the estimates of DDP and subsequently Per Capita Net District Income have not been compiled for Base year 2011-12 series.

Indian Economy

Forecast (2015-16)

Advance estimates for 2015-16 published by CSO, GoI reveal that the Real GDP or GDP at constant (2011-12) prices is likely to attain a level of ` 1,13,50,962 crore with a growth of 7.6 per cent, whereas the Nominal GDP or GDP at current prices, is expected at ` 1,35,67,192 crore. Real GVA of 'Agriculture & Allied Activities', Industry and Services sector is expected to grow by 1.1 per cent, 7.3 per cent and 9.2 per cent respectively.

GDP (2014-15)

The Nominal GDP, during 2014-15, is estimated at ` 1,24,88,205 crore whereas Real GDP is estimated at `1,05,52,151 crore. Real GVA of 'Agriculture & Allied Activities', Industry and Services sector is expected to grow by (-) 0.2 per cent, 5.9 per cent and 10.3 per cent respectively. The growth of the economy during 2014-15 is expected to be 7.2 per cent over the previous year. Table 3.2 gives sectoral annual growth rates of Real GVA (at basic prices) and Real GDP over the previous year.

Table 3.2 Sectoral annual growth rates of Real GVA (at basic prices) and Real GDP

(per cent)

Sector	Growth rate			
		2013-14##	2014-15#	2015-16$
Agriculture and Allied Activities	**1.5**	**4.2**	**(-)0.2**	**1.1**
i) Crops	0.2	4.2	(-)3.2	-
ii) Livestock	5.2	5.6	7.3	-
iii) Forestry and Logging	0.3	(-)1.5	(-)1.0	-
iv) Fishing and aquaculture	4.9	7.6	5.0	-
Industry	**3.6**	**5.0**	**5.9**	**7.3**
i) Mining & Quarrying	(-)0.5	3.0	10.8	6.9
ii) Manufacturing	6.0	5.6	5.5	9.5
iii) Electricity, Gas, Water supply & Other Utility Services	2.8	4.7	8.0	5.9
iv) Construction	0.6	4.6	4.4	3.7
Services	**8.1**	**7.8**	**10.3**	**9.2**
i) Trade, Repairs, Hotels & Restaurants, Transport, Storage & Communication & Services related to Broadcasting	9.7	7.8	9.8	9.5
ii) Financial, Real Estate & Professional Services	9.5	10.1	10.6	10.3
iii) Community & Personal Services	4.1	4.5	10.7	6.9
GVA (at basic prices)	**5.4**	**6.3**	**7.1**	**7.3**
GDP	**5.6**	**6.6**	**7.2**	**7.6**

National Income

Nominal Net National Income (NNI) for 2014-15 is estimated at ` 1,10,07,592 crore with an increase of 10.8 per cent over the previous year. Real NNI for 2014-15 is estimated at ` 92,35,026 crore which is more by 7.2 per cent over the previous year.

- The Per Capita Net National Income in 2014-15 is estimated at ` 86,879 as against ` 79,412 in 2013-14.

Sectoral share and growth in the current series

The average share of 'Agriculture & Allied Activities' sector in GVA at basic prices is 17.9 per cent and it is growing at an average rate of 1.6 per cent. Share of Industry sector is 31.0 per cent, with average growth rate of 5.5 per cent. Services sector with largest share of 51.1 per cent has average growth rate of 8.9 per cent. Details of GDP & NDP are given in Annexure 3.5 & 3.6.

Source : Economic Survey of Maharashtra 2015-16

Courtesy : DIRECTORATE OF ECONOMICS AND STATISTICS, PLANNING DEPARTMENT, GOVERNMENT OF MAHARASHTRA, MUMBAI

ANNEXURE 3.1

GROSS STATE VALUE ADDED AT BASIC PRICES BY INDUSTRY OF ORIGIN & GROSS STATE DOMESTIC PRODUCT AT MARKET PRICES AT CURRENT PRICES

(₹ crore)

Sr. No.	Industry	2011-12@	2012-13@	2013-14@	2014-15+
(1)	(2)	(3)	(4)	(5)	(6)
1	Crops	98,516	1,01,822	1,30,792	1,04,351
2	Livestock	28,557	32,826	34,999	39,728
3	Forestry and Logging	15,166	16,268	16,221	15,926
4	Fishing and aquaculture	2,939	3,516	3,852	4,751
5	**Agriculture & Allied Activities**	**1,45,178**	**1,54,432**	**1,85,864**	**1,64,757**
	(Sub-Total - 1+2+3+4)	*(12.8)*	*(12.0)*	*(12.8)*	*(10.4)*
6	Mining and Quarrying	56,493	59,023	52,057	52,827
7	**Primary Sector (Sub-Total - 5+6)**	**2,01,671**	**2,13,456**	**2,37,921**	**2,17,584**
8	Manufacturing	2,46,032	2,82,032	3,12,674	3,36,603
9	Electricity, Gas and Water Supply, Other Utility Services	26,173	28,524	40,287	43,347
10	Construction	78,630	81,869	88,671	94,502
11	**Secondary Sector (Sub-Total – 8+9+ 10)**	**3,50,835**	**3,92,425**	**4,41,632**	**4,74,452**
12	**Industry**	**4,07,328**	**4,51,449**	**4,93,689**	**5,27,279**
	(Sub-Total - 6 + 11)	*(35.8)*	*(35.2)*	*(34.0)*	*(33.4)*
13	Trade, Repair, Hotels & Restaurants	1,05,609	1,27,792	1,38,261	1,58,391
14	Railways	5,988	6,491	6,862	7,979
15	Transport by means other than Railways	41,696	49,331	54,225	62,170
16	Storage	925	1,019	1,162	1,312
17	Communication and Services related to Broadcasting	15,892	18,012	21,463	25,511
18	Financial Services	1,17,836	1,29,091	1,49,940	1,61,433
19	Real estate, Ownership of dwellings & Professional Services.	1,90,870	2,24,570	2,61,667	3,07,181
20	Public Administration	39,070	43,374	47,639	54,270
21	Other services	66,625	78,318	91,994	1,08,064
22	**Tertiary / Services Sector**	**5,84,510**	**6,77,998**	**7,73,213**	**8,86,311**
	(Sub-Total-13 to 21)	*(51.4)*	*(52.8)*	*(53.2)*	*(56.2)*
23	**Gross State Value Added**	**11,37,016**	**12,83,879**	**14,52,765**	**15,78,347**
	(5+12+22)	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*
24	Taxes on Product	1,62,085	1,98,304	2,30,056	2,53,948
25	Less Subsidies on Product	26,134	33,717	35,315	40,173
26	**Gross State Domestic Product (23+24-25)**	**12,72,967**	**14,48,466**	**16,47,506**	**17,92,122**
27	**Per capita GSDP (₹)**	**1,12,500**	**1,26,502**	**1,42,192**	**1,52,853**

Source : Directorate of Economics and Statistics, GoM, Mumbai.

@ Preliminary + First Revised Estimates

Note- Figures in brackets show percentages to GSVA. Figures may not add up due to rounding.

ANNEXURE 3.2

GROSS STATE VALUE ADDED AT BASIC PRICES BY INDUSTRY OF ORIGIN &
GROSS STATE DOMESTIC PRODUCT AT MARKET PRICES AT CONSTANT (2011-12) PRICES

(₹ crore)

Sr. No.	Industry	2011-12@	2012-13@	2013-14@	2014-15+
(1)	(2)	(3)	(4)	(5)	(6)
1	Crops	98,516	94,985	1,13,566	86,937
2	Livestock	28,557	29,638	29,956	31,180
3	Forestry and Logging	15,166	14,895	13,922	13,507
4	Fishing and aquaculture	2,939	2,965	3,026	3,239
5	**Agriculture & Allied Activities (Sub-Total - 1+2+3+4)**	**1,45,178** *(100.0)*	**1,42,483** *(98.1)*	**1,60,470** *(110.5)*	**1,34,863** *(92.9)*
6	Mining and Quarrying	56,493	58,781	46,901	57,506
7	**Primary Sector (Sub-Total - 5+6)**	**2,01,671**	**2,01,264**	**2,07,371**	**1,92,368**
8	Manufacturing	2,46,032	2,66,679	2,81,801	2,94,720
9	Electricity, Gas and Water Supply, Other Utility Services	26,173	27,548	27,687	32,868
10	Construction	78,630	76,414	78,220	79,169
11	**Secondary Sector (Sub-Total – 8+9+ 10)**	**3,50,835**	**3,70,641**	**3,87,708**	**4,06,757**
12	**Industry (Sub-Total - 6 + 11)**	**4,07,328** *(100.0)*	**4,29,422** *(105.4)*	**4,34,609** *(106.7)*	**4,64,263** *(114.0)*
13	Trade, Repair, Hotels & Restaurants	1,05,609	1,16,843	1,17,005	1,26,832
14	Railways	5,988	6,192	6,368	6,815
15	Transport by means other than Railways	41,696	45,868	47,639	51,620
16	Storage	925	940	1,012	1,094
17	Communication and Services related to Broadcasting	15,892	16,675	18,614	21,449
18	Financial Services	1,17,836	1,26,527	1,37,253	1,47,615
19	Real estate, Ownership of dwellings & Professional Services.	1,90,870	2,06,982	2,27,689	2,54,432
20	Public Administration	39,070	39,822	40,550	43,802
21	Other services	66,625	72,606	80,875	90,744
22	**Tertiary / Services Sector (Sub-Total-13 to 21)**	**5,84,510** *(100.0)*	**6,32,454** *(108.2)*	**6,77,005** *(115.8)*	**7,44,403** *(127.4)*
23	**Gross State Value Added (5+12+22)**	**11,37,016** *(100.0)*	**12,04,359** *(105.9)*	**12,72,084** *(111.9)*	**13,43,529** *(118.2)*
24	Taxes on Product	1,62,085	1,84,050	2,00,544	2,15,391
25	Less Subsidies on Product	26,134	31,293	30,785	34,074
26	**Gross State Domestic Product (23+24-25)**	**12,72,967**	**13,57,116**	**14,41,843**	**15,24,846**
27	**Per capita GSDP (₹)**	**1,12,500**	**1,18,524**	**1,24,442**	**1,30,056**

Source : Directorate of Economics and Statistics, GoM, Mumbai.

@ Preliminary + First Revised Estimates

Note- Figures in brackets show percentages to col. (3). Figures may not add up due to rounding.

ANNEXURE 3.3

NET STATE VALUE ADDED AT BASIC PRICES BY INDUSTRY OF ORIGIN & NET STATE DOMESTIC PRODUCT AT MARKET PRICES AT CURRENT PRICES

(₹ crore)

Sr. No.	Industry	2011-12@	2012-13@	2013-14@	2014-15+
(1)	(2)	(3)	(4)	(5)	(6)
1	Crops	92,739	95,234	1,23,229	98,318
2	Livestock	28,153	32,360	34,509	39,171
3	Forestry and Logging	14,999	16,102	16,043	15,751
4	Fishing and aquaculture	2,591	3,118	3,435	4,238
5	**Agriculture & Allied Activities**	**1,38,483**	**1,46,813**	**1,77,216**	**1,57,477**
	(Sub-Total - 1+2+3+4)	*(14.1)*	*(13.3)*	*(14.1)*	*(11.6)*
6	Mining and Quarrying	49,674	51,861	44,917	45,581
7	**Primary Sector (Sub-Total - 5+6)**	**1,88,157**	**1,98,674**	**2,22,132**	**2,03,058**
8	Manufacturing	2,06,804	2,36,158	2,63,897	2,84,093
9	Electricity, Gas and Water Supply, Other Utility Services	17,389	18,652	26,962	29,010
10	Construction	74,919	77,549	83,877	89,393
11	**Secondary Sector (Sub-Total – 8+9+ 10)**	**2,99,112**	**3,32,358**	**3,74,736**	**4,02,496**
12	**Industry**	**3,48,786**	**3,84,219**	**4,19,653**	**4,48,077**
	(Sub-Total - 6 + 11)	*(35.5)*	*(34.7)*	*(33.4)*	*(33.0)*
13	Trade, Repair, Hotels & Restaurants	98,061	1,18,598	1,27,416	1,45,967
14	Railways	5,126	5,552	5,866	6,820
15	Transport by means other than Railways	35,801	42,580	47,137	54,044
16	Storage	792	882	986	1,114
17	Communication and Services related to Broadcasting	12,883	14,745	18,059	21,465
18	Financial Services	1,15,976	1,26,804	1,47,097	1,58,372
19	Real estate, Ownership of dwellings & Professional Services.	1,41,087	1,65,493	1,94,524	2,28,359
20	Public Administration	27,844	31,318	34,743	39,580
21	Other services	58,403	69,424	82,565	96,987
22	**Tertiary / Services Sector**	**4,95,973**	**5,75,398**	**6,58,393**	**7,52,708**
	(Sub-Total-13 to 21)	*(50.4)*	*(52.0)*	*(52.5)*	*(55.4)*
23	**Net State Value Added**	**9,83,241**	**11,06,430**	**12,55,262**	**13,58,262**
	(5+12+22)	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*
24	Taxes on Product	1,62,085	1,98,304	2,30,056	2,53,948
25	Less Subsidies on Product	26,134	33,717	35,315	40,173
26	**Net State Domestic Product (23+24-25)**	**11,19,192**	**12,71,017**	**14,50,003**	**15,72,037**
27	**Per capita NSDP (₹)**	**98,910**	**1,11,005**	**1,25,146**	**1,34,081**

Source : Directorate of Economics and Statistics, GoM, Mumbai.

@ Preliminary + First Revised Estimates

Note- Figures in brackets show percentages to NSVA. Figures may not add up due to rounding.

ANNEXURE 3.4

NET STATE VALUE ADDED AT BASIC PRICES BY INDUSTRY OF ORIGIN &
NET STATE DOMESTIC PRODUCT AT MARKET PRICES AT CONSTANT (2011-12) PRICES

(₹ crore)

Sr. No.	Industry	2011-12@	2012-13@	2013-14@	2014-15+
(1)	(2)	(3)	(4)	(5)	(6)
1	Crops	92,739	88,883	1,07,156	82,030
2	Livestock	28,153	29,206	29,523	30,729
3	Forestry and Logging	14,999	14,741	14,741	13,355
4	Fishing and aquaculture	2,591	2,590	2,660	2,848
5	**Agriculture & Allied Activities**	**1,38,483**	**1,35,420**	**1,53,105**	**1,28,962**
	(Sub-Total - 1+2+3+4)	*(100.0)*	*(97.8)*	*(110.6)*	*(93.1)*
6	Mining and Quarrying	49,674	51,961	40,429	49,570
7	**Primary Sector (Sub-Total - 5+6)**	**1,88,157**	**1,87,382**	**1,93,534**	**1,78,532**
8	Manufacturing	2,06,804	2,22,534	2,36,312	2,47,146
9	Electricity, Gas and Water Supply, Other Utility Services	17,389	18,652	15,229	18,079
10	Construction	74,919	72,293	73,768	74,662
11	**Secondary Sector (Sub-Total – 8+9+ 10)**	**2,99,112**	**3,12,859**	**3,25,309**	**3,39,888**
12	**Industry**	**3,48,786**	**3,64,821**	**3,65,739**	**3,89,458**
	(Sub-Total - 6 + 11)	*(100.0)*	*(104.6)*	*(104.9)*	*(111.7)*
13	Trade, Repair, Hotels & Restaurants	98,061	1,08,180	1,07,181	1,16,183
14	Railways	5,126	5,311	5,475	5,859
15	Transport by means other than Railways	35,801	39,399	41,078	44,511
16	Storage	792	811	852	922
17	Communication and Services related to Broadcasting	12,883	13,484	15,336	17,672
18	Financial Services	1,15,976	1,24,310	1,34,540	1,44,697
19	Real estate, Ownership of dwellings & Professional Services.	1,41,087	1,52,025	1,68,152	1,87,902
20	Public Administration	27,844	28,237	28,543	30,832
21	Other services	58,403	64,129	72,185	80,994
22	**Tertiary / Services Sector**	**4,95,973**	**5,35,887**	**5,73,342**	**6,29,571**
	(Sub-Total-13 to 21)	*(100.0)*	*(108.1)*	*(115.6)*	*(127.0)*
23	**Net State Value Added**	**9,83,241**	**10,36,128**	**10,92,185**	**11,47,991**
	(5+12+22)	*(100.0)*	*(105.4)*	*(111.1)*	*(116.8)*
24	Taxes on Product	1,62,085	1,84,050	2,00,544	2,15,391
25	Less Subsidies on Product	26,134	31,293	30,785	34,074
26	**Net State Domestic Product (23+24-25)**	**11,19,192**	**11,88,885**	**12,61,944**	**13,29,308**
27	**Per capita NSDP (₹)**	**98,910**	**1,03,832**	**1,08,915**	**1,13,379**

Source : Directorate of Economics and Statistics, GoM, Mumbai.

@ Preliminary + First Revised Estimates

Note- Figures in brackets show percentages to col. (3) Figures may not add up due to rounding.

ANNEXURE 3.5

GROSS VALUE ADDED AT BASIC PRICES BY INDUSTRY OF ORIGIN,
GROSS DOMESTIC PRODUCT AT MARKET PRICES & GROSS NATIONAL INCOME AT CURRENT PRICES

(₹ crore)

Sr No.	Industry	2011-12++	2012-13++	2013-14++	2014-15+
(1)	(2)	(3)	(4)	(5)	(6)
1	Crops	9,82,026	10,90,587	12,32,116	12,52,412
2	Livestock	3,27,301	3,75,254	4,29,662	5,00,405
3	Forestry and Logging	1,24,461	1,35,048	1,43,084	1,38,137
4	Fishing and aquaculture	68,027	79,908	97,590	1,04,297
5	**Agriculture & Allied Activities**	**15,01,816**	**16,80,797**	**19,02,452**	**19,95,251**
	(Sub-Total - 1+2+3+4)	*(18.6)*	*(18.3)*	*(18.4)*	*(17.4)*
6	Mining and Quarrying	2,61,035	2,85,780	2,95,978	3,04,300
7	**Primary Sector (Sub-Total - 5+6)**	**17,62,851**	**19,66,577**	**21,98,430**	**22,99,551**
8	Manufacturing	14,09,986	15,73,632	17,14,730	18,45,541
9	Electricity, Gas, Water supply & Other Utility Services	1,86,668	2,15,538	2,55,812	2,88,935
10	Construction	7,77,363	8,47,573	9,31,680	10,03,903
11	**Secondary Sector (Sub-Total – 8+9+ 10)**	**23,74,017**	**26,36,743**	**29,02,222**	**31,38,379**
12	**Industry**	**26,35,052**	**29,22,523**	**31,98,200**	**34,42,679**
	(Sub-Total - 6 + 11)	*(32.5)*	*(31.8)*	*(30.8)*	*(30.0)*
13	Trade, Repair, Hotels & Restaurants	8,83,582	10,54,598	11,97,668	13,52,240
14	Railways	61,150	72,297	78,799	92,213
15	Transport by means other than Railways	3,37,347	3,88,058	4,26,423	4,80,547
16	Storage	5,108	6,165	6,164	7,409
17	Communication and Services related to Broadcasting	1,25,930	1,42,969	1,79,782	2,07,959
18	Financial Services	4,80,226	5,36,819	6,02,214	6,50,360
19	Real estate, Ownership of dwellings & Professional Services.	10,50,465	12,43,348	14,80,551	17,08,919
20	Public Administration & Defence	4,91,155	5,44,637	6,09,657	7,08,535
21	Other services	5,34,827	6,17,811	6,98,905	8,26,296
22	**Tertiary / Services Sector**	**39,69,790**	**46,06,702**	**52,80,163**	**60,34,478**
	(Sub-Total-13 to 21)	*(49.0)*	*(50.1)*	*(50.9)*	*(52.6)*
23	**Gross State Value Added**	**81,06,656**	**92,10,023**	**1,03,80,813**	**1,14,72,409**
	(5+12+22)	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*
24	Taxes on Product including import duties	8,90,060	10,57,977	12,01,322	13,50,361
25	Less Subsidies on Product	2,60,677	3,16,656	3,09,371	3,34,565
26	**Gross Domestic Product (23+24-25)**	**87,36,039**	**99,51,344**	**1,12,72,764**	**1,24,88,205**
27	Primary income receivable from ROW	(-)76,824	(-)1,16,763	(-)1,39,887	(-)1,47,433
28	**Gross National Income (26+27)**	**86,59,215**	**98,34,581**	**1,11,32,877**	**1,23,40,772**
29	**Per Capita Gross National Income (₹)**	**70,977**	**79,632**	**88,992**	**97,402**

Source : Central Statistical Office, GoI,
+ First revised estimates ++ Second revised estimates
Note - Figures in brackets show percentages to GVA Figures may not add up due to rounding.

ANNEXURE 3.6

GROSS VALUE ADDED AT BASIC PRICES BY INDUSTRY OF ORIGIN,
GROSS DOMESTIC PRODUCT AT MARKET PRICES & GROSS NATIONAL INCOME AT CONSTANT (2011-12) PRICES

(₹ crore)

Sr No.	Industry	2011-12++	2012-13++	2013-14++	2014-15+
(1)	(2)	(3)	(4)	(5)	(6)
1	Crops	9,82,026	9,83,873	10,25,082	9,92,159
2	Livestock	3,27,301	3,44,333	3,63,448	3,89,846
3	Forestry and Logging	1,24,461	1,24,830	1,22,946	1,21,681
4	Fishing and aquaculture	68,027	71,362	76,760	80,607
5	**Agriculture & Allied Activities**	**15,01,816**	**15,24,398**	**15,88,237**	**15,84,293**
	(Sub-Total - 1+2+3+4)	*(100.0)*	*(101.5)*	*(105.8)*	*(105.5)*
6	Mining and Quarrying	2,61,035	2,59,683	2,67,378	2,96,328
7	**Primary Sector (Sub-Total - 5+6)**	**17,62,851**	**17,84,081**	**18,55,615**	**18,80,621**
8	Manufacturing	14,09,986	14,95,268	15,79,721	16,67,069
9	Electricity, Gas, Water supply & Other Utility Services	1,86,668	1,91,876	2,00,861	2,16,970
10	Construction	7,77,363	7,82,256	8,18,494	8,54,636
11	**Secondary Sector (Sub-Total – 8+9+ 10)**	**23,74,017**	**24,69,400**	**25,99,076**	**27,38,675**
12	**Industry**	**26,35,052**	**27,29,083**	**28,66,454**	**30,35,003**
	(Sub-Total - 6 + 11)	*(100.0)*	*(103.6)*	*(108.8)*	*(115.2)*
13	Trade, Repair, Hotels & Restaurants	8,83,582	9,80,398	10,51,089	11,63,083
14	Railways	61,150	68,958	73,100	78,752
15	Transport by means other than Railways	3,37,347	3,60,008	3,81,628	4,06,560
16	Storage	5,108	5,709	5,256	6,137
17	Communication and Services related to Broadcasting	1,25,930	1,34,534	1,58,771	1,79,465
18	Financial Services	4,80,226	5,26,156	5,51,258	5,94,691
19	Real estate, Ownership of dwellings & Professional Services.	10,50,465	11,49,436	12,92,812	14,44,769
20	Public Administration & Defence	4,91,155	4,99,136	5,15,352	5,65,871
21	Other services	5,34,827	5,68,734	6,00,414	6,68,866
22	**Tertiary / Services Sector**	**39,69,790**	**42,93,069**	**46,29,680**	**51,08,194**
	(Sub-Total-13 to 21)	*(100.0)*	*(108.2)*	*(116.7)*	*(128.7)*
23	**Gross Value Added**	**81,06,656**	**85,46,552**	**90,84,369**	**97,27,490**
	(5+12+22)	*(100.0)*	*(105.4)*	*(112.1)*	*(120.0)*
24	Taxes on Product including import duties	8,90,060	9,74,172	10,25,799	11,08,339
25	Less Subsidies on Product	2,60,677	2,93,845	2,70,734	2,83,679
26	**Gross Domestic Product (23+24-25)**	**87,36,039**	**92,26,879**	**98,39,434**	**1,05,52,151**
27	Primary income receivable from ROW	(-)76,824	(-)1,08,170	(-)1,22,372	(-)1,24,450
28	**Gross National Income (26+27)**	**86,59,215**	**91,18,709**	**97,17,062**	**1,04,27,701**
29	**Per Capita Gross National Income (₹)**	**70,977**	**73,836**	**77,674**	**82,302**

Source : Central Statistical Office, GoI
\+ First revised estimates ++ Second revised estimates
Note - Figures in brackets show percentages to col. (3) Figures may not add up due to rounding.

ANNEXURE 3.7

NET VALUE ADDED AT BASIC PRICES BY INDUSTRY OF ORIGIN,
NET DOMESTIC PRODUCT AT MARKET PRICES & NET NATIONAL INCOME AT CURRENT PRICES

(₹ crore)

Sr No.	Industry	2011-12++	2012-13++	2013-14++	2014-15+
(1)	(2)	(3)	(4)	(5)	(6)
1	Crops	9,00,830	9,95,632	11,21,094	11,27,983
2	Livestock	3,22,150	3,69,219	4,22,764	4,92,840
3	Forestry and Logging	1,23,095	1,33,541	1,41,464	1,36,419
4	Fishing and aquaculture	60,039	70,953	87,278	92,690
5	**Agriculture & Allied Activities**	**14,06,113**	**15,69,346**	**17,72,599**	**18,49,931**
	(Sub-Total - 1+2+3+4)	*(19.6)*	*(19.3)*	*(19.3)*	*(18.3)*
6	Mining and Quarrying	2,29,186	2,49,982	2,53,496	2,56,653
7	**Primary Sector (Sub-Total - 5+6)**	**16,35,299**	**18,19,328**	**20,26,095**	**21,06,584**
8	Manufacturing	11,46,921	12,90,236	14,13,015	15,27,003
9	Electricity, Gas, Water supply & Other Utility Services	1,23,811	1,40,536	1,68,964	1,89,311
10	Construction	7,38,206	7,94,744	8,75,102	9,43,456
11	**Secondary Sector (Sub-Total – 8+9+ 10)**	**20,08,938**	**22,25,516**	**24,57,081**	**26,59,770**
12	**Industry**	**22,38,124**	**24,75,499**	**27,10,577**	**29,16,422**
	(Sub-Total - 6 + 11)	*(31.2)*	*(30.4)*	*(29.6)*	*(28.8)*
13	Trade, Repair, Hotels & Restaurants	8,38,109	9,97,692	11,33,091	12,79,473
14	Railways	48,531	57,233	61,464	72,402
15	Transport by means other than Railways	2,88,060	3,29,298	3,64,858	4,19,728
16	Storage	4,351	5,338	5,214	6,194
17	Communication and Services related to Broadcasting	1,02,776	1,16,822	1,35,552	1,43,273
18	Financial Services	4,73,399	5,28,366	5,92,217	6,38,588
19	Real estate, Ownership of dwellings & Professional Services.	8,97,785	10,52,520	12,55,371	14,49,691
20	Public Administration & Defence	4,05,592	4,53,271	5,11,277	6,02,264
21	Other services	4,86,673	5,64,672	6,40,121	7,61,262
22	**Tertiary / Services Sector**	**35,45,278**	**41,05,211**	**46,99,165**	**53,72,875**
	(Sub-Total-13 to 21)	*(49.4)*	*(50.4)*	*(51.2)*	*(53.0)*
23	**Net Value Added**	**71,89,515**	**81,50,056**	**91,82,341**	**1,01,39,229**
	(5+12+22)	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*
24	Taxes on Product including import duties	8,90,060	10,57,977	12,01,322	13,50,361
25	Less Subsidies on Product	2,60,677	3,16,656	3,09,371	3,34,565
26	**Net Domestic Product (23+24-25)**	**78,18,898**	**88,91,378**	**1,00,74,292**	**1,11,55,025**
27	Primary income receivable from ROW	(-)76,824	(-)1,16,763	(-)1,39,887	(-)1,47,433
28	**Net National Income (26+27)**	**77,42,074**	**87,74,615**	**99,34,405**	**1,10,07,592**
29	**Per Capita Net National Income (₹)**	**63,460**	**71,050**	**79,412**	**86,879**

Source : Central Statistical Office, GoI
+ First revised estimates + + Second revised estimates
Note - Figures in brackets show percentages to NVA Figures may not add up due to rounding.

ANNEXURE 3.8

NET VALUE ADDED AT BASIC PRICES BY INDUSTRY OF ORIGIN,
NET DOMESTIC PRODUCT AT MARKET PRICES & NET NATIONAL INCOME AT CONSTANT (2011-12) PRICES

(₹ crore)

Sr No.	Industry	2011-12++	2012-13++	2013-14++	2014-15+
(1)	(2)	(3)	(4)	(5)	(6)
1	Crops	9,00,830	8,96,292	9,30,142	8,91,503
2	Livestock	3,22,150	3,38,734	3,57,334	3,83,331
3	Forestry and Logging	1,23,095	1,23,430	1,21,512	1,20,207
4	Fishing and aquaculture	60,039	62,915	67,712	70,879
5	**Agriculture & Allied Activities**	**14,06,113**	**14,21,371**	**14,76,700**	**14,65,919**
	(Sub-Total - 1+2+3+4)	*(100.0)*	*(101.1)*	*(105.1)*	*(104.3)*
6	Mining and Quarrying	2,29,186	2,25,460	2,28,471	2,54,194
7	**Primary Sector (Sub-Total - 5+6)**	**16,35,299**	**16,46,831**	**17,05,171**	**17,20,114**
8	Manufacturing	11,46,921	12,22,383	12,97,724	13,75,201
9	Electricity, Gas, Water supply & Other Utility Services	1,23,811	1,19,530	1,19,400	1,25,371
10	Construction	7,38,206	7,31,387	7,65,256	7,99,506
11	**Secondary Sector (Sub-Total – 8+9+ 10)**	**20,08,938**	**20,73,300**	**21,82,379**	**23,00,077**
12	**Industry**	**22,38,124**	**22,98,761**	**24,10,850**	**25,54,271**
	(Sub-Total - 6 + 11)	*(100.0)*	*(102.7)*	*(107.8)*	*(114.2)*
13	Trade, Repair, Hotels & Restaurants	8,38,109	9,26,656	9,92,274	10,98,620
14	Railways	48,531	54,750	57,278	61,043
15	Transport by means other than Railways	2,88,060	3,03,622	3,24,467	3,51,014
16	Storage	4,351	4,928	4,393	5,069
17	Communication and Services related to Broadcasting	1,02,776	1,08,998	1,15,565	1,17,812
18	Financial Services	4,73,399	5,17,971	5,41,746	5,83,771
19	Real estate, Ownership of dwellings & Professional Services.	8,97,785	9,70,952	10,89,760	12,17,995
20	Public Administration & Defence	4,05,592	4,11,317	4,23,593	4,69,053
21	Other services	4,86,673	5,18,022	5,45,991	6,10,247
22	**Tertiary / Services Sector**	**35,45,278**	**38,17,216**	**40,95,067**	**45,14,624**
	(Sub-Total-13 to 21)	*(100.0)*	*(107.7)*	*(115.5)*	*(127.4)*
23	**Net Value Added**	**71,89,515**	**75,37,348**	**79,82,616**	**85,34,815**
	(5+12+22)	*(100.0)*	*(104.8)*	*(111.0)*	*(118.7)*
24	Taxes on Product including import duties	8,90,060	9,74,172	10,25,799	11,08,339
25	Less Subsidies on Product	2,60,677	2,93,845	2,70,734	2,83,679
26	**Net Domestic Product (23+24-25)**	**78,18,898**	**82,17,675**	**87,37,681**	**93,59,476**
27	Primary income receivable from ROW	(-)76,824	(-)1,08,170	(-)1,22,372	(-)1,24,450
28	**Net National Income (26+27)**	**77,42,074**	**81,09,505**	**86,15,309**	**92,35,026**
29	**Per Capita Net National Income (₹)**	**63,460**	**65,664**	**68,867**	**72,889**

Source : Central Statistical Office, GoI
\+ First revised estimates ++ Second revised estimates
Note - Figures in brackets show percentages to col. (3) Figures may not add up due to rounding.

LONAR FESTIVAL

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Maharashtra Tourism Development Corporation has decided to give it, its rightful place under the sun, by celebrating first Lonar Fest that aims to boost domestic and international tourists to this amazing place on 3rd 4th and 5th of March 2017. The idea behind this endeavour is to showcase this unique destination to adventure loving tourists across the globe because Lonar has the charisma to become the most sought-after destination.

The festival aims to unveil the enigma of the crater, with special day and night treks planned around the lake. There will be astronomy experts coming over to share important bits of information with the tourists. Various workshops on biodiversity of the region will also be a part of the festival. This fest will not turn around the tried and true song and dance routine but will known as the celebration of biodiversity.

Tourism and biodiversity are closely linked both in terms of impacts and dependency. Many types of tourism rely directly on ecosystem services and biodiversity (ecotourism, agri -tourism, wellness tourism, adventure tourism, etc.). Tourism uses recreational services and supply services provided by ecosystems.

Biodiversity is very important in the tourism sector. Furthermore tourism depends on natural resources as food, clean water or other services of the nature. It also provides tourism with free ecosystem services, like provisioning services (e.g. food, materials etc.), regulating services (e.g. climate control, pollination by insects etc.), habitat services (e.g. genetic diversity etc.), cultural services (e.g. recreation and tourism, education etc.). All those services can make touristic sights much more attractive. People go to places with a great biodiversity, because they want to have new and exotic experiences, they have never seen before. Maharashtra is a great example of how they use their biodiversity for their benefits. It has a great wealth of biological diversity in its forests, its wetlands and in its marine areas.

More and more tourists are travelling independently and are looking for natural and cultural experiences. The beauty and uniqueness of a region's terrain and landscape is what attracts tourists from a far.

Maharashtra's mystical and most well kept secret is the Lonar Lake is an extremely beautiful place situated at around 160 kms from Aurangabad. The place also has an importance of its own as it is the only Hyper-Velocity Crater on the earth!! Geological studies have revealed that the lake is more than 52,000 years old. Low hills which surround the lake are covered with jungle. Dense tree cover about a mile broad surrounds the crater.

Lonar is situated around 550 kilometers from Mumbai and 160 kilometers from Aurangabad, a little more than a four-hour drive from the famous Ajanta Caves. Most tourists come here to see the crater, now considered a rich heritage site.

Ranked among the world's five largest craters and the third-largest salt water lake in the world, the crater was first discovered in 1823 by a British officer, C J E Alexander.

For ages there was much debate over whether the crater had been created by a meteor or whether it has a volcanic origin because of its perfectly round basin-like structure with definite edges. Geologists, for quite some time, were in favour of the volcanic theory but recent research has proved that it was definitely created out of the impact of a meteor due to the typical glassy material found around the crater, created due to the heat generated at that time.

The mystic lake surrounded by ancient temples and natural beauty and rich biodiversity and the town is filled with colourful ancient tradition and lifestyle. The destination is home to several species of wildlife including peafowl, chinkara and gazelles. Migratory birds also flock to the lake during winter months making it an ideal place for bird-watchers and wildlife enthusiasts.

The crater and lake has also been mentioned in the Skanda Puran, the Padma Puran and even the Ain-i-Akbari. Apart from tourists, the Lonar crater also attracts scientists who come to study it. The crater is one of the unique natural formations in the world.

The lake within the crater is both saline and alkaline in nature. The lake water contains various salts or sodas. When the water level reduces due to evaporation during dry weather, large quantities of sodas are collected.

Resident and migratory birds include the brahminy ducks, shell-ducks (European migrants), herons, red-wattled lapwings, baya weavers, parakeet hoopoes, larks swallows are found on the lake.

Except for the small agriculture land, the inside rim is mostly shrubs and short.The forest department have planted exotic species like pine and eucalyptus trees to make a better forest and give an exotic experience to the visitors. At times lapwings and horn bills fly across, but monkeys and peacocks are regular sights.

Amber lake which is adjacent to the main lake: also called little Lonar is a small crater lake near to the main lake and must have been created by the impact of a sub particle from the meteorite.

Some of the temples that tourists can visit near Lonar are Shegaon temple, Gomukh temple and Daitya Sudan temple to name a few.

Earlier known as Shivgaon because of the presence of a temple of Lord Shiva, Shegaon mainly draws the faithful to the 'samadhi' of Sant Shri Gajanan Maharaj. A holy man, he brought about tremendous change in the lives of many people with his spiritual knowledge and power within a short period of 32 years. The temple is now a source of inspiration and spiritual insight for millions of devotees.

The Gomukh temple lies near the crater rim and the water stream here is believed by devotees, to be holy. Animals such as snakes, langurs, deer, foxes and mongoose can be spotted in the vicinity.

The Daitya Sudan Temple is quite similar to the temples of Khajuraho, in its structure and the ancient carvings on the temple walls. The ancient idols of the temple have been constructed using a unique metal that seems similar to stone. The sanctum of the temple is quite dark, which is why the travellers have to use a torch to see the carvings inside and on the roof. This ancient temple is dedicated to Lord Vishnu and belongs to the Chalukya Dynasty that ruled the region between the 6th and 12th centuries AD. The shape of the temple resembles an irregular star.

During local festivals such as the Kamala Devi festival, large numbers of pilgrims enter the crater. Small shops and food-stalls are often established near the crater or along its rim.

For those drawn to study how temples were built in the old days, the ones in Lonar may be of special interest because they used the Hemadpanthi style of architecture i.e. constructed without the use of cementing agents. At the lake itself, one of the amazing sights is that of the hundreds of peafowl which live inside the crater.

Winter is the ideal time to visit Lonar. Climate between November to January remains pleasant. To get the best view of the lake, one should visit before 9am or just before the sun set. Lonar in itself is a beautiful place, just ideal for a short break to get away from urban pressures.


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Personal Branding

an event by eMERG on 25th March 2017
3 PM to 6 PM

A critical need in today's business world, is for individuals to build and promote their brands. It is not just the company's brand or the product brand, it is also the personal brand that makes a difference, because any business needs interactions with other people, and relationships make or break the business. Building a recognizable brand not only helps you to get exposure to new opportunities, it helps you to build who you are and who you want to be in the future. It helps you to build a vision of you and project that vision successfully to the external world.

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Personal Branding

an event by eMERG on 25th March 2017
3 PM to 6 PM

Agenda :

3 pm to 3.20 pm : Welcome Address and Introduction to eMERG
3.20 pm to 3.50 pm : Nidhi Sharma, Life & Personal Branding Coach
3.50 pm to 4.20 pm : Dr Vanashri Valecha, Educationist
4.20 pm to 4.30 pm : Introduction to MEDC
4.30 pm to 4.50 pm : Tea & Networking
4.50 pm to 5.20 pm : A brief workshop on personal branding
5.20 pm to 5.45 pm : Vote of Thanks and Q&A

eMERG is happy to partner with 91spingboard, the coworking partner and MEDC (Maharashtra Economic Development Council) in bringing this event to you.

EMERG

About eMERG : eMERG (the Engineering Manufacturing Entrepreneur Resource Group), is a not-for-profit organization dedicated to helping women entrepreneurs and professionals in their business and professional growth. eMERG organizes trade delegations nationally as well as internationally which provides excellent exposure for new opportunities. Currently it is in the process of setting up a 300 acre incubation facility in Harohalli, near Bangalore for women start-ups to set up their businesses.Visit www.emergindia.org for more details

91springboard is a coworking community that thrives on collaboration amongst members while offering workspace solutions that suit the business's specific needs. It plays an integral role in helping the organization grow and is dedicated to making work life easy and fun.

MEDC is an "Investment Facilitator and Development Catalyst" for the State of Maharashtra - a unique, apolitical and autonomous research organisation working proactively with State Government, Business and Industry, Educationists, Professionals, Bankers, Economists and other leading stakeholders on vital issues of economic development.

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